SYSTEMS APPROACH TO INVENTORY MANAGEMENT

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The inventory management and control system is defined as a subsystem of the industrial company. The paper analyses the connection of the inventory subsystem to the main objectives of the company, the structure of that subsystem and the characteristics of its elements and factors.

The main points of the paper are the followings:

1. The basic objective of the inventory subsystem, derived from the objective of the company, as a whole, can be expressed by a cost function, if the cost factors are properly defined.
2. The structure of the inventory system is formed by the interaction of three main factors of the system.
3. The operation of the system can be well described by using the terminology of the control theory.

The paper explains the connection between the systems approach and the usual operations research approach to the inventory problem and shows, how the systems approach can be used as a very practical basis for analysis of inventory models.