DECLARATION FORM

I Mfarinya Elizabeth T. declare that this project is my own piece of work which has not been copied from any source without the acknowledgement of the source.

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APPROVAL FORM

The undersigned certify that they have read, supervised and recommended to the Midlands State University for acceptance a dissertation entitled:

The impact of cost containment strategies on the financial performance of health insurance firms: case of PSMAS.

The dissertation was submitted by Mfarinya Elizabeth T. (R13394V) in partial fulfillment of the requirements of the Bachelor of Commerce Accounting (Honours) degree at Midlands State University.

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DEDICATION

This piece of work is dedicated to my loving and supportive mother: for seeing more in me than I ever did in myself.

ABSTRACT

The research was prompted by the continual rising of costs and decreasing profitability of PSMAS, a health insurance firm in Zimbabwe. Despite the fact that the firm had made efforts to contain costs since 2013, its profitability and general financial performance continued to decline. The research therefore sought to identify and analyse the cost containment strategies being implemented by PSMAS and to establish factors that influence the success of these strategies. The research also aimed to establish the relationship that exists between cost containment strategies and the financial performance of health insurance firms. The study also had the objective of suggesting more effective strategies to curb costs as well as to determine other factors affecting the financial performance of health insurance firms like PSMAS. Literature from other authors and scholars that relate to the research was reviewed and explored. The researcher then made use of interviews and questionnaires to collect data for the research. A total of 32 questionnaires were distributed to the PSMAS staff and 27 were returned earning a response rate of 84% while three individuals were interviewed out of the five scheduled inspiring an interview response rate of 60%. Data collected was presented into tables and charts and analysis was made resulting in conclusions to be drawn. Recommendations were made based on the conclusions.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

CHAPTER ONE

Introduction

1.0Introduction

This chapter is focused on highlighting the background leading to the study and it states the problem under study. It also gives an insight into the objectives the study aimed to achieve together with the sub-research questions. It proceeds to outline the significance the study has if successfully conducted as well as the assumptions that the researcher made while conducting the study. The chapter ends by highlighting limitations faced in the course of the research, definition of key terms and finally summary of the chapter.

1.1Background of the study

PSMAS is a player in the health insurance industry operating with the aim of providing medical aid cover to its members. Operating in over 10 branches across the country with over 800 000 members, the Society has a significantly large market share, thus making it the industrial leader. The operations of the Society are such that members pay monthly subscriptions to the Society, then they access medical services from service providers using a medical aid card. Service providers then claim their fees from the Society. Over and above medical insurance, the Society offers its members and other people healthcare services and facilities via its investment wing, PSMI. Facilities provided include hospitals, clinics, laboratories, radiologies, rehabilitations, dental clinics and optometries.

With the current economic crisis that has hit the country, PSMAS has been facing challenges that pose a threat to its viability. Income has been dwindling significantly while costs have been rocketing. The result has been a downward trend in profitability with the Society making losses for three years in a row. Table1.1 below outlines the trend in detail.

Table1.1 PSMAS performance statistics for the years 2013-2015.

Years	**2013**	**2014**	**2015**
Revenue	$220,348,551.00	$210,698,325.00	$204,322,785.00
Costs	$240,831,016.00	$265,965,715.00	$289,449,059.00
Profit / (Loss)	($20,482,465.00)	($55,267,390.00)	($85,126,274.00)

Source: PSMAS Financial Statements (2013-2015)

The table above portrays a disturbing trend in the revenue, costs and profitability performance of PSMAS with revenue being recorded as $220,348,551.00 in 2013 and $210,698,325.00 in 2014 following a 4.37% decrease. Revenue declined further by 3% to $204,322,785.00 in 2015. Costs have been taking an upward swing with 2013 recording costs of $240,831,016.00 and 2014 recording $265,965,715.00 after an increase of 10.44%. By 2015 costs were $289,449,059.00 following an 8.83% increase. The result has been the Society continuing to make losses for the past three years with a loss of $20,482,465.00 in 2013, an increased loss to $55,267,390.00 in 2014 and a further loss in 2015 to $85,126,274.00.

Mr. Muchinenyika, the acting Finance Director in the August 2013 Finance Committee meeting minutes expressed concern over the continuous increase in costs without any corresponding increase in revenue. He highlighted that effective cost containment strategies have to be implemented otherwise the society would be driven into bankruptcy.

Following the Finance Committee's recommendations, the Society made attempts to implement various strategies as cost containment measures since 2013. The June 2014 board meeting reports indicated that several more strategies were introduced in 2014 to curb costs. By the end of 2015, countable cost curbing measures had been implemented. Even with cost containment strategies put in place, costs however have continued to increase none the less. The Finance Committee Chairman in a January 2015 meeting's minutes expressed that the cost containment strategies have to be made more effective and successful and if possible, better ones implemented if the society

1.2Statement of the problem

Due to various economic challenges, PSMAS has been facing a trend of decreasing revenue, increasing costs and continuous losses. This has been a huge challenge to its viability. Efforts have been made to try and contain the costs but there has been no change in the trend. The research project aims to evaluate effective strategies that can be employed to contain the increasing costs and how they impact on the financial performance of firms.

1.3 Main Research Question

The impact of cost containment strategies on the financial performance of health insurance firms.

1.4Objectives

The research aimed:

- To identify cost containment strategies being implemented by PSMAS.
- To determine factors influencing the successful implementation of cost containment strategies in health insurance firms.
- To ascertain the relationship between cost containment strategies implementation and financial performance of firms.
- To establish more effective cost containment strategies that can be implemented by health insurance firms.
- To determine other factors that affect financial performance of health insurance firms.

1.5Research Questions

- What cost containment strategies are being implemented by PSMAS?
- What factors influence the successful implementation of cost containment strategies in health insurance firms?
- Does implementing cost containment strategies improve financial performance of firms?
- What more effective strategies can be implemented by health insurance firms to curb costs?
- What other factors affect the financial performance of insurance firms?

1.6Significance of the study

The research is significant to:

- The researcher

It is a part fulfillment of the requirements of the Bachelor of Commerce Accounting (Honours) Degree in which the researcher is currently studying for.

- To Midlands State University

The research adds on to the repository material of the Midlands State University's library and also adds up to the literature for other researchers who would like to make related studies.

- To the organisation

A study of this nature is relevant in bringing into the spotlight the measures that the firm can put in place to contain increasing costs that hinder the profitability of the company. It is also helpful by establishing the likely impact of these measures on the financial performance of the firm so that management can take an informed decision when implementing on these measures. It also highlights factors management should take into account to make the implementation of these strategies successful.

1.7Assumptions

The research is based on the assumptions that:

- There will be no major changes in the nature of operations of PSMAS in the unforeseeable future.
- The respondents were knowledgeable, capable and willing to participate.
- Data collected from these respondents is free from any errors, misstatements and bias.

1.8Delimitations of the study

- The research was centered on one firm in the insurance industry.
- The research was limited to only 3 years of the entity's life span, 2013-2015.
- Key respondents were employees of PSMAS.

1.9Limitations of the study

- There was limited time to conduct a thorough research and the researcher had to work over weekends and outside normal working hours.
- There were monetary constraints to conduct a thorough research and the researcher sometimes had to rely on emails to minimize on transport costs.
- Some of the respondent feared for the confidentiality of the information being collected and the researcher had to assure them the information was safe and entirely for academic purposes.

1.10Defination of terms

- **Costs-** expenses associated with the running of day to day business of the entity as well as putting a good or service into a sellable condition for clients.
- **Cost containment strategies-**strategies meant to control or maintain expenses level without long term damaging the entity.
- **Financial performance-** the expression, in monetary terms, of the degree to which an entity's financial objectives are being met, over a specified period of time and usually in the form of profits or losses.

Acronyms

- **PSMAS –** Premier Service Medical Aid Society
- **PSMI-** Premier Service Medical Investment

1.11Summary

The focus of this chapter was to give an introduction of the research. It started off by giving a background into the problem leading to the research as well as stating the problem area. It went further into stating the objectives of the study and the significance such a research has to the researcher, institute and to PSMAS as the case study. The chapter ended by highlighting the limitations that may arise in the course of the research. The following chapter reviews literature by other scholars and authors on the problem under study.

CHAPTER TWO

Literature Review

2.0Introduction

The chapter reviews literature from other scholars and authors that relate to the problem under study. It highlights the findings and conclusions drawn by other authors in prior studies that relate to this current study. The objectives of this research are reviewed in this chapter in relation to the prior works of other authors.

Cost Containment Strategies

Metzger (2009) defined cost containment strategies as measures of controlling expenses level of a business by preventing unnecessary spending or by cutting down or reducing major cost drivers. Feder (2010) further described cost containment strategies as measures employed by management to keep expenses down to only necessary costs in an attempt to improve the financial performance of a firm but without creating any long term damage to the business.

2.1Analysis of cost containment strategies being implemented by health insurance firms.

Given the current economic challenges Zimbabwe is facing, curbing costs is one of the available options for companies to remain afloat (Taga et al, 2015). Health insurance firms operating in Zimbabwe have also resorted to containing costs as measures to stay viable. As at date, most firms have resorted to cutting pays, retrenching, reducing overtime spending, and restructuring as means to contain costs, (Bususu, 2014).

2.1.1Pay Cuts

Kube et al (2011) defined pay cuts as the intentional reduction of wages, salaries and employment benefits usually done as an attempt to curb costs. Pay cuts can be done in four ways, according to Potter (2016). She clarified that pay cuts can be done by cutting salaries, cutting employment benefits, cutting bonuses and reducing working hours. Preston (2016) emphasized that cutting pays is one of the most effective ways of curbing costs since in most companies the wage bill constitutes a greater proportion of costs. The cost saving realized from cutting cost can go long way in improving profitability, Smith (2012) agreed. Competitiveness is also likely to increase and improve once pays are cut since unit labour costs will be lower, Haliassos (2012) asserted following a study he conducted on firms in Frankfurt.

Truman et al (2008) however argued that the costs of pay cuts may end up being higher than the savings associated with it. Smith (2012) in her test of the “morale theory” outlined that companies that enforce pay cuts may end up suffering from poor morale, lower productivity, poor customer relations and eventually decreases in sales. This will thoroughly harm a company’s financial performance. In a study conducted at the Zurich University library, Kube et al (2011) asserted that output decreased by 20% once a pay cut was enforced on a team of librarians, while decreased output imply decreased revenue.

2.1.2Restructuring

Restructuring is described by Omni (2012) as a process of changing a firm’s operating structure to improve economic viability. Examples include shutting down or selling divisions, mergers, downsizing and delayering, according to Edmunds (2016) with delayering being the commonly form of restructuring being employed by insurance firms. Delayering, according to Thakur (2011), involves destruction of tall organizational structures with layers of ineffective highly paid managers into flat structures. Delayering by removing the number of managers in the structure is a form of demotion to the managers concerned (Verheyen and Guerry, 2014). They outlined that such a demotion involves a decrease in the job authority, level, salary and benefits. Deschacht (2011) explained that the decrease in salary and fringe benefits can be a huge cost saving to businesses making it a desirable cost containment strategy. Delayering can also improve the efficiency and flexibility of the business to adapt to external factors, (Nayab, 2012). However, such a demotion can result in decreased motivation amongst the concerned employees, Borghans et al (2011) explained. They emphasized that once motivation is low, productivity, efficiency and quality of work will decrease as well and this can have devastating effects on the firm’s financial performance.

2.1.3Retrenchment

Retrenchment is defined as the downsizing of a firm’s payroll by employing forced lay-offs of the staff, (Peetz, 2015). In the short run, this strategy can be very effective since significant costs can be cut by dismissal and profitability may improve, according to Redman and Wilkinson (2009). Sarala (2013) emphasized that when retrenchment is employed, there is likely to be increased efficiency, effectiveness, competitiveness, better communication and less bureaucracy in the business which in turn will result in better performance In the long run however, such a move may be very costly, Ochieno (2013) noted. He argued that in as much as layoffs may reduce payroll expenses, it will also come along with retrenchment costs such as the payment of severance pays and retrenchment packages. Sanchez (2011) also argued that retrenching may result in loss of morale to the survivors which in turn will result in decreased productivity and lower quality of work, thus lower revenue.

2.1.4Reducing Overtime spending

Overtime spending arises when an employee receives compensation for working beyond the normal working hours of the business, (Oaxaca, 2014). Mc Querrey (2013) asserted that overtime spending usually contributes a considerable percentage to a business' operating expenses and if not properly managed can be a very costly liability. It can be more devastating when overtime costs start to match the annual salary costs or exceed as in some of the firms studied by Napoli (2012) during the course of his research. Thus reducing overtime spending in such cases can do justice to the cost structures of the firms. According to the US Department of Labor (2016), eliminating or reducing overtime expenses helps in cutting a huge part of labor costs. Reducing overtime spending is an efficient way of cost containment since it has little effects on the workforce (Astron Solutions, 2013). However, if the reduction is not done properly it can result in a lot of pressure on the workforce to finish the work load within the stipulated working hours and it can be stressful and frustrating on their part, according to Malinconico (2016). This will compromise quality of the work.

2.2Factors influencing the successful implementation of cost containment strategies.

A lot of companies have failed to deliver desirable goals in as much cost containment strategies are concerned (Dolan et al, 2010). Strategies to curb cost were implemented but no sustainable decrease in costs was recognized. Deloitte (2016) attributed this to the absence of success factors that should be present for cost containment strategies to be effective. Frey et al (2014) asserted that for cost containment measures to be implemented successfully there should be commitment from management and top executives, involvement of employees, accountability and monitoring of progress. Karim et al (2010) further emphasized that employee participation and support of top management is very vital in ensuring the success of cost curbing measures.

2.2.1Management commitment

Cooper (2011) defined management commitment as a process whereby top management and executives in a company engage and maintain behaviors that help others achieve a goal. Bretta (2008) clarified that when management is committed, it is ready and available to undertake a given responsibility and it must be prepared and excited to participate. For cost containment strategies to be implemented successfully, Katzenbach and Bromfield (2008) asserted that management must be strongly committed to the entire cost curbing process. They explained that a committed management team that has integrity, collaboration, support, respect, honesty and good communication can be very critical in the success of containment measures as they can be influential to employees and other stakeholders who are equally vital in the successful implementation of these measures. Gossy et al (2015) agreed that ensuring that top management and executives are committed in the containment program is very vital to the success of the program. They will be responsible for setting of the goals and strategies as well as monitoring progress and thus their commitment is a huge plus (Agrawal et al, 2009)

However, Farias and Gasparetto (2016) argued that deep commitment by management into the containment program can result in the neglecting of other important managerial duties and responsibilities. Management may end up being too committed on containment measures and lose their focus on customers and fail to meet their needs and cost containment measures would be useless if customers and revenue is lost, Farias and Gasparetto (2016) further explained.

2.2.2Employee involvement

There is no figurehead without feet, Deloitte (2016) asserted, implying that in as much as management can be committed to make cost containment strategies successful, they need the help of those below them, that is, the employees. Employees are said to be involved in the cost containment measures implementation program when they are allowed to participate and contribute to the process (Taga etal, 2010). Employee involvement is a process that involves decisionmaking, participation and communication with the employees with regards to a goal that has to be met (Price, 2008). For the implementation of cost containment strategies to be successful, employees have to be communicated to and made to understand the need to contain costs and feedback should be necessitated so they can also air their views (Delloitte, 2016)

Frey et al (2014) explained that such kind of involvement ensures acceptance for the goals to be met and it creates the desire to contribute to the cost containment efforts within the employees. According to Himme (2012), involving employees in the entire process will ensure that they are not resistant to some changes that are brought about by implementing some cost containment measures. After all, employees are on the ground and they are the labour for implementing, thus their involvement will mean they are going in the right and desired direction when implementing the cost containment measures, Kerr and Pauwels (2014) explained.

Gandolfi (2008) however argued that even if employees are involved in the implementation process, if the measure to be implemented impacts them negatively for example salary cuts, they will not be willing to participate positively in the cost containment strategies implementation. Busush (2014) emphasized that if the company's employees' motivation levels is generally low, employee involvement is unlikely to bring much results when implementing cost containment strategies.

2.2.3Accountability and Monitoring of progress

Accountability is the act of assuming responsibility for successfully completing a task and being able to explain in case of failure or any deviations from the target, according to Cristofari et al (2010). For the implementation of cost containment strategies to be successful, Goldsmith and Stitt (2010) outlined that people within the workforce should be selected to manage the implementation process and be accountable for its success. Agrawal et al (2009) emphasized that these people should possess enough authority, skills and knowledge for them to be effective at implementing the cost curbing measures. They should be answerable for every move in the implementation process and Cristofari et al (2010) explained that this need to be answerable creates a reason to be effective and efficient. For implementation of cost curbing measures to be successful, Deloitte (2016) argued that progress should constantly be monitored. Monitoring progress works hand in hand with enforcing accountability. The people accountable for the implementation process should constantly track the progress of the strategies to review what is working well and what is not and making necessary corrections to the strategies to ensure the target is met (Frey et al, 2014).

2.3The relationship between cost containment strategies and financial performance

According to Bhunia et al (2011), financial performance is defined as a measure of how well a firm is utilising its resources to meet its financial objectives over a specified period of time. The financial performance can be measured by assessing the profitability, financial position, cashflow position as well as by assessing financial ratios.

In their study of the nature of relationship that exists between cost containment measures and profitability in over 40 firms, Olugawagbemiga et al (2014) ascertained that, a positive significant relationship exists between the two. Their view is supported by Gichuki (2014) who noted that in firms where cost containment measures were implemented, profitability and cashflow positions improved significantly. Namu et al (2014) share the same view after their study on 3 firms in Kenya. They concluded that a very strong positive relationship exists between cost containment strategies and firms' financial performance. Their research indicated that where cost curbing measures were implemented, expenses declined significantly triggering an increase in profitability and returns.

Strickland (2012) however argued that the relationship between the two is strangely negative. This is because cost curbing can greatly affect productivity and quality of the firm's service. An example is when a firm decides to layoff key employees as a cost containment measure. This will put pressure on the remaining workforce to meet targets and thus productivity and quality may be compromised. The result will be dissatisfied clients, lower revenue and eventually lower profits. Doraisamy and Lewis (2009) also shared the view that cost containment measures usually impact negatively on customers and results in loss of revenue and consequently lower profits.

The PA Consulting Group report (2012) also argued that cost curbing measures can end up impacting negatively on the financial performance of firms. The report highlighted that measures such as retrenchments and early retirements to curb payroll costs may improve profitability in the short run but in the long run may cause negative cashflows and losses after having to pay heavy retrenchment and severance packages as well as layoff costs.

Bender (2015) emphasized that the relationship between cost containment strategies and financial performance is quite negative in the long run. This is because of the increased risks that come along with employing cost curbing measures. Due to the tightening up of expenses, reduction of bonuses and limiting of pay rises, workforce may become too demotivated and dissatisfied, argued Bender (2015). This poses a risk on productivity, effectiveness, efficiency and quality and more often than not, a dissatisfied workforce increases the risk of fraud while employees seek to replace their monetary bonuses. The result will be poor financial performance in the long run.

2.4Effective strategies that can be employed by health insurance firms to curb costs.

A variety of cost containment strategies have been put forward by different scholars that are deemed to be effective without long term damaging the firm implementing them. Msunduzi Municipality (2013) implemented several cost containment strategies that can also be applicable to health insurance firms. These include energy management, stationery management, and reduction of travelling and entertainment expenses. Prow et al (2012) suggested that outsourcing unrelated business functions and employing more interns can be effective ways of curbing costs.

2.4.1Outsourcing non-core sections

Heric and Singh (2010) asserted that outsourcing functions that are not related to the main business line like security, marketing and cleaning can be a very effective measure of cost containing. Anderson (2011) defined outsourcing as the procurement of functions or services from an outside agent that a firm could otherwise manage on its own in an attempt to save costs. The major cost saving arises from the fact that the service will have to be procured at cost lower than what the firm would have incurred (Corbett, 2014). Since companies will not have to deal with the burden of providing staff benefits and health and life insurance of the outsourced employees, this can be huge cost saving measure (Stanley, 2015). Rampton (2012) emphasized that a company can save up to approximately sixty percent in costs with an outsourced individual. The challenge however is on the fact that before outsourcing can be implemented; staff in the functions to be outsourced have to be laid off and this can earn huge layoff costs, according to Anderson (2011). A firm may also lose control over the quality of services once outsourcing is implemented and this is a major disadvantage according to Heric and Singh (2010).

2.4.2Employing more interns

The Sutton Trust (2014) described an intern as a student from college or university on work related learning for a specified period of time, receiving practical knowledge of the career under study. Mgaya and Mbekomize (2014) explained that this is a huge form of cost saving that a firm can implement. For one thing, interns are hardly paid, in some instances they are paid allowances only and in other cases they are given a mini salary which is a huge saving on payroll costs, according to Lyons (2013). The fact that interns do not require to be provided with employee benefits packages, bonuses, health and life insurance means that employing more of them will get the job done at very little costs, according to the Michigan State University research (2012). Moreover, it is a great Corporate Social Responsibility move, argued Mgaya and Mbekomize (2014).

2.4.3Energy Management

Energy consumption, if not properly managed can contribute a huge percentage to costs, according to Cigarran (2012). Based on his research on a local university, energy costs can be cut by up to $2 million per year if an effective energy management system is put into place. Metcalf (2012) defined energy management as the process of conserving, monitoring and controlling energy reserves in an attempt to save costs. Lorenz (2009) explained that measures to manage energy include installing a solar system to cut on electricity costs, installing motion lights for night lighting and encouraging the switching off of energy devices not in use. Energy management is a great cost curbing method because it requires no or little capital expenditure to implement (Kramer et al, 2009).

2.4.4Stationery Management

Stationery wastage may seem like a very minor cost but in a big organisation the aggregate costs can amount to thousands, according to Ingram (2009). He argued that effective stationery management has to be implemented to curb stationery wastage costs. Rationing stationery supplies, recycling paper and printing on both sides of the paper are all way in which stationery can be managed to curb costs, according to the Msunduzi Municipality (2013). Going digital is also another way to manage stationery costs (Sarantis, 2012). She asserted that by going digital, a firm does away with circulating letters, memos, agendas, reminders and notices in printed form and uses electronic media instead. McCool (2008) emphasized following a study on 500 firms that millions can be saved if firms commit to a disciplined stationery management system.

2.4.5Reducing travelling and entertainment expenditure

Bruers et al (2011) explained that travelling expenditure are all those costs incurred when an employee takes a business trip for meetings, seminars or even to meet clients. The costs include fuel reimbursements, toll gate fees, meal and accommodation expenses as well as travel and subsistence allowances (Msunduzi Municipality, 2013). Such costs can be best curbed by banning unnecessary travelling, negotiating for discounts in air travelling and accommodation and where possible to use cheaper means of transportation, according to Greene (2013). Lowering the travel and subsistence allowance rate can be quite an effective way to curb travelling costs since it discourages employees to make unnecessary business trips (Parekh, 2009). Entertainment costs which include throwing employee celebration parties and providing food during meetings can be contained by providing lighter, cheaper snacks instead, according to Matt (2012).

2.5Other factors affecting financial performance of insurance firms

Other than cost containment strategies, Dermirhan and Anwar (2014) argued that there are other factors affecting financial performance in health insurance firms like liquidity and consumer demand. Xou and Banchuenvijit (2013) also emphasized that general economic conditions and firm size are equally important factors that affect financial performance.

2.5.1Liquidity

Garanina and Petrova (2015) defined liquidity as the extent to which a firm has cash, cash equivalents and other current assets to meet short term obligations. Banafa et al (2015) explained that the more liquid a firm is, the better it performs financially. The relationship between liquidity and financial performance is significantly positive, emphasized Almajali (2012). This view is supported by Vieira (2010) who concluded following his research of 5 insurance firms, the higher the liquidity the higher the profitability would be for the firms. Garanina and Petrova (2015) actually suggested that insurance firms should increase current assets and lower current liabilities in order to perform better financially. Eljelly (2014) however argued that there is an inverse relationship between financial performance and liquidity. Raneman and Wasr (2011) also supported this view and argued that in their research, where liquidity was high, profitability tended to be low.

2.5.2Consumer Demand

Chintagunta and Nair (2011) defined consumer demand as a measure of consumers' desire, interest and willingness to purchase a firm's products and or services. PWC (2012) emphasized that recognizing consumers' interests and enforcing their demand for such can go a long way in increasing sales and revenue for a firm. The higher the demand, the higher the revenue and profitability, explained Hagel 111 et al (2011). Unilever Annual Report (2014) highlighted that weak consumer demand contributed a lot to their decrease in sales. The theory simply being that when demand is high, consumers buy more and this results in higher sales and higher profits if costs are being managed well, according to Chintagunta and Nair (2011). In short, higher consumer demand results in better financial performance (Dermirhan and Anwar, 2014).

2.5.3Firm Size

This is the size of a firm relative to the entire industry, according to Xou and Banchuenvijit (2013). Measures of firm size include, total assets, market share, total sales and even the number of employees, according to Beck et al (2015). Lee (2009) following his study of 7000 US insurance firms explained that bigger firms naturally perform better financially because they can harvest from the benefits of economies of scale. Larger firms can earn discounts from bulk buying, can access larger bank loans, have superior asset resources and can employ better skilled staff and this can significantly boost their performance financially (Pervan and Visiic, 2012). Generally, bigger firms perform financially better, according to Kioko (2013). However Niresh and Velnampy (2014) argued that with large firms, performance may improve up to a certain point but will start declining due to the effects of diseconomies of scale.

2.5.4Economic Conditions

These are the state of economy of a region, particularly a country over a specified period of time in relation to variables like inflation levels, unemployment rates, interest rate and even GDP, according to Erkens et al (2012). Yap et al (2014) explained that when the state of the economy is generally weak, insurance firms, like the rest of the country perform very poorly financially. High inflation levels and high unemployment rate results in lower demand for insurance services and this in turn leads to lower sales and lower profitability (Jones and Henshen, 2014). When the economy is poor, there is a reduction of the availability of funding and this could lead most firms into insolvency, explained Erkens et al (2012). Poor state of economy makes insurance firms to perform poorly, according to Dorofiti and Jakubik (2014), and the reverse also applies. In the period of study, the Zimbabwean economy was characterized by declining growth rates, debt distress, poor export and import performance, negative inflation as well as limited direct foreign investment (Bususu, 2014).

2.6 Chapter Summary

The chapter looked at other scholars' views on the factors influencing the successful implementation of financial performance of insurance firms, the relationship between financial performance and cost containment strategies as well as effective cost curbing measures that insurance firms can implement. The chapter ended by giving an insight on other factors that influence financial performance of health insurance firms. The following chapter will then look at the methodology used in the collection of data for the research.

CHAPTER THREE

Research Methodology

3.0Introduction

This chapter provides information on the research design, approaches and techniques used by the researcher in the collection of data to meet the objectives of the study. It also encompasses a discussion on the sources of the data used as well as details on the study population selected for investigation. The sample sizes and sampling procedures used in the data collection are also discussed in this chapter.

3.1Research Design

Kolbaek (2014) described a research design as the systematic approaches, procedures and plans developed by the researcher to study a specific problem. It is a program designed to guide the research in observing, collecting, analyzing and interpreting data meant to answer the research objectives, according to Creswell (2011). Wyk (2012) summarised that a research design articulates what data is essential, what techniques can be used for collection and analysis of the data and how all this will help in answering the research objectives.

Research designs can be categorized into three broad classes namely the quantitative, qualitative and mixed approaches (Green and Carmone, 2011). The quantitative approach is obtained from the number of responses attained from questionnaires whereas the qualitative approach is interpretive in nature and seeks to obtain explanations of study questions mainly through interviews. The mixed approach as suggested by the name is a mixture of the afore mentioned approaches. The choice of a research design lies upon the cross between the need to obtain relevant reliable data, feasibility, ethics, availability of respondents, money and time (Church, 2013). In this study, the researcher used the case study design and descriptive research design which are mixed approaches.

3.1.1Descriptive research design

A descriptive research design is defined by Wyk (2012) as a method designed to portray and outline respondents in an accurate way. In short, a descriptive research is all about describing the respondents of a study. It can be conducted through three ways according to Burns and Groove (2012), that is, through observation, case study or survey. Observation is recording and viewing of respondents, while case study is all about obtaining an in-depth study on an individual or groups. Surveys on the other hand are all about having discussions or interviews with an individual or groups of individuals on a particular topic.

3.1.2Case Study research design

Yin (2010) defined a case study as an in-depth examination of a single organisation to establish its connection with the research phenomenon. It provides a real life analysis of the organization's behavioral trends through the respondents' opinions and perspectives, according to Rose et al (2015). A case study research design is considerably cheap as it can be conducted by a single researcher and it only involves investigation of a single organisation, (Bryman, 2012). The responses obtained via a case study design are also considered to be more realistic and detailed. It is however difficult to assume that the results obtained via a case study design are representative of the entire population because they were based on only one organisation, (Yin, 2010).

3.2Study Population

Saunders (2010) defined a study population as a universal set of elements with one or more common characteristics that a researcher is interested in, in the course of the research. Bryman (2012) further outlined that the population is a target group from which a researcher can sample individuals in which the researcher will be interested in gaining data and drawing conclusions. For the purpose of this study, the population considered was the employees and management of PSMAS specifically from the finance department, internal audit and the finance committee.

3.3Sample Design and Procedures

Due to budget and time constraints, it was impossible for the research to be based upon the entire population and thus a sample had to be selected. According to Scott and Morrison (2013), a sample can be defined as a small proportion of a larger group drawn for observation and analysis. Burns and Groove (2012) further described a sampling as the selection from a large population, of a subset of individuals to represent the population. Sampling can be done either using probability sampling methods or non-probability ones, according to Good and Hatt (2013). Probability sampling is a method whereby the probability of any population unit being drawn is unknown. In this study, non-probability sampling techniques were used namely judgmental and convenience sampling.

3.3.1Judgmental sampling

This is a rather purposive method of sampling which involves selecting representatives of a population based on the researcher's personal and professional judgment (Green and Carmone, 2011). It is usually applicable in situations where the respondents are already known and the selection is deliberate. In this research, the researcher used academic and professional qualifications, experience, post and tittle in the organisation to judge which individuals to include in the sample.

3.3.2Convinience Sampling

This is a method that qualifies whoever is ready and available to respond to the questionnaires and interviews to be included into the sample frame. It is quite applicable with a busy target population where some individuals are not always available for questioning.

3.3.3Sample frame

The research sample was selected using the judgmental and convenience non-probability sampling methods. The management and employees of the internal audit department, finance department and finance committee of PSMAS were the target population from which the sample was drawn. The tables below shows details of the sample used for the research:

Table 3.1: Research Sample

Sample Elements	Population	Sample size for questionnaires	Sampled population %	Sample size for interviews	Sampled population %
Management	6	3	50%	3	50%
Finance Dept. staff	20	18	90%	-	0%
Internal Audit staff	8	6	75%	-	0%
Finance Committee	8	5	63%	2	25%
Total	**42**	**32**	**76%**	**5**	**12%**

Justification of the sampling

The sample was drawn from the employees and management of the finance and internal audit departments and from members of the finance committee because these people are at the ground for the recommendation, implementation and reviewing of the cost containment strategies in the organisation and thus they are knowledgeable subjects for the research. Judgmental and convenience sampling was used because some respondents were deemed to be too busy or unwilling to participate and the researcher had to judge which individuals were convenient to involve in the study.

3.4Sources of Data

3.4.1Primary Data

This is data collected from the sampled population on the research question under review (Church, 2013). It provides current, accurate, valid and specific information from the selected respondents. According to Burns and Groove (2012), primary data seeks to refine and update existent literature on the research under question and is collected for the first time from the sampled population. This kind of data is collected by means of questionnaires or interviews and it has an advantage in that it provides specific data that answers the research questions. Primary data, however, is very tiresome to access as respondents may be too busy or unwilling to cooperate.

3.5Data Collection Instruments

These are tools used by a researcher to obtain valid reliable information that can answer the research question. The tools used for this study were the questionnaires and interviews techniques.

3.5.1Interviews

An interview is an exchange of views or a discussion between the researcher and the respondent with the aim of seeking the respondent's views on the subject of the research, according to Saunders (2010). These can done on a face to face basis or via the telephone in situations where the respondent is too busy to approve an appointment. Interviews allow the researcher to establish rapport with the respondent and are thus able to read the respondent's non-verbal cues and can therefore judge on the reliability of the answers being provided (Good and Hatt, 2013). The respondent also has room to ask questions and clarity where he/she did not understand the question and this enhances the validity of the answers to be provided. Most importantly, the researcher is able to ask or probe further follow up questions in an interview scenario and thus more complete information is gained. There is however a loophole in interviewing in that most researchers have a tendency to seek answers that back up their preconceived notions and this can bias the whole research (Church, 2013). There has also been a noted tendency of respondents being too eager to please the researcher in most interview situations and this can immensely distort the results. In this study, the researcher conducted interviews with the sampled management and members of the Finance Committee.

3.5.2Questionnaires

This is a paper and pen instrument that allows the respondent to complete a set of sequential questions with specific indications on how each question should be answered, according to Scott and Morrison (2013). Questionnaires are a very familiar technique with respondents and they are user friendly especially when they are closed ended (Yin, 2010). They are very convenient to the researcher since they can be distributed via e-mail prompting savings on time and money on the researcher's part. Moreover, bias is eliminated between the researcher and respondent when questionnaires are used as the respondent does not have to face the researcher when completing the questionnaire. That anonymity factor enhances the reliability of the questionnaire results. Above all, questionnaires provide a written record of the research for further references at the analysis stage. Questionnaires however, are rather impersonal and sometimes respondents may be confused by the wording or jargon making the results biased. In this research, the researcher also used questionnaires to collect data and they were distributed via emails and physically to the sample population. The questionnaires were structured in the form of closed ended questions using the Likert Scale. Closed ended questions are questions whereby the respondent has to select from a set of possible answers.

3.5.2.1The Likert Scale

This is an attitude measure tool that shows the degree of a respondent's opinion towards a given question, according to Yin (2010). It also seeks to quantify qualitative data to make it more compatible for statistical analysis. The scale ranges from strongly agree to strongly disagree or from point 1 to point 5 as shown in the table below:

Table3.2: The Likert Scale

Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
5	4	3	2	1

3.6Validity and Reliability of Data

Data validity is defined by Guilford (2013) as the measure of the extent to which the data collected is capable of addressing the problem in which it was intended to answer. When data is valid, it is accurate, exact and precise to the research under question. Data validity in this research was ensured by making sure that the questions asked in the instruments are relevant to the research objectives. It was also ensured by the help and approval of the academic supervisor that the questions to be asked were relevant to the research study. Data reliability is a measure of the extent of consistency with an instrument that measures an attribute (Church, 2013). Reliable data can be depended upon to be stable and accurate.

3.7Data Presentation and analysis

The data results collected from questionnaires and interviews would be meaningless if not presented in a usable format that allows for interpretation and analysis (Guilford, 2013). Converting the data into useable format involved organizing it then using tables, graphs and charts to present it. This allowed the user to better understand the data and be able to deduce meanings and arrive at conclusions.

3.8Ethical Considerations

The research was carried out on an ethical basis. The data collected was merely for academic purposes only and high levels of confidentiality were maintained. None of the respondents were coerced to respond. Their participation in the research was entirely free will. Thus, ethical considerations were not violated by the research process.

3.9Chapter Summary

This chapter dealt with the techniques used to collect data from primary and secondary data sources, discussing the merits and demerits of each technique. It also dealt with the analysis of the population under study and how the individuals were drawn from the population to form the study sample. The chapter ended by reviewing the validity and reliability of the data collected and reviewing how the research was based on ethical considerations. The next chapter focuses on the presentation and analysis of the data collected using the methodology prescribed in this chapter.

CHAPTER FOUR

Data Presentation and Analysis

4.0Introduction

This chapter focuses on the presentation and analysis of the primary data collected using the methods prescribed in the previous chapter. The use of graphs, charts and tables is incorporated in this chapter to turn the raw data collected into meaningful information that allows for a conclusion to be drawn in relation to the research objectives.

4.1Questionnaire Analysis

Working with a study population of 42 people, questionnaires were issued physically and via emails to a sample of 32 people at PSMAS. Of the 32 questionnaires distributed, 27 were returned earning a response rate of 84%. Details of the questionnaire response rate are shown in table 4.1 below.

Table 4.1: Questionnaire response rate

Responding Group	**Questionnaires Distributed**	**Questionnaires Returned**	**Response Rate**
Management	3	1	33%
Finance Dept. staff	18	17	94%
Internal Audit staff	6	6	100%
Finance Committee	5	3	60%
Total	**32**	**27**	**84%**

Table 4.1 above shows the trend of questionnaire responses rate. The overall questionnaire response rate was 84%. 27 questionnaires were returned of the 32 distributed. Only 1 questionnaire was returned of the 3 distributed to management, earning a response rate of 66%. A response rate of 94% was obtained from the questionnaires distributed to the finance department staff where 18 questionnaires were distributed and 17 were returned. A 100% response rate was obtained from the internal audit department staff with 6 questionnaires distributed and all of them were returned. 2 questionnaires were not returned by the members of the finance committee earning a 60% response rate. Since the overall questionnaire rate of 84%

is more than half, then the reliability of the data collected through it is assumed to be enhanced. Findings from the questionnaires are presented and analysed below.

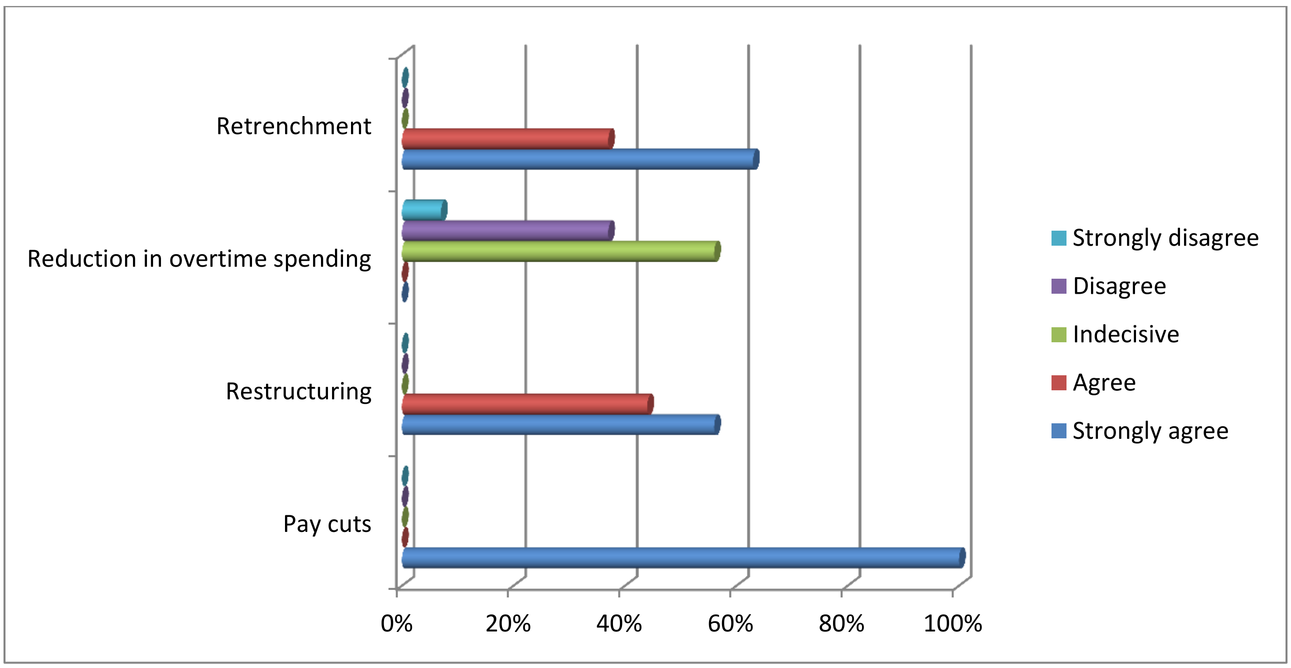
4.1.1Cost containment strategies being implemented by PSMAS.

The question sought to identify the strategies being implemented by PSMAS as a health insurance firm in an attempt to curb costs and the following raw data was obtained:

Table4.2: Responses on the cost containment strategies being implemented by PSMAS

Cost containment measures being implemented	Strongly agree	Agree	Indecisive	Disagree	Strongly disagree	Total
a. Pay cuts	27	0	0	0	0	27
b. Restructuring	15	12	0	0	0	27
c. Reduction in overtime spending	0	0	15	10	2	27
d. Retrenchment	17	10	0	0	0	27

Fig 4.1 Cost containment strategies being implemented by PSMAS



a. Pay Cuts

None of respondent (0%) disagreed or was unsure of the fact that pay cuts were being implemented as a measure to curb costs at PSMAS. A whole (27/27) 100% were in support of the view that employees' salaries and benefits were being cut as the organisation attempted to contain payroll costs. Since the respondents in agreement were a 100%, the researcher was prompted to conclude the notion as true. This conclusion was in sync with the views of Preston (2016) who emphasized that firms were resorting to pay cuts as a cost reduction measure since the wage bill usually constitutes a larger percentage of costs and thus cutting pays can go a long way in curbing the costs.

b. Restructuring

Out of the 27 respondents, (15/27) 56% strongly agreed with the view that the organisation was being restructured in an attempt to curb costs. A further (12/27) 44% also supported this as illustrated by fig 4.1 above. None (0%) disagreed or were unsure of their views. Therefore, the entire 100% respondents agreed that PSMAS was enforcing restructuring as a strategy to contain costs . The researcher can thus conclude that restructuring is indeed a measure being implemented by PSMAS. This is seconded by Deschacht (2011) who clarified that restructuring is now being implemented by a lot of insurance firms because it can result in huge cost savings. This is because it usually involves the removal of a number of managers in the organizational structure as a demotion and savings can be made on the decreased salaries and benefits that may result.

c. Retrenchment

Fig 4.1 indicates that (17/27) 63% of respondents were strongly of the view that employees in the firm were being retrenched as the organisation tried to contain payroll costs. A further 37% (10/27) were also in support of this notion. None (0%) of the respondents seemed to be in disagreement or to be unsure of their views. The researcher was thus prompted to conclude that retrenchment was indeed being implemented by PSMAS to curb costs. This coincide with the findings of Redman and Wilkinson (2009) who concluded that firms are now retrenching employees as a cost curbing measure because it can result in a massive containment of payroll costs.

d. Reducing overtime spending

Fig 4.1 highlights that none (0%) of the respondents agreed that overtime spending had been reduced to curb costs. The chart indicates that(15/27) 56% were unsure of whether overtime spending had been reduced to contain costs and this may be because the company's policy towards overtime was not clearly communicated to everyone in the organisation. However, (10/27) 37% disagreed that overtime spending was reduced while another (2/27) 7% strongly disagreed. This prompted the researcher to conclude that the majority of respondents were unsure of whether overtime spending in the organisation had been reduced or not. This however is contrary to the views of US Department of Labour (2016) who postulated that insurance firms are cutting down spending on overtime to save on labor costs.

It can be concluded from the above responses that pay cuts, restructuring and retrenchment are indeed being implemented to curb costs at PSMAS but the majority of respondents were unsure of whether overtime spending was reduced. Interview responses however clarified that indeed overtime spending was reduced.

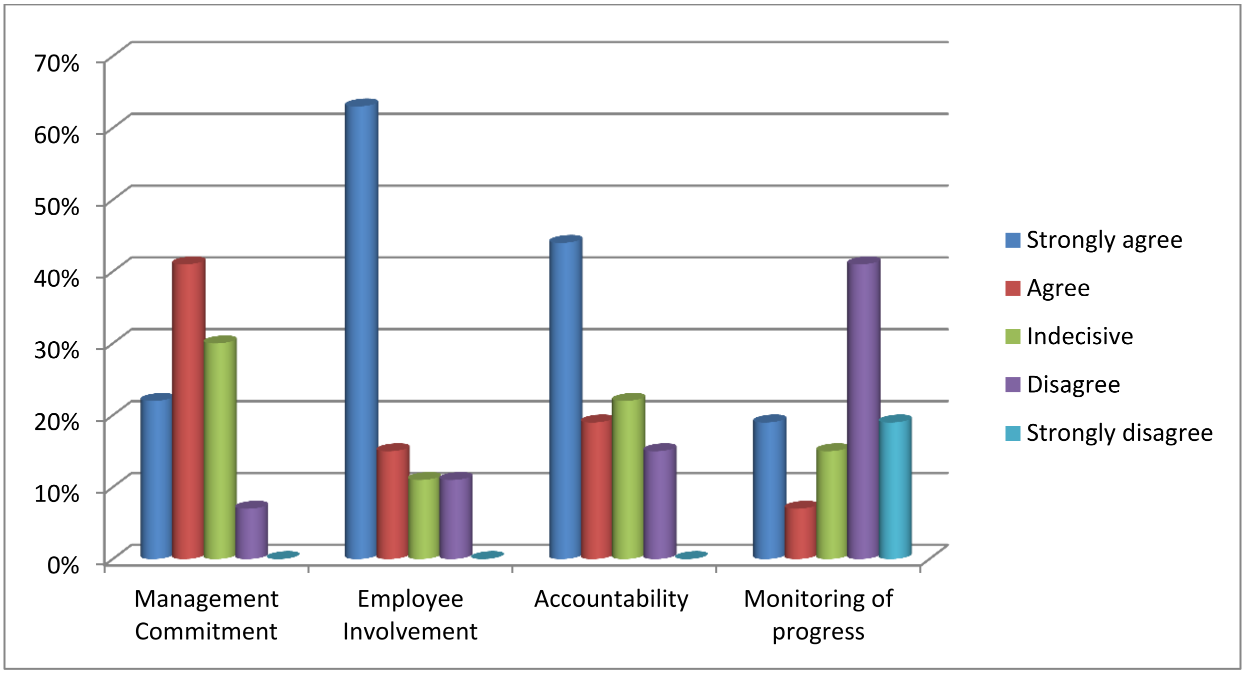
4.1.2Factors influencing the successful implementation of cost containment strategies.

The objective of the question was to ascertain the factors influencing the successful implementation of cost containment strategies in health insurance firms and table 4.3 and fig4.2 show details of the data collected from PSMAS.

Table4.3: Responses on the factors influencing successful implementation of cost containment strategies.

Factors	Strongly agree	Agree	Indecisive	Disagree	Strongly disagree	Total
a. Management Commitment	6	11	8	2	0	27
b. Employee Involvement	17	4	3	3	0	27
c. Accountability	12	5	6	4	0	27
d. Monitoring of progress	5	2	4	11	5	27

Fig 4.2: Factors influencing successful implementation of cost containment strategies



a. Management Commitment

None (0%) of the respondents were in strong disagreement of the fact that management commitment is an important factor affecting the successful implementation of cost containment strategies as highlighted in fig 4.2. However, (2/27) 7% were in disagreement while (8/27) 30% were unsure of whether management commitment played a role in successful cost curbing efforts. Fig 4.2 indicated that (11/27) 41% and (6/27) 22% agreed and strongly agreed respectively which brings the total to 63% of the respondents who were of the view that commitment and support of management have an influence in the successful implementation of cost curbing strategies. This seconded the views of Gossy et al (2015) who postulated that the commitment of management and executives is very important while Agrawal et al (2009) further explained that since management is responsible for setting goals and strategies their commitment is a very vital factor in the implementation of cost containment strategies.

b. Employee Involvement

As reflected by fig 4.2 above, 63% (17/27) of the responding population was in strong agreement of the fact that employee involvement strongly influences the successful implementation of cost curbing measures while (4/27)15 % simply agreed. Fig 4.2 also showed that (3/27)11 % of the respondents were unsure while another (3/27) 11% disagreed. None (0%) of the population was however in strong disagreement. It can therefore be concluded that the majority of the respondents (78%) were in sync with the views of Himme (2012) and Kerr and Pauwels (2014) who summarised that involvement of employees in the implementation process will ensure that there is no resistance by the employees and they will be corporative in delivering the desired goals.

c. Accountability

Fig 4.2 above indicates that (12/27) 44% of the responding sample strongly agreed that accountability is essential when it comes to implementing cost curbing measures. While (5/27) 19% also agreed, (6/27) 22% were uncertain. However, (4/27) 15% disagreed and 0% strongly disagreed that implementing cost containment strategies was influenced by accountability efforts. A greater percentage of the respondents, 63% in total agreed that accountability plays a role in the successful implementation of cost curbing measures. This is supported by Cristofari et al (2010) who explained that accountability ensures efficiency and effectiveness of the implementation process making its success more probable. Goldsmith and Stitt (2010) also highlighted that where accountability was practiced, the success of the strategies was evident.

d. Monitoring of Progress

A standing 19% (5/27) of the respondents were strongly for the view that monitoring of progress increases the chances of the success of cost containment measures and (2/27) 7% simply agreed while (4/27) 15% were unsure and (11/27) 41 % however disagreed that monitoring progress has a role in the implementation process. A further (5/27) 19% strongly disagreed as shown in fig4.2 above bringing the total to 60% of those who disagreed. A greater proportion of the sample was against the notion that the monitoring of progress influences the successful implementation of cost curbing strategies. This totally disputed the views of Frey etal (2014) who were of the idea that monitoring of progress in the implementation of cost curbing measures is essential since it allows management to review what is working well and make appropriate corrections were applicable.

The above findings motivated the researcher to conclude that accountability, management commitment and employee involvement are necessary factors for the success of cost containment strategies. The monitoring of progress was rejected as a success factor of cost containment strategies although interview responses highlighted that it is as much necessary.

4.1.3The relationship between cost containment strategies and financial performance of health insurance firms.

Respondents were asked whether implementing cost containment strategies improves the financial performance of health insurance firms. Their responses are tabulated below in table 4.4 and they are regressed in fig4.3 to show the relationship between financial performance and cost containment strategies.

Table 4.4: Responses on whether employing cost containment strategies improves financial performance.

	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Responses	11	5	2	8	1

Fig 4.3: the relationship between cost containment strategies and financial performance

```
. reg fp ccs

      Source |       SS       df       MS              Number of obs =      27
-------------+------------------------------           F(  1,    25) =   45.50
       Model |  4.06360116     1  4.06360116           Prob > F      =  0.0000
    Residual |  2.23269514    25  .089307806           R-squared     =  0.6454
-------------+------------------------------           Adj R-squared =  0.6312
       Total |   6.2962963    26  .242165242           Root MSE      =  .29884

------------------------------------------------------------------------------
          fp |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
         ccs |   .2842415   .0421383     6.75   0.000     .1974561    .3710269
       _cons |  -.4020619   .1634022    -2.46   0.021    -.7385949   -.0655288
------------------------------------------------------------------------------

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Fig 4.3 portrays the regression analysis on the relationship between cost containment strategies implementation and financial performance using the data in table 4.4. A positive coefficient indicates a positive relationship between the variables and a t-statistic value above 2 shows that the relationship is significant, same as a probability value that is less than 5%. Fig 4.3 shows a positive coefficient of 0.2842415 implying that the relationship is positive and a 1% increase in the implementation of cost containment strategies will result in a 28.4% increase in financial performance. The t-static value is 6.75 which is above 2 and the probability value is 0.00 which is less than 5% indicating that the relationship is significant. It can thus be concluded that the relationship between financial performance and cost containment strategies implementation is positive and very significant. This corresponds with the findings of Olugawagbemiga et al (2014) who concluded that there is a positive relationship between implementing cost containment strategies and the resulting performance. Namu et al (2014) also agreed that implementing cost containment strategies lowers expenses levels thereby triggering an increase in profits. These findings are strongly complemented by those obtained from interviews.

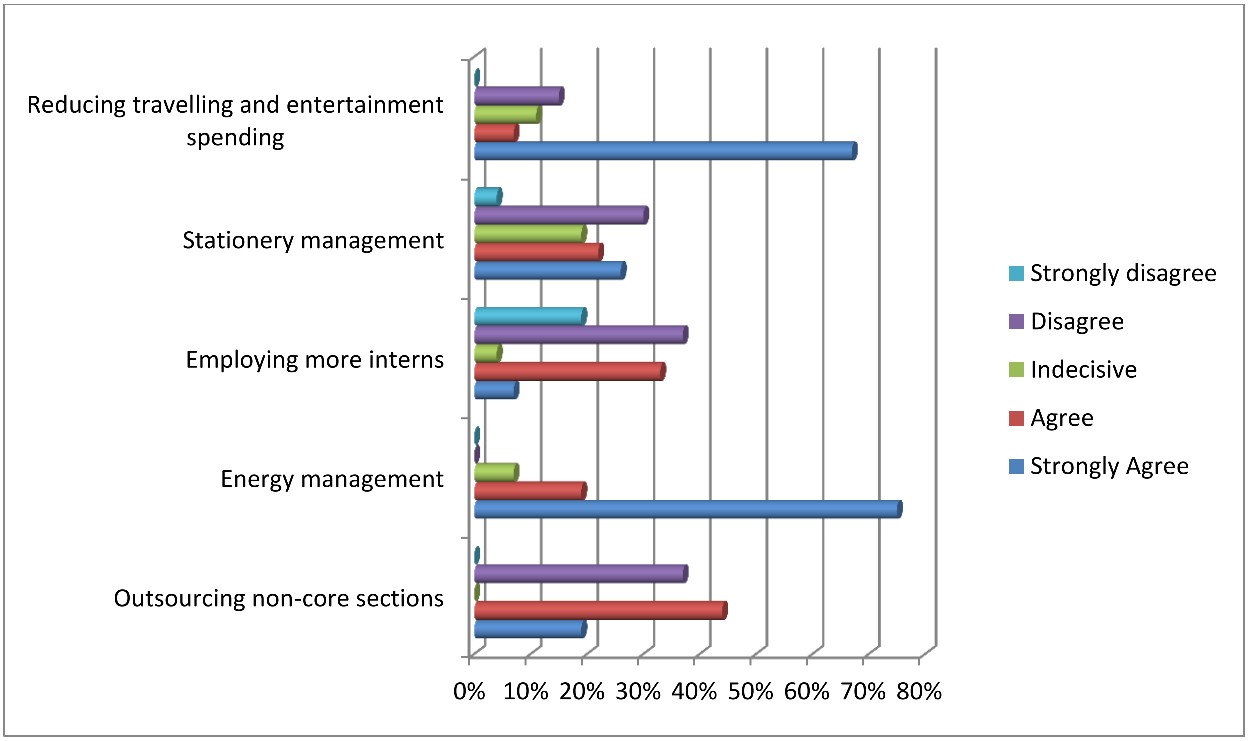
4.1.4Effective measures that can be implemented by health insurance firms to curb costs.

The question aimed to establish more effective strategies that health insurance firms can implement to improve financial performance. The raw data below was obtained from the respondents on their views concerning more effective strategies.

Table4.5: Responses on effective cost containment strategies

Strategy	Strongly Agree	Agree	Indecisive	Disagree	Strongly disagree	Total
a. Outsourcing non-core sections	5	12	0	10	0	27
b. Energy management	20	5	2	0	0	27
c. Employing more interns	2	9	1	10	5	27
d. Stationery management	7	6	5	8	1	27
e. Reducing travelling and entertainment spending	18	2	3	4	0	27

Fig 4.4: effective strategies that can be implemented to curb costs



a. Outsourcing non-core sections

Fig 4.4 above indicates that (5/27) 19% of the respondents strongly agreed that outsourcing non-core sections of the organisation can be an effective way of containing costs. Another (12/27) 44% also agreed to this notion. None (0%) of the respondents were uncertain although (10/27) 37% disagreed that out sourcing services that do not relate to the organization's main line of business can be effective in curbing costs. The majority of the sampled population being a total of 63% was in agreement of the notion and thus it can be concluded that outsourcing non-core sections can be effective in containing costs as seconded by Rampton (2012) who explained that up to 60% savings can be made when outsourcing is enforced. This is because the organisation will have been spared of the burden of providing benefits and insurance to the employees of the outsourced services as it would have been had they not outsourced, according to Stanley (2015).

b. Energy Management

Questioned on whether energy management can be effective in containing costs, (20/27) 74% of the respondents strongly agreed while (5/27) 19% just agreed. None or 0% disagreed to the notion although a small (2/27) 7% was unsure. It is without doubt that the majority of the respondents were in agreement and it can be concluded that energy management can be an effective strategy to curb costs. This is supported by Cigarran (2012) who pointed out following his research on a local university that huge cost savings can be made when energy management is implemented. Kramer et al (2009) also agreed by emphasizing that energy management requires little or no capital expenditure and thus is one of the most convenient strategies to contain costs.

c. Employing more interns

When questioned on whether employing more interns can be a viable option to contain costs, the respondents had mixed views. While (2/27) 7% agreed that it is, another (9/27) 33% simply agreed and (1/27) 4% were unsure. Fig 4.4 shows that (10/27) 37% disagreed and another (5/27) 19% strongly disagreed. Since the greater proportion of respondents were in disagreement, it can thus be derived that employing more interns may not be that effective at curbing costs. This however goes against the views of Mgaya and Mbekomize (2014) as well as those of Lyons (2013) who all argued that employing more interns can contain a huge percentage of payroll costs as interns are paid no or a mini salary and no benefits.

d. Stationery Management

Fig 4.4 shows the responses form the sampled population when they were asked if stationery management can be an effective cost containment strategy. Fig 4.4 also indicates that (7/27) 26% of the respondents strongly agreed that it really can be effective and another (6/27) 22% also agreed. While (5/27) 19% of the respondents were unsure, (8/27) 30% disagreed and a further (1/27) 4% strongly disagreed that managing stationery can be effective at curbing costs. By a close margin, respondents for the notion were more; being 48% in total and thus it can be concluded that stationery management can really be effective at cost containment. This is backed by Msunduzi Municipality (2013) who argued that implementing stationery management can go a long way in cutting costs as organisations will do away with costly paper transactions and introduce digital processing. McCool (2008) also highlighted that millions were seen to be saved when organisations under his study implemented stationery management as a cost containing strategy.

e. **Reducing travelling and entertainment expenditure**

Out of the 27 respondents, (2/27) 7% agreed and another (18/27) 67% strongly agreed that reducing travelling and entertainment expenditure can be a viable efficient cost curbing measure. A small (3/27) 11% of the respondents were unsure while (4/27) 15% disagreed although no (0%) respondent was in strong disagreement. A total of 73% of the respondents were in agreement of the notion that reducing entertainment and travelling expenditure can effectively contain costs in an organisation like PSMAS and their view was supported by Parekh (2009) and Matt (2012) who argued that reducing entertainment and travelling expenditure can be very effective as it does not really damage employees' morale like most strategies do.

The researcher can thus conclude that respondents were of the view that outsourcing non- related services, energy and stationery management as well as reducing entertainment and travel expenditure are effective strategies to curb costs. Employing more interns was however rejected as an effective strategy although interviewees strongly felt it can very effective at curbing costs.

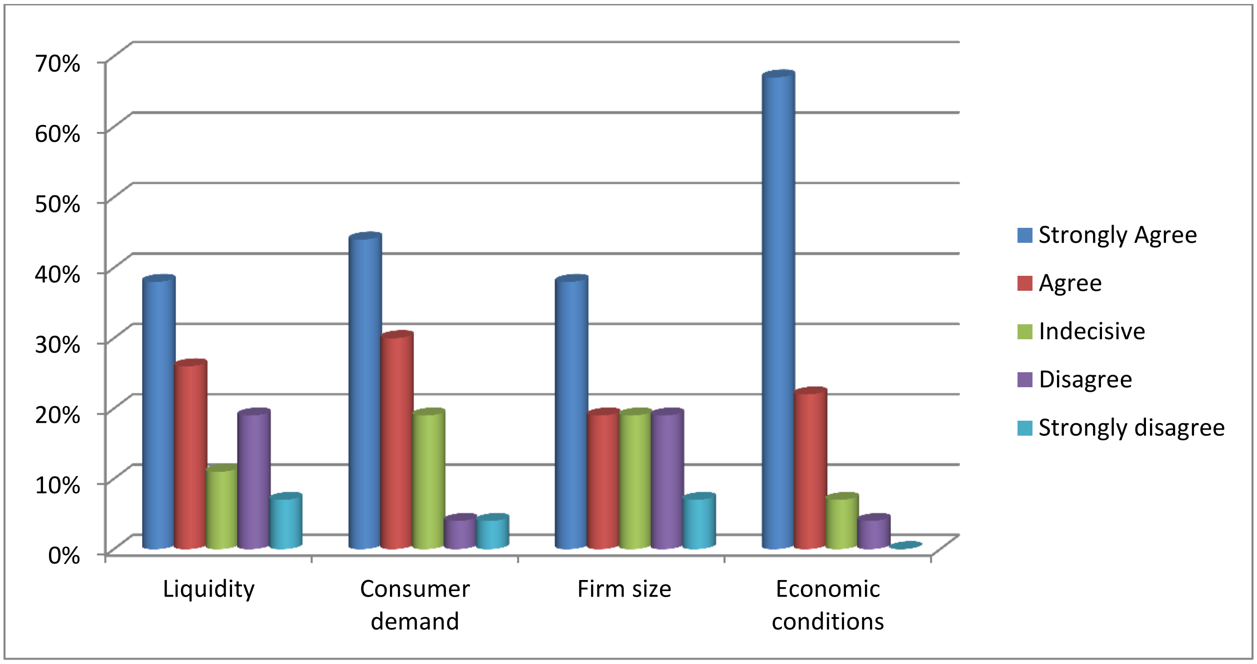
4.1.5 Other factors that affect the financial performance of health insurance firms.

The objective was to determine factors, other than cost containment strategies that also affect the financial performance of health insurance firms. Responses obtained are presented in table 4.6 and fig 4.5 below.

Table 4.6: Responses on other factors affecting financial performance

Strategy	**Strongly Agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**	**Total**
a. Liquidity	10	7	3	5	2	27
b. Consumer demand	12	8	5	1	1	27
c. Firm size	10	5	5	5	2	27
d. Economic conditions	18	6	2	1	0	27

Fig 4.5: Other factors influencing financial performance



a. Liquidity

When asked if liquidity also affects the financial performance of health insurance firms, (10/27) 37% of the respondents strongly agreed and another (7/27) 26% supported this view. While (3/27) 11% were uncertain of their views, (5/27) 19% of the respondents disagreed and a further (2/27)7% strongly disagreed to this notion. Since a greater proportion, a total of 63% are in agreement, it can be finalized that liquidity does affect the financial performance of health insurance firms. This view is seconded by Banafa et al (2015) who emphasized that a more liquid firm generally performs better financially. Almajali (2012) also agreed and highlighted that the relationship between liquidity and financial performance is strongly positive.

b. Consumer Demand

Out of the 27 respondents, 12 (44%) respondents were in strong agreement and 8 (30%) respondents also agreed that consumer demand has an effect on the financial performance of health insurance firms. Fig 4.5 indicates that (5/27) 19% were uncertain of their views while (1/27) 4% disagreed and another (1/27) 4% also strongly disagreed that financial performance is affected by consumer demand. A total of 74% were in agreement of with the notion and this prompted the researcher to conclude that consumer demand does have an impact on the financial performance of insurance firms. This is in sync with the view of PWC (2012) and Hagel 111 et al (2011) who emphasized that when demand is high, revenue and profitability increase and the reverse also applies.

c. Firm Size

Fig4.5 above indicates that (5/27) 19% of the respondents agreed and (10/27) 37% strongly agreed that the size of a firm affects financial performance in the insurance industry. Another 19% were not certain on their views although another (5/27) 19% again disagreed on the notion. A further (2/27) 7% of the respondents strongly disagreed. In total, 56% of the respondents were in agreement and the researcher was prompted conclude that firm size really has an effect on the financial performance of an organisation like PSMAS. This conclusion corresponds with that of Lee (2009) whose findings on 700 firms indicated that larger firms generally perform better than smaller ones. Kioko (2013) also agreed that since larger firms benefit from economies of scale, they end up earning more revenue and making more profits. Niresh and Velnampy (2014) however argued that the larger a firm gets, the poorer it performs financially due to the effects of diseconomies of scale.

d. Economic Conditions

As shown by fig 4.5, (18/27) 67% of the respondents were strongly for the view that economic conditions affect financial performance. A further (6/27) 22% also supported the view while (2/27) 7% were really uncertain and only (1/27) 4% disagreed. Thus a total of 89% of the respondents were in agreement of the notion so a conclusion can be reached that economic conditions do affect the financial performance of insurance firms. Yap et al (2014) share the same view as they highlighted that when an economic is weak characterized by high inflation, unemployment and even high interest rates, insurance firms perform poorly. Dorofiti and Jakubik (2014) also emphasized that in states where the economy is performing poorly, insurance firms perform financially poorly and the reverse also applies.

The respondents agreed that liquidity, consumer demand, firm size and economic conditions are other factors influencing financial performance and these responses are complemented by those from interviews.

4.2Interview Analysis

Interviews were scheduled to be conducted on the sampled management and members of the finance committee at PSMAS for purposes of this research. A total of 5 individuals were scheduled to be interviewed, 3 managers and 2 members of the finance committee. However, two respondents were unavailable for interviewing, inspiring an interview response rate of 60%. Table 4.7 below details the interview response rate.

Table 4.7: Interview response rate

Targeted population	Scheduled interviews	Conducted interviews	Response rate
Finance Director	1	0	0%
Management Accountant	1	1	100%
Internal Audit Director	1	1	100%
Finance Committee Chairperson	1	0	0%
Finance Committee Secretary	1	1	100%
Total	**5**	**3**	**60%**

A 60% response rate was obtained with the Management Accountant, Internal Audit Director, Finance Committee Secretary being interviewed and the Finance Director and the Finance Committee Chairperson were not available for interviewing. Interview responses were thus based on 3 individuals and their responses are analysed below.

4.2.1What cost containment strategies are being implemented by PSMAS?

The respondents highlighted that various measures were currently being employed by the organisation to curb costs. These include cutting of salaries and benefits, reducing overtime spending and retrenchment of mangers. They also highlighted that a restructuring exercise was currently in place to flatten the organisation that was heavily populated with numerous levels of managers. They argued that most of these strategies are targeted on reducing payroll costs which can be very destructive to a firm if they are too high as postulated by Preston (2016) and Mc Querrey (2013). These responses were in sync with responses from questionnaires except that questionnaires indicated that most respondents were unsure of whether overtime spending had been reduced or not.

One interviewee however also added that the firm was also trying to curb claims costs by engaging in claims audits to reduce losses through medical aid fraud as well as claims limits to avoid members claiming more than they pay for.

4.2.2What factors influence the successful implementation of cost containment strategies?

The majority the respondents were of the view that implementing cost containment measures successfully was largely dependent on the efforts and support of management. They argued that because management is the figurehead in cost containment their commitment and support will ensure that the strategies go in the right direction and be successful. They share this view with Gossy et al (2015) who postulated that when top management is committed in the implementation process, success is more often evident. One interviewee strongly felt that allowing employees to participate increases the chances of the success of cost containment strategies.

The respondents also highlighted that tracking progress is as much important if implementation is to be successful. They emphasized that the progress of the implementation process has to be tracked and corrective measures taken where deviations from the expected occur. This view however is in dispute of findings from questionnaires that concluded that monitoring of progress does not influence the success of cost containment strategies.

4.2.3Does implementing cost containment strategies improve the financial performance of health insurance firms?

It does, was the unhesitant response of two thirds of the respondents. They highlighted that if cost containment strategies are effectively and efficiently implemented, they can result in massive cost savings. This is in sync with the views of Namu et al (2014) who concluded that there is a positive linear relationship between financial performance and implementing cost containment strategies. They clarified that most of the firms in the insurance industry that have extensively implemented cost curbing measures have been performing better for example First Mutual and Old Mutual.

A third of the respondents however argued that the relationship between the two is very negative. The reasoning behind this view being that PSMAS has been implementing containment strategies since 2013 but is still performing poorly. This view however diverges from findings from questionnaires that established that the relationship between the two variables is significantly positive.

4.2.4 What more effective strategies can be implemented to curb costs in the organisation?

Two thirds of the respondents portrayed that outsourcing is the most effective strategy the firm can employ to curb costs and plans are already underway to try and outsource some services that are not related to the organization's main line of business like cleaning and security. This will help the firm to do away with insurance and benefits costs that are currently being paid to employees providing these services in the firm. This is seconded by Heric and Singh (2010)

All respondents also believed that if the organisation employed more part time, temporary and student employees, payroll costs can be cut by almost half. These earn significantly lower than permanent employees since they are not entitled to much employee benefits and neither are they entitled to any form of insurance, according to Lyons (2013). So the respondent felt this can be an effective measure. Questionnaire findings however disagreed with the view that employing more interns can be effective in curbing costs.

4.2.5What other factors affect financial performance of insurance firms?

The respondents felt that the financial performance of insurance firms is strongly affected by the country's state of economy. They explained that currently the economy is in bad shape characterized by a heavy liquidity crunch. This is one huge factor making PSMAS perform poorly since cashflows are always in the negative. This view is in sync with that of Yap et al (2014) who emphasized that a poor and weak state of economy makes insurance firms perform poorly. The respondents also thought highly of consumer demand being a factor influencing consumer demand. They emphasized that it is just a common rule of economics that when demand increase, income and profitability increases and vice versa, as is supported by Chintagunta and Nair (2011).

The responses complement those from questionnaires except for one respondent who added that unemployment rate also affect financial performance. The argument being that when unemployment rate is low, more people are employed and this entails more income that can be spent for health insurance. On the part of the insurance firms, this will increase revenue and eventually profit.

4.3Chapter Summary

This chapter dealt with the presentation of data collected from questionnaires and interviews into tables, graphs and charts and making analysis on it to make the data meaningful for conclusions to be drawn in the following chapter.

CHAPTER FIVE

Summary, Conclusions and Recommendations

5.0Introduction

The basis of this chapter is to summarise findings on the research on the impact of cost containment strategies on financial performance and to make conclusions on those findings as well as to make recommendations and suggest areas for future researches.

5.1Executive Summary

The research was conducted in an attempt to establish the impact of cost containment strategies implementation on financial performance of health insurance firms with PSMAS being the case study.

Chapter One highlighted the background leading to the study and it was established without doubt that PSMAS was performing poorly with continually rising costs and decreasing profitability despite the fact that the firm had introduced some cost containment measures. The chapter also outlined the objectives of the research as well as the questions the study was supposed to answer at the end of the day. A justification of the study and limitations within the research were also highlighted in this chapter.

The second chapter reviewed literature from other scholars and authors in relation to the research objectives. Analysis were made on each objective and views of other authors like Bender (2015), Anderson (2011), Bususu (2014), Chintagunta and Nair (2011) and Vieira (2010) were cited on the cost curbing measures being implemented by health insurance firms, factors affecting the success of the implementation, the relationship between implementing cost containment measures and financial performance as well as their suggestions on effective cost curbing measures to employ. The chapter ended by discussing the authors' views on other factors affecting financial performance of health insurance firms.

In Chapter Three the researcher highlighted the research methodology used to collect data. A discussion of descriptive research and case study as the research designs to be used in data collection was also included in the chapter. The sampling techniques, sample population and size were also included. Chapter Three also reviewed the primary and secondary sources of data as well as interviews and questionnaires as instruments to collect the data. Reliability and validity of data and ethical issues were also considered.

Chapter Four was basically concentrated on the presentation and analysis of the data collected using the methodology in chapter three. 84% and 60% response rates were obtained from questionnaires ad interviews respectively. The data obtained via these instruments was presented into charts, graphs and tables to allow for meaningful analysis and conclusions to be drawn.

5.2Summary of Major Findings

Cost containment strategies being implemented by PSMAS

The research established that PSMAS as a health insurance firm has implemented claims limits, claims audits, pay cuts, retrenchments, restructuring and reduced overtime expenditure as measures to curb increasing costs.

Factors influencing the successful implementation of cost containment strategies in health insurance firms.

It was also established in the research that for the implementation of cost containment strategies to be successful, management commitment, employee involvement and participation, accountability and tracking of progress are necessary factors that should be present within the organisation.

The relationship between implementation of cost containment strategies and financial performance of firms.

The relationship is significantly positive. The research established that if cost curbing strategies are implemented, efficiently and effectively, they can result in the reduction of costs and the increasing of profits.

Effective cost curbing measures that can be implemented by PSMAS.

Outsourcing non-core services, energy and stationery management, employing more temporary and cheap staff as well as reducing spending on entertainment and travelling can be effective measures to curb costs as established by the research.

Other factors affecting financial performance of health insurance firms.

According to the research findings, financial performance of health insurance firms can also be affected by the condition of the economy, unemployment rate, levels of consumer demand as well as the size of the firm.

5.3Conclusion

The research was generally quite successful as it managed to provide answers to all the research objectives and questions. It managed to ascertain the impact of cost containment strategies on financial performance as well as the factors influencing the success of these strategies. The research also managed to establish more effective cost curbing strategies, factors influencing the successful implementation of these strategies as well as to determine other factors influencing financial performance of health insurance firms. Since it managed to meet the objectives of the research, the research was quite successful.

5.4Recommendations

The researcher recommends that for PSMAS to make the existent strategies more effective and successful at containing costs, management should be thoroughly committed to the implementation process as established by Gossy et al (2015). PSMAS should also involve employees in the implementation process and allow them to participate thoroughly as this creates the desire within them to contribute towards cost curbing efforts and make the implementation successful, according to Frey et al (2014). The researcher also recommends that individuals amongst the workforce should be made responsible and accountable for the implementation process and should also monitor the progress of the strategies, (Deloitte, 2016).

PSMAS is also recommended to try other more effective cost containment strategies like energy and stationery management, outsourcing non-core sections, employing more cheap staff like interns and reducing travelling and entertainment spending to thoroughly contain costs and improve profitability, (Msunduzi Municipality, 2013).

The researcher also recommends the organisation to investigate and address other factors like consumer demand, liquidity and economic conditions as they could be the factors resulting in poor performance of PSMAS.

5.5Suggestion for further research

The researcher suggests that further studies be done on the challenges being faced by insurance firms in implementing cost containment strategies as well as ways to mitigate those challenges. A greater need however, is to research on the major cost drivers in health insurance firms and establish strategies to curb them.

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APPENDIX I

COVER LETTER

Midlands State University

Department of Accounting

P. Bag 9055

Gweru

19 September, 2016

Dear Sir/Madam

RE: AUTHORIZATION TO CARRY OUT RESEARCH AT YOUR ORGANISATION

I am a final year student at Midlands State University who is studying for the Bachelor of Commerce Accounting Honours Degree. As a partial fulfilment to my studies, I am required to carry out a research by the University on a problem area of my choice. My research is based on the topic **"the impact of cost containment strategies on the financial performance of health insurance firms,"** with your organisation as the case study To conduct the research, there is need for information from finance and audit departments' staff as well as from members of the finance committee.

I therefore kindly request assistance from the afore mentioned individuals by way of completing questionnaires and responding to interview questions for input in my research study. The information to be gained is entirely for academic purposes and will be guarded with the highest degree of confidentiality. Your assistance will be sincerely appreciated.

Yours sincerely

Mfarinya Elizabeth

APPENDIX II

REQUEST LETTER

Midlands State University
Department of Accounting
P. Bag 9055
Gweru

19 September, 2016

Dear Respondent.

RE: ASSISTANCE WITH FILLING OF QUESTIONNAIRE

May you kindly complete the attached questionnaire by putting ticks in appropriate boxes and filling in the spaces provided? The information provided will assist in the accomplishment of the research titled: **The impact of cost containment strategies on the financial performance of health insurance firms**. The research is compulsory for the partial fulfillment of my studies for the Bachelor of Commerce Accounting (Honors) Degree at Midlands State University (MSU). Information provided will be treated as confidential and will be used for academic purposes only.

Your cooperation will be greatly appreciated.

Yours faithfully

Mfarinya Elizabeth

APPENDIX III

QUESTIONNAIRE

Instructions

Answer by ticking in the appropriate box.

Fill in the space where it is provided.

1. The cost containment measures being implemented by PSMAS are:

Cost containment measures being implemented	**Strongly agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
a. Pay cuts					
b. Restructuring					
c. Reduction in overtime spending					
d. Retrenchment					

2. In your view, the factors that affect the successful implementation of cost containment strategies are:

Factors	**Strongly agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
a. Management Commitment					
b. Employee Involvement					
c. Accountability					
d. Monitoring of progress					

3. Implementing cost containment strategies improves financial performance of insurance firms:

	Strongly Agree	**Agree**	**Indecisive**	**Disagree**	**Strongly Disagree**
CCS improves financial performance					

4. The following can be implemented as effective strategies to curb costs in health insurance firms:

Strategy	**Strongly Agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
a. Outsourcing non-core sections					
b. Energy management					
c. Employing more interns					
d. Stationery management					
e. Reducing travelling and entertainment spending					

5. The following factors also affect financial performance in health insurance firms:

Strategy	**Strongly Agree**	**Agree**	**Indecisive**	**Disagree**	**Strongly disagree**
a. Liquidity					
b. Consumer demand					
c. Firm size					
d. Economic conditions					

Additional comments:

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Thank you for your assistance.

APPENDIX IV

INTERVIEW GUIDE

Interview questions

1. What cost containment strategies are being implemented at PSMAS?
2. What factors influence the successful implementation of the strategies?
3. Does implementing cost containment strategies improve financial performance of insurance firms?
4. What more effective strategies can be implemented to curb costs in the organisation?
5. What other factors also affect the financial performance of health insurance firms?