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***TOPIC: AN INVESTIGATION ON THE EFFECTIVENESS OF COST CUTTING
TECHNIQUES ON FINANCIAL PERFORMANCE OF AN ORGANISATION: A CASE OF
CLARION INSURANCE***

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I Innocent Vincent James declare that this research project here is my piece of work and has not been copied from any source without the acknowledgement of the source.

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DEDICATION

This is a special dedication to the whole of my family as they are my source of inspiration.

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Firstly I would want to extend sincere gratitude to my supervisor Mrs Nyamwanza for the support and guidance throughout my entire research. I would also want to thank my family for the financial and emotional support they gave me while I was undertaking this research. Also, special mention goes to Clarion Insurance Company employees and management whose views were of great importance to the success of this project. Lastly I would like to thank all my friends for the support and help they gave me.

ABSTRACT

The research was prompted by the continuous increasing costs and decreasing profits of Clarion Insurance Company, a short term insurance company in Zimbabwe. Notwithstanding the fact the company had made efforts to curb costs since 2016, its profits and generally financial performance continued to decline. The study was carried out to investigate on the efficacy of cost cutting techniques implemented at Clarion Insurance Company in an attempt to improve the financial performance of an organization. The researcher therefore sought to establish and analyse the cost reduction techniques being implemented by Clarion Insurance Company and identify factors which influence the success of these strategies. The study also aimed at establishing the relationship between cost reduction techniques and financial performance of an organisation. Literature from other scholars and authors was reviewed and analysed. The researcher opted for descriptive research design which was effectively coalesced with a qualitative research approach. A systematic sampling technique was employed to identify the 30 respondents to questionnaires and 3 interviews from the management and employees of Clarion Insurance Company. Results indicated that if carefully crafted and implemented, the measures which were employed by the organization, particularly service outsourcing and business process optimization can go a long way in reducing the escalating expenses and improve their cash flow and financial position. Evidence gathered convinced the researcher to recommend that management should move away from reduction of employee benefits and retrenchment where they risk having a hostile working environment and losing experienced personnel. Recommendations were made based on the conclusions

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CHAPTER ONE

1: INTRODUCTION TO THE STUDY

1.0 INTRODUCTION

Cost reduction techniques are measures or strategies implemented within an organization to maintain cost relative to business activities and set budgets Hadulla (2014). Clarion Insurance Company is an insurance company which is in the business of providing short term insurance and their products includes motor vehicle insurance, household insurance, personal insurance and tobacco insurance cover. The Head Office of the company is located in Harare and the company has two region country wide that is Northern region and southern region. This chapter contains the background of the study, the statement of the problem, the main research objectives, the research questions, assumptions of the study, delimitations, limitation, definition of the key terms and the summary.

1.1 BACKGROUND OF THE STUDY

O'Hearn (2015) postulated that main reason why organizations embark on cost reduction strategies is to improve or maintain profitability, remain competitive, increasing productivity and thrive. Fathollali (2014), Muriithi et al (2014) , Nadon (2014) , Zhan Su and Jianmin (2015) , Athalye et al, (2015), Yu and Park (2016), Omotayo and Kulatunga (2016) , Lawal (2017) and Eshua (2019) postulated that there is a significant positive relationship between cost cutting and financial performance and they all agree that cost cutting improves financial performance through increase in profits .Aral (2015) and Mercer (2014) also alluded that reduction of certain percentage in employee's allowances and benefits will significantly reduce the total costs of the business and this results in improved financial performance. Holley et al (2015) and Basu (2015) also asserts that retrenchment as a cost reduction measure allows the firm to retain or minimize cash outflows in form of salaries especially those of top management which will be huge and ballooning the wage bill. However despite the compelling provided by the proponents of cost reduction practices, there is no general consensus so far on the effects of cost cutting practices on financial performance. Bullon and Bueno (2014), Kawai (2015), Datta et al (2014), Mojeed (2014) and Dixu

(2014) asserts that firms implementing cost cutting tend to suffer more financial difficulties than their counterparts. Flynn and Staw (2014) , Enugu (2014), Cameron (2014) , Peters (2016) Asserted that the implementation of cost reduction techniques may lead to reduced profits especially because of an immediate influx in cost related to retrenchment that include severance packages and payment of leave days. Since the effects of cost cutting on financial performance remain unresolved, more evidence on the relationship between cost cutting and financial performance is required. This research contributes to amplify our knowledge on the relationship between cost reduction and financial performance in Zimbabwe. This research seeks to evaluate the effectiveness of cost cutting strategies on financial performance, thus what have motivated me to carry out a research on a topic which has been vastly studied before and suggest possible solutions to the problems.

The company has been experiencing increasing cost, reduced profits, reduced employ morale and employees making a lot of errors at work from the time it started implementing cost cutting techniques such as cutting back employee benefits and retrenchment (Budget minutes 2018).

Table 1.1 below show an extract from the organizational Management reports highlighting the persistent increase in cost after the implementation of cost reduction techniques.

Table 1.1 Statistics of Clarion Insurance after implementing cost reduction techniques

Years	2016 (US \$Million)	2017 (US \$Million)	2018 (US \$Million)
Revenue	15.7	15.5	15.6
Operating expenses	5.7	7.5	9.8
Employee Benefits	4.2	3.5	2.3
Total expenditure	(9.9)	(11)	(12.1)
Profit	5.8	4.5	3.5

Source:(An extract from Clarion Management Accounting Reports for the Period 2016 to 2018.)

The expenditure of the company continued to escalate despite the fact that employee benefits were being cut back. From the Table 1.1 above it is shown that the total expenditure was US \$9.9 Million in 2016 and it continued to escalate to US \$10 Million in 2017 which was about 10% increase and

this was due to increase in operational expenses from US\$5.7 to US\$7.5 (Finance Department 2017) then increased to US \$12.1 Million in 2018 which was about 9.09% increase as a result of increase in operational cost from US\$7.5Million in 2017 to US\$9,8Million in 2018 which was about 23.46% increase, according to (Finance Minutes 2018) the persistent increase in operational cost was due to payments of retrenchment packages and gratuity payments for the retrenched staff. This is a reflection of Bullon and Bueno (2014) who stated that company implementing cost reduction techniques tend to suffer more on cost than their counterparts due to payment of retrenchment packages, leave days and gratuity payments.

According to (Clarion Management reports 2018) from 2016 to 2018 shows that the company's profits has been declining year by year since the implementation of cost reduction techniques in 2016. The company has been experiencing decreasing profits (Budget minutes 2018) .From the above table it can be noted that the company's profits has been decreasing by an average of 22.22% yearly. In 2016 profits were US \$5.8 Million and it declined to US \$4.5 Million in 2017 (US\$1.3 Million decrease) a 22,22% decrease in profits this was due to an increase in total expenditure which rose from US\$9.9 Million in 2016 to US\$11 Million in 2017 which was about 10% increase in total expenditure. According to (Annual progress report 2017) the increase in total expenditure was due severance payments .The profits of the company continued to fall from US\$4.5 in 2017 to US \$3.5Million in 2018 (US\$1Million decrease) which was 22.22% decrease in profits in 2018 according to annual progress report (2018) the decrease in profits was due to increase total expenditure which rose from US\$11 Million in 2017 to US\$12,1Million in 2018 and the continued increase in expenditure was due to compensation benefits (Management report 2018).This is in agreement with the Cameron (2014), Boyne and Meier (2015) who postulated that downsizing leads to reduced profits for the organization the main reasons being compensation benefits such as severance packages ,gratuity payments outstanding leave balances and other bonuses and pensions of the retrenched staff which leads to high costs and in turn low profits for the organization

In a survey conducted by the HR department of Clarion ,the company saw a drop in measure of employee satisfaction since the time when cost reduction techniques was implemented in 2016 (Performance Appraisal minutes 2018).Below is a table showing findings of the survey.

Table 1.2: Measure of employee satisfaction (2016; 2017; 2018)

Years	2016	2017	2018
Punctuality at work	84%	80%	72%
Effectiveness of work done	78%	70%	60%
Presence at workplace	82%	80%	78%

Source:(Performance appraisal year end meeting 2018)

From Table 1.2 above the company's index for employee satisfaction tests declined over three years .As of punctuality, the company had a 4% decrease in the year 2017 which was because the company had been cutting back other employee related benefits such as monthly groceries allowance and transport allowance (Management report 2018) and followed by an 8% decline in 2018 which was also because of cutting back of other employee benefits according to annual progress report (2018). On effectiveness of the work done the company also experienced a fall in 2017 from 78% in 2016 to 70% in 2017 a 8% fall which was also attributed to the cutting back of employee benefits(Management report 2017) and it continued to fall from 70% in 2017 to 60% in 2018 which was a 10% deterioration and this was due to work overload since other staff had been retrenched (Finance department 2018) .On presence at work the company experienced a 2% fall in both 2017 and 2018. This is a reflection of Aral (2015) who argued that reducing employee benefits and retrenching other employees may lead to demotivation of the remaining employees and this disruption will negatively affect productivity and profits.

From the (Clarion Audit report 2018) it is prudent that employees has been making a lot of errors at work in every department that is Accounting department, Claims department, Underwriting department and operations. Below is a table showing number errors found in each departments in the period under review (2016-2018)

Table 1.3 Errors found in each of the four departments

Years	2016 Errors	2017 Errors	2018 Errors
Accounting	6	8	9
Claims	7	9	10
Operations	3	5	6
Underwriting	6	7	11
Total	22	29	36

Source : (Audit reports extracts from 2016 to 2018)

Every department of the company has been making a lot of errors and the errors continued to increase in number year by year from 2016 to 2018 (Audit report 2018) .From the Table 1.3 above shows that errors within organizational departments continued to increase in numbers each and every year, in 2016 there was a total of 22 errors and it increased to 29 in 2017 due to an increase of 7 more errors a 25% increase in number of errors, this was due to work overload and lack of motivation (Management report 2017).The company continued to suffer from errors made by employee in 2018 a total of 36 errors was recorded as a result of 7 more errors (an increase of 20% more errors). According to the company's HR departments they said this was due to low morale and over working because the departments were under stuffed. (Management report 2018). This is a reflection of Aral (2015) who argued that reducing employee benefits and retrenching other employees may to lead to demotivation of the remaining employees and this disruption will negatively affect productivity and profits. This research therefore seeks to evaluate the effectiveness of cost cutting strategies on financial performance and suggest possible guideline for effective implementation and to provide possible solutions to the problems.

1.2 STATEMENT OF THE PROBLEM

Clarion is currently facing constant decreases in profits, persistent increase in expenditure, reduced employees morale and the problem still arise in trying to balance between cost reduction techniques and financial performance of the company, therefore this research study seeks to explore the effectiveness of cost reduction techniques on financial performance of the company.

1.3 MAIN RESEARCH QUESTION

What are the effects of implementing cost reduction techniques on the financial performance of an organization?

1.4 RESEARCH OBJECTIVES

- To evaluate cost reduction techniques implemented by Clarion.
- To evaluate the effects of cost reduction techniques on financial performance of an insurance company
- To establish the measures to be adopted for effective implementation of cost reduction techniques.
- To establish the relationship between successful implementation of cost reduction techniques and financial performance of an organization.

1.5 RESEARCH QUESTIONS

- What are the cost reduction techniques employed by Clarion Insurance Company?
- What are the effects of implementing cost reduction on financial performance?
- What are the measures to be adopted to ensure effective implementation of cost reduction?
- What is the relationship between the successful implementation of cost reduction techniques and financial performance of an organization?

1.6 ASSUMPTIONS OF THE STUDY

The respondents will be knowledgeable, capable and willing to participate.

Data to be collected from the respondents will be free from errors, misstatements and bias.

1.7 DELIMITATION OF THE STUDY

The research is focused on establishing the effectiveness of cost reduction techniques employed on the financial performance of Clarion Insurance Company Northern region. The research covers the period 2016 to 2018 and the employees and management of Clarion are the respondents.

1.8 LIMITATION OF THE STUDY

The researcher might face challenges which includes

- The time period of the research study may be short but the researcher will use the internet and telephone in conducting the research
- Power cuts but the researcher will make maximum utilization of the day light
- Confidentiality – Access to every information might be limited due to the fact that management regards certain information as confidential and will try to withhold it. The researcher will obtain a letter from the University to assure management that the information disclosed is for academic purposes and will be confidential
- Management collaboration might be a limitation due the fact that they jobs keeps them busy but the student will make use of interviews to get a number of responses.

1.9 DEFINITION OF TERMS

- Cost –these are expenses which are economically unavoidable and technically essential for production of a product or service. Niemand.et al (2004)
- Cost reduction techniques- these are methods or strategies implemented within an organization to maintain costs relative to business activities and set budgets. Hadulla (2014)
- Performance- the attainment of a certain specified task with focus on the level of completeness, time taken, costs and other standards be it comparison with past results or other organization. Elg er (2012)

1.10 CHAPTER SUMMARY

The chapter gave an overview of the effectiveness of cost cutting techniques implemented on the performance of Clarion. Area covered were the background of cost reduction techniques and the impact on financial performance. The case study used was that of Clarion Insurance Company a short term insurance company in Zimbabwe. Analysis of work done by other scholars on the related problem the company is facing now was done. The chapter went to outline research objectives and questions the study aims to answer in order to address these problems

CHAPTER 2: LITERATURE REVIEW

2.0 INTRODUCTION

This chapter examines the literature around the study. The chapter will review past relevant journals and studies on the evaluation of cost reduction techniques, effects of implementing cost reduction techniques on financial performance of a company, measures to be adopted for effective implementation of cost reduction techniques and relationship between successful implementation of cost reduction techniques and financial performance of an organization.

2.1 TO EVALUATE COST REDUCTION TECHNIQUES IMPLEMENTED BY CLARION.

2.1.1 STAFF RETRENCHMENT

According to Rehman and Naeem (2014) and Kitching (2014) retrenchment happens in many ways of job losses however a reduction in staff often referred to as redundancy or down-sizing mostly for possible efficiency gains or due to falling of the demand of the company's product or services. Morrow et al (2016), Anthony (2015), Locker (2014), Sikka (2014) and Nusslc (2014) posited that retrenchment is necessary cost reduction technique since the wage bill is one of the most costs of many organizations in the world hence regular analysis of the staff size and downsizing it will lead to more cost efficient practices. Dalton and Kensor (2014) supported this notion citing that retrenchment process ensures an improved liquidity for the organization due to reduction of salaries and other pension and medical contributions. Holly et al (2015) and Basu (2015) also postulated that retrenchment enhances the entity to retain or minimize cash outflows in form of salaries mostly of top management which are usually huge and ballooning the wage bill.

However Heathfield (2014), Khan and Naumann (2014) and Meier and Boyne (2015) argued that retrenchment brings huge costs to the entity that includes the gratuity payments, severance packages, payments of outstanding leave days and other cost such as pensions and bonuses. Aral (2015) and Hofer 2014 added that on top of retrenchment costs, the process usually results the demotivation of the remaining employees and this disrupts work and production of the remaining staff there by negatively impacting on production and profits. Tien and Chi (2014) Raphulu and Mudely (2015) also alluded to these same sentiments citing that the main reason why entities carry

out retrenchment exercises is to reduce total expenditure such that incurring of any cost may result in the organization incurring losses due to retrenchment exercises making it ineffective.

The authors Cameron (2014), Habib (2015) and Gandolfi (2014) took a neutral position positing that retrenchment does help the fluidity of an entity but it does also affects negatively the entity mostly in the long run hence it has to be exercised with caution. Majority of the benefits of staff retrenchment are for short term and immediate otherwise it impact negatively on the workforce, performance and image of an entity Shock and Rother (2014). The above researches focused on the cases in developed nations, thus this research intended to find out if staff retrenchment has effectively contributed to the financial performance of Clarion insurance in Zimbabwe.

2.1.2 REDUCTION OF EMPLOYEE BENEFITS AND ALLOWANCES

Bruton and Wan (2014) postulated that most organizations incur huge costs mostly in medical contributions such that cutting them back would actually improve on the financial position of an entity. This was supported by Sudarsanam and Lai (2014) who asserted that employee benefits and allowances contribute a huge portion of an entity's total expenditure thus reduction of them usually improves the financial performance of an organization. Hofer (2014) and Schoenberg et al (2015) also supported this notion adding that employee related benefits and allowances not only does it improves the liquidity and financial position of an entity but unlike retrenchment it also maintains a certain degree of motivation in the workforce as all workers are retained. According Aral and Mercer (2015) the cutting back of a certain percentage in each and every employee's allowances and benefits when aggregated will reduce significantly the total costs of the business and this strategy gives immediate and long term benefits to the organization.

On the other side, Flyna and Shaw (2014) were of the view that reduction of employee benefits may discourage employee motivation especially when critical benefits like medical contributions are reduced. Cameron (2014) supported this notion arguing that it is detrimental for the organization to reduce employee benefits because it may hurt the morale of the workforce, productivity and eventually profits. Hair et al (2014) and Cheinhall (2014) also argued that health related benefits among other benefits must never be reduced due to the fact that they affect the workforce and working environment. According to Goerge (2014) and Barolsky (2014) the cutting back of benefits and allowances in most may not yield significant intended change by the employers and this why they end up opting for staff retrenchment.

Kitching (2014) took a neutral position and cited that cutting back of employee's benefits and allowances can only be good strategy if benefits are cut for the top management as this can bring significant change in financial position of the organization. Berk (2014) also added that the strategy is effective but it is usually used on lower staff thus it cannot yield a significant difference on the financial position.

The above authors focused their researches on entities in developed countries usually where organization heavily contributes towards medical and other employee related benefits. This research therefore seeks to find out if the reduction of employee allowances and benefits is an effective cost cutting strategy in the Zimbabwe economy and if this can lead to improved financial position of Clarion Insurance Company.

2.1.3 SERVICE OUTSOURCING

Zhou and Ren (2014) asserted that they are cost effective reasons for a business to outsource part of its business. According to Tayauova (2015) and Burcki (2017) describes outsourcing as the delegation, transfer and allocation of responsibilities and the risk of performing a task to a third party. Kremic (2014) postulated that the process of outsourcing other business functions results in reduction of cost because the organization will not be incurring cost of recruiting, providing offices or warehouse for work, cost related to employee welfare and benefits, training and remuneration of employees but a fraction only. Mpwanya and Heerden (2017), Hofer (2014) and Shetha (2016) alluded that outsourcing bring about with it many benefits to the organization namely focus on main and core activities, cost saving ,improved performance, access to highly skilled and experienced personnel and it also results in flexibility.

However Troaca (2014) on the other hand posited that outsourcing comes with it firing of some staff which results in costs of laying off and it also leads to loss of employee morale which affects productivity of the workforce. Hila (2014) added that they maybe also some huge cost of tendering to select company to outsource and also the provision of some services by third party might also result quality control compromises which will cost the business in the market in the long term. Philips and Hunt (2014) also argued that by outsourcing a certain function the entity or management loses its control and this might compromise on their effectiveness and efficiency, they also added that in the long run it actually might be costly for the entity as they would have relinquished control the services and quality to be delivered.

Meier and Boyne (2014) took a neutral view point arguing that outsourcing may result in cost reduction but that is not guaranteed. Thompson (2014) also added that management have no control over quality of the product or services to be delivered and it makes the organization vulnerable to possible compromises in quality which may cost the organization its market share unless otherwise the outsourced company delivers. The researches and ideas were derived from researches which were done in European countries and large multi-national companies which are different from the economic environment in Zimbabwe. Therefore this research seeks to find out when outsourcing can results to cost reduction in the company Clarion and to what extent.

2.1.4 BUSINESS PROCESS OPTIMIZATION

According to Meyer and Serima (2014) optimization of business processes mainly focuses on the improvement and perfection of the business processes with the goal of meeting customer needs and requirements. In support of this view was Vergidis (2015) who posited that optimization of the business process reduces costs, processing time and it also enhances product and services quality which gives the company a competitive edge in the market. Flynn and Shaw (2014) alluded to that when processes are improved, there are also reduced wastages as unnecessary processes and other cost are cut and best possible alternatives are evaluated to come up with the most competitive and best way of production and or service delivery. Dahl (2014) and Marrow et al (2016) also added that analyzing business processes the first and most importantly route for cost reduction as it helps management to identify flaws of the production system and this ensures the new improved design leading to effectively produce quality goods or services and this is done efficiently and at possible minimum cost.

On the other hand Hoyer (2015) was of the view that business processes optimization may not result in cost reduction especially in the short run as it is a long processes. George (2014) also added that business process optimization involves evaluation of the process, planning and development of alternatives or other best ways to ensure process optimization then implementation which means that it takes a long period to implement the process which may not results in the reduction of cost. Kitching (2014) also supported this view arguing that they are costs involved in trying to optimize or improve the business process mostly through wastages or disruptions to the production process hence may not work efficiently to attain the desired results both the short run and long run.

Authors Rother (2014) and Shook (2014) took a neutral stance positing that optimization of business process may or may not lead to cost reduction as the modifying of the process may result in increased cost but shorter process and better quality goods and services. The above sentiments were derived mainly from researches done in the USA manufacturing companies hence this research need to find out business processes optimization in an Insurance company in Zimbabwe.

2.2 TO EVALUATE THE EFFECTS OF COST REDUCTION TECHNIQUES ON FINANCIAL PERFORMANCE OF AN INSURANCE COMPANY

2.2.1 REDUCED MORALE

According to Rehman and Naeem (2014), Osak (2014) and Khan and Naumann when job cuts are carried out bluntly this may lead to reduced workers' morale and capabilities of those remaining employees. In support of this view was Wenger (2014) and Dahl (2014) who alluded that retrenchment of staff from workforce and other cost reduction techniques often result in reduced morale in the employees because they become uncertain and scared to lose their jobs as well. According to Gero (2014) employees are mostly prone to mistreat customers when they are demotivated when performing their normal task. Raphulu and Mudely also noted that workforce reduction most tend to be difficult and expensive, and frequently a long-term damage to a company's culture, knowledge base and moral. Ruch (2015) argued that employees often perform worse after retrenchment exercise has been carried out due to lost morale as their job security is on the line thereby negatively impacting on financial position.

In a parallel line of thought is Hofer (2014) and Reimick (2015) posit that the main reason that can lead to reduced morale is delay or non-payment of their remuneration and the implementation of cost reduction technique. Wegner (2014) also supported this view positing that implementation of cost cutting techniques may not result in reduced morale but rather encourage employees to work even harder to retain their jobs. In support of this notion is Holley et al (2015) who suggested that the implementation of cost cutting techniques may actually be a powerful motivator for the remaining workforce resulting in improved financial position of an entity.

Habib (2015) gave a neutral stance and suggested that in as much as employee morale can go down after implementation of cost cutting techniques, employees are however aware of what is at stake.

and in some cases they may be encouraged to seek and pursue cost reduction techniques at all levels.

2.2.2 REDUCED PROFITS

Shaw and Flynn (2014) posited that implementation of cost reduction techniques might lead to reduced profitability especially because immediate influx of costs related to staff retrenchment that includes gratuity payments, severance payments, payment of remaining leave days and other bonuses. Himme (2014) and Kitching (2014) also supported this view emphasizing that the costs that are incurred by the company when laying off staff may actually result in major cash outflows and in some cases lawsuits for the organization that may leave the organization with high expenditure and no profits at all. Boyne and Meier (2014) added also that the possible reduction in staff morale may affect negatively the organization profits in the short run and in some cases threatening the existence of an organization.

However on the other hand, Navarira et al (2015), Sudarsanam and Lai (2014) argued that the employment of cost cutting measures is so that organizational expenditure especially the wage bill can be significantly be reduced resulting in increasing profitability and reducing it. Morrow et al (2016) also supported this notion adding that cost cutting techniques are more likely to increase rather than decrease the organization's financial performance. Gandolfi (2014) also alluded that even if the entity is to incur retrenchment costs they can be delayed or staggered to allow organization to get back on its feet and reduce the risk of actual losses due to the downsizing process.

In more impartial note, Cameron (2014) alluded that implementation of cost cutting techniques does result in possible cash savings but definitely other significant cash outflows will be made. Habib (2015) asserted that there is an equal chance that either profits will actually increase or decrease after the implementation of cost reduction measures thus management have to properly plan and adopts strategies that ensures effectiveness of the process

2.2.3 DISRUPTIONS AND DECREASE IN PRODUCTIVITY

According to Zurich (2014) when companies downsize the first tangible effect is the disruption of the production process and eventually productivity. This is supported by Shook and Rother (2014)

who asserted that employee's job insecurity causes anxiety and this significantly causes reduction of employee morale that eventually results in decrease in productivity. Gitlow (2014) added that employees do not see themselves as part of the future of the company such that they do not see the need to work hard at all or much as they did. Osak (2014) went on to add that the remaining employees will have a lot of duties and responsibilities after the other employees are let off and they may find it cope and do all the activities.

On the other hand, Wenger (2014) and (2013) postulated that when laying off of employees is properly planned and other cost reduction techniques are implemented it does not result in reduced productivity. The authors went on to argue that the responsibilities are reallocated to the remaining workforce and they are made aware immediately after the retrenchment exercise has taken place such that there will be an immediate allocation of the pending responsibilities. Hunt and Phillips (2014) also cited that employees are often retrenched because of duplication of duties and responsibilities and retrenchment is done after serious consideration are made by the management hence if the process is done according to plan there will be a very smooth transition that may not result in to disruptions or reduced productivity.

From a neutral point of view Pierce (2014) and Dahl (2014) posited that implementation of cost reduction strategies may not disrupts or either improve productivity as the management can offer other incentives to workers to maintain the same productivity levels. Berk (2014) also went on to add that employees may also still be motivated and encouraged to keep and maintain the same level of productivity to prove themselves to the management that they were the right people to remain on the job and can even take more responsibilities.

The researches above and sentiments are based on the researches done on heavy manufacturing companies and not the service providers such as Clarion Insurance, it is therefore my intention to investigate the effects of implementation cost reduction techniques and whether does it impact on the organizational financial performance of a company like Clarion Insurance implemented these cost reduction techniques.

2.2.4 LOST BUSINESS OPPORTUNITIES

According to Shook and Rother (2014) by implementing cost reduction measures such as downsizing and asset disposal the organization risk losing business by downsizing their operation and workforce. They argued that this is because of reduced employee capacity and productivity and also they may not be able to meet the customers' demand. Basu (2015) supported this view adding that the company loses its good cooperate image by retrenching workers such that potential creditors, investors and customers may avoid doing business with the entity as it will be showing struggles to survive in the market.

McDemott (2015) however argued that cost reduction results in efficiency and better quality which will retain customers, attract creditors and investors as well. The cost reduction measures do not in all cases encompass in increase in expenditure. Dahl (2014) added that only where the implementation of cost reduction measures is done without proper planning does it results in lost business opportunities

Kitching (2014 and Cameron (2014) gave a neutral train of thought postulating that the organization may surely lose or gain more business depending on whether cost reduction measures are implemented effectively. The case company under study implemented cost cutting measures mentioned above. All the researchers mentioned above shared contrary views and opinion on the effects of implementation of cost reduction techniques on business opportunities, thus it is my intention to investigate the effects of implementation of cost reduction measures at Clarion Insurance Company in Zimbabwe.

2.3.0 TO ESTABLISH MEASURES TO BE ADOPTED FOR EFFECTIVE IMPLEMENTATION.

2.3.1 EARLIER AND FREQUENT COMMUNICATION

According to Shook and Rother (2014) the best way to ensure effective implementation of cost reduction techniques is by communicating to the employees. George (2014) and Ruch (2015) also supported that communicating to the employees before, during and after implementation exercise ensures smooth and efficient process. Gandolfi (2014) added that employees accept cost reduction techniques better when management communicate early and clearly the reasons for and

possibilities in the exercise. Hofer (2014) went to allude that communicating with the workers may also assist management get and gain more ideas from the workers themselves and at the same time encouraging commitment and dedication to the process. The authors Mfarinya (2016) and Taga et al (2014) went to cited that communicating frequently also helps management to strategize with the remaining workers after retrenchment exercise on the reallocation of duties and responsibility and to ensure a smooth transition. Berk (2014) also highlighted that is very easy to control the situation when management communicate and speak out first unlike if the news reaches the workers via informal communication channel or grapevine as this may cause panic and make the situation more difficult to control and monitor.

Kenser and Dalton (2014) however argued that communication on itself may cause uprisings of unions that might in the end derail the process or create confusion. This view was supported by Marrow (2014) and Falkenberg (2014) who posited that sometimes the frequent updating of employees by management on the plans of the implementation of cost reduction techniques may cause panic and unrest resulting in the employees being less productive within the organization. Wegner (2014) also highlighted that the use of formal communication may be the determinant of effectiveness of implementation process due to the effects of implementing cost reduction strategies will be met with the same reactions whether formal channels of communication is used or employees would have known via the grapevine.

McDemmott (2014) took a neutral stance highlighting that as much communication is of importance, the success of the implementation exercise cannot be pinned entirely on that one aspect. McDemmott (2014) went on to cite that there are many stakeholders involved and there are different processes involved that can have more concrete bearing on the success or otherwise of the implementation process. Basu (2015) went on further to highlight that communication in this case has to possible results which is acceptance or civil unrest such that if the communication process is not closely monitored or evaluated to address the immediate needs of the employees carefully it may backfire on the management.

The researches above were carried out in other countries other than Zimbabwe with different economies to Zimbabwe and labor Laws on the termination of employment. It therefore the researcher's intent to research on the effectiveness of communication process at Clarion Insurance

company when implementing cost reduction techniques. The researcher will investigate the effects of use of formal to informal communication channels when implementing cost cutting measures.

2.3.2 EMPLOYEE AWARENESS AND TRAINING

Harrington et al (2014) posited that it is very easy to first implement all the other cost cutting measures that do not border on retrenchment but rather encourages and motivates employees to work even harder and come up with ways to reduce the expenditure of the organization. According to Mercer (2014) and Roch (2015) also highlighted that is very important to maintain stable workers core to ensure effective cost reduction and when the workforce know the culture of the organization, are well trained and are conscious of the need to cut cost it is very easy than retrenching them. This was supported by Bruton and Wan (2014) who postulated that when workers have a sense of belonging to the company and have job security they work very tirelessly to attain organizational goals for their benefit and also for the organizational benefit. The author Himme (2014) also argued that management may not even need to make cost reduction awareness drive to committed workers as they do so voluntarily to keep their job, make profits and also to encourage the company to increase their wages and salaries or allowances. Kitching (2014) and Jensen (2014) also highlighted that training of employees and increasing awareness to the employees give results in both short run and in the long run.

However on the other Marrow et al (2014) and LeeMark (2014) argued that the major cost of organization are wages and salaries and the fastest and easiest way to cut cost is to retrench non-performing and redundant employees rather than training them. Thompson (2014) and Downes et al (2014) also supported this arguing that the main reason why companies do retrenchment exercises is because the reduction in wage bill figures are more significant that trying to cut it gradually over the years and not making much of a difference. Habib (2015) also supported this by adding that retrenching employees is inevitable exercise that should be carried out at least once in a while after regular business evaluations to lay of non-performing or redundant employees and stay competitive within the market.

Barolsky (2014) was of a neutral view citing that retrenchment exercises may be inevitable but should be always the last resort as this may affect employees' morale and making the work environment unfavorable for the remaining workers. This was also supported by Lewis (2015)

who argued that organizations grow and thrive because of employee commitment and dedication and as such the management should prioritize workers' welfare and consider increasing awareness on cost reduction before choosing cost cutting measures to be implemented. The researches above were focused on other organization around the world but not specifically Clarion Insurance thus this research intends to investigate if the recommendations given can work to ensure successful implementation of cost reduction techniques.

2.3.3 CONTINUED RESEARCH AND DEVELOPMENT

Ruch (2015) and Habib (2014) postulated that continuous research and development has to be done by the company on which cost reduction measures to be implemented and how to implement them effectively. Mercer (2014) also supported this view citing that the economic environment of the twenty first century is very dynamic hence the need for the management to keep abreast with the changes happening through research and development so that they are aware on how best to cut cost and stay competitive in that kind of environment. Jung (2014) also supported this highlighting that through research and development the entity also develops a culture of continuous cost control practice which leads to improved performance

On the other hand however, Bruton and Wan (2014) argued that research and development actually adds to more cost to the company than reducing them. Thompson (2014) also supported this view by adding that a lot of expenditure is incurred at the research and development stage thus it may be wise to just implement cost cutting measures without having to incur the research and development costs as well.

In a neutral stance Lewis (2015) suggested that although costs are incurred on the research and development stage the information which is gathered sets the tone and foundation for guaranteed successful implementation of cost cutting techniques. The above ideas were derived from researches done in developed countries where the research and development stage is more like compulsory than the Zimbabwe economic environment. This research study sought to find the effects of research and development when implementing cost reduction techniques at Clarion Insurance Company.

2.3.4 ESTABLISH VIBRANT INTERNAL AUDIT FUNCTION

According to Oates (2014) the internal audit function must be part of an integral part of every strategic cutting program due to the fact that it can ensure the redesigned business activities, processes and structures remain responsive to the risks and are embedded into the business practices and methods. Cohen and Savag (2014) also alluded that the internal audit function ensures the safeguarding of business organization assets and puts measures that the company concerned does not lose its valuable assets and resources through unjust means. Barosky (2014) and McDommitt (2014) also highlighted that management alone can come up with measures to reduce cost but a vibrant Internal Audit Function establishes and it monitors controls on the measures before and after their implementation to ensure loopholes are dealt with. Flynn and Staw (2014) also added that a vibrant Internal Audit Function gives an entity a competitive advantage as it becomes proactive to risks identified than dealing with the consequences of the risks which is usually more costly.

On the other hand however, Mercer (2014) posited that running an Internal Audit Function maybe more costly for any company as this involves hiring of competent and skilled experts in such field. Lewis (2015) alluded that enhancing the vibrancy of Internal Audit Function may not be viable if the company is in dire need to reduce costs significantly such that the few employees that are there already may be retrenched as well or in some cases the whole department wiped out entirely. Harrington et al (2015) also highlighted that the internal audit function may also be compromised if it lacks proper objectives hence it can collude with the management and this may lessen the effectiveness of the audit function altogether.

Rother and Shook (2014) were of the neutral view point highlighting that although employment of experts in the internal audit department may be very costly, for any organization to have a competitive advantage there is need for vibrant and sound internal audit function is independent , objective and effective. This was supported by Berk (2014) who postulated that the internal Audit Function is mostly valuable when trying to avoid cost rather than when organization wishes to embark on a serious cost cutting exercise. The above ideas are from the researches done in most economic powerful countries such as USA and Britain where the Internal Audit Function is more appreciated and has been in function for more than 15 years rather than Zimbabwe where the internal

audit function is still being absorbed. The researcher therefore seeks to found out the effectiveness of the internal audit function at Clarion Insurance Company in general and evaluate its role in the cost cutting exercise at the organization.

The researcher is of the view that the recommendation given are more effective as they ensures an effective cost reduction culture within the organization and it also comes with the other benefits such as efficient business culture that benefits the company in the long run.

2.4.0 ESTABLISH RELATIONSHIP BETWEEN SUCCESSFUL IMPLEMENTATION OF COST REDUCTION TECHNIQUES AND FINANCIAL PERFORMANCE.

2.4.1 SIGNIFICANT POSITIVE RELATIONSHIP

According to Preffer (2015), Kepner and Tregoe (2014) successful implementation of cost reduction techniques brings about a measurable positive financial change to an organization. Reimick (2015) and Berdine (2016) also cited that reduction of cost ultimately results in increased profits and improved cash flow position as well. Berk (2014) and Guchuki (2014) made the same conclusion in a research study where a sample of 155 respondents was considered and the qualitative approach was used. Hofer (2014) also added that the success of the implementation exercise fosters the review of production to produce more quantities. Davis (2014) also alluded that cost cutting techniques ensures that more is produced out of the adequate resources and time due to reduction of wastages or spoilages in production of good or the delivery of services in a research he conducted from a sample of 65 respondents who participated and they were chosen using judgmental strategy. Authors Mercer (2014) and Gandolfi (2014) also agreed that the more the implementation process is successful the more is production and profits the company gets

However on the other hand, Falkenberg (2014) alluded that reduction of some costs do not lead to tangible change as the cash flows may be affected by their reduction for example depreciation. In support of this view was Wegner (2014) who asserted that the effectiveness of implementation of cost reduction techniques does not guarantee a very significant positive relationship due to the fact that there are always other costs associated with the implementation exercise such that the costs and the income offset each other.

In a neutral view point Gitlow et al (2014) posited that the successful implementation of the cost cutting techniques does not guarantee increases in profits or of production due the fact that there are always possible hiccups that are caused by implementation process. This was from a research study where he used a sample of 135 respondents and where questionnaires and interview were the research instruments used for the collection of primary data. In support of this view was Osak (2014) who highlighted that successful implementation of cost reduction measures increases the chances of the company of producing more but this is not guaranteed due to the fact that there are other factor which affects productivity.

The above ideas were derived from the researches that were mainly only focusing on asset and employee retrenchment as the measures of cost reduction but they did focused on other cost reduction methods. It is therefore the intent of the researcher to investigate on the significant positive relationship of successful implementation of cost cutting techniques and financial performance of Clarion Insurance Company.

2.4.2 POSITIVE RELATIONSHIP

The authors Lo et al (2014), Reimink (2015) and Aral (2015) alluded that as the managers embark on cost cutting exercise they evaluate each and every process to guarantee that wastages are reduced, production process is accelerated and the target output is attained in best quality good and or services. Goldberg (2015) and Davis (2014) also added that by implementing cost cutting strategies management may save resources and also can inject those resources in other projects for innovations to gain a competitive advantage and for expansions purposes. This was a conclusion from a study carried out using questionnaires to gather primary data and the gathered data was then interpreted by means of central tendency. Hunt and Phillips (2014) also supported this view adding that other cost reduction measures such as assert retrenchment whether through disposal of leases not only does it reduce costs in form of maintenance cost and depreciation of the assert but also it also results in improved cash flow position from proceeds from the sale of the assert or lease premiums which results in increased profits for the organization. Habib also asserted that refinement and reviews of the production process leads to increase efficiency resulting in increased productivity and profitability for the organization. Morrow (2014) added that the reduction of

spoilages and wastages also results in saving and reduction of losses created by these wastages of resources.

However on the other, Hair et al (2014) posited that the implementation of cost cutting measures employee morale hence they actually impact on the quality produced and this also results in spoilages and wastages. In support of this view was Rother and Shook (2014) who added that effective implementation actually results in negative than positive relationship in the short run.

Arial (2014) was of the neutral view who alluded that successful implementation of cost cutting techniques do not equal positive but it rather may cause drastic negative changes that can haunt the company for a long period. The above ideas were derived from researches conducted on positive relationship mainly in manufacturing industries and not service providers like Clarion Insurance Company. This has led to the need by the researcher to research into the possible positive relationship of the successful implementation of cost reduction techniques and financial performance of Clarion Insurance Company.

2.4.3 SIGNIFICANT NEGATIVE RELATIONSHIP

Kitching (2014) postulated that the successful implementation exercise of the cost reduction techniques means that business processes can be interrupted during the exercise resulting in reduced productivity and eventually reduced profits or realization of losses. This was supported by McDemmott (2014) who cited that production processes might be slowed after the implementation exercise as the remaining employee may struggle to adapt to the new ways or processes and added duties and responsibilities such that they might not be able to maintain normal levels of production. Mercer (2014) also added that cost are incurred during the implementation of cost reduction techniques which may results in reduced profits due to increased expenditure. This was a conclusion from a study where 95 respondents sample size was used and the data gathered was presented using pie charts, percentiles, graphs and tables.

However Dahl (2014) cited that the successful implementation is mostly likely to results in increases in profits due to significant reduction in costs for example retrenchment which leads to reduced salaries and wages cost. McDemmlott (2014) also added that this it is not possible to successfully implement cost reduction strategies and have reduced profits

In an empirical stance Zunich (2014) stated that it is possible to either get an increase or decrease in the profits levels even after successful implementation cost reduction techniques due to the fact that there are more variables that affects profit. The above researches were conducted in developed countries like Japan, Korea and Russia but not in developing countries like Zimbabwe hence it is the intention of the researcher to find out the possible significant negative relationship between successful implementation of cost reduction techniques and financial performance of Clarion Insurance Company.

2.4.4 NEGATIVE RELATIONSHIP

Flynn and Staw (2014) postulated that the implementation of cost reduction techniques may reduce efficiency as the production process is usually disrupted during and after the retrenchment exercise. According to Camron (2014) there are inconsistencies usually due to the fact that some duties and responsibilities may not be immediately allocated to the remaining employees. Zunich (2014) also added that the relationship between successful implementation of cost reduction techniques and production efficiency maybe indeterminable as that more spoilages, wastages and delays in the production process may also be encountered usually when new processes are adopted or due to the adoption of new machinery to be used. Authors Pierce (2014) and Dahl (2014) emphasized that there is a possibility of the organization losing more skilled and experienced employees replaced by people who may not be efficient in delivering the duties when they are increased. On the other hand, Basu (2015) highlighted that reduction of cost does not lead to wastages costs as the process would have been effectively modified and perfected to reduce costs. Rother and Shook (2014) also added that if properly planned the production process will not be interrupted and there will not be losses or disruptions which will occur.

Mudely and Raphulu (2015) took a neutral stance alluding that the implementation of cost reduction strategies involves many dynamics that may increase and while some may reduce efficiency. The researches above were conducted in economic powerful countries such as Britain, India, Russia and not Zimbabwe. This research intended to find out the negative relationship between the successful implementation of cost reduction techniques and financial performance of an organization.

2.5 CHAPTER SUMMARY

This chapter dealt with literature review on cost reduction techniques implemented, effect of employing cost reduction techniques, measures to be adopted for effective implementation and the relationship between successful implementation of cost reduction techniques and organization performance. The next chapter focuses on the research methodology

CHAPTER 3: RESEARCH METHODOLOGY

3.0 INTRODUCTION

In this chapter the researcher is going to elaborate on how the research is going to be carried out. Identifying the research design, the approach to be used, the target population, sample size and sampling techniques are going to be determined. The chapter will go on to explain the method of data collection to be used by the researcher, presentation and analysis techniques and also the validity and reliability of research instruments.

3.1 RESEARCH DESIGN

According to Clark (2014) the research design is the detailed plan outlining the techniques and strategies to be employed by the researcher in gathering the data. The authors Cresswell (2013) and Kumar (2014) went on to explain that it is the research design that determines the methods of data collection to be used and also the sources of data. The researcher employed the descriptive research design and case study approach which is a mixed approach method for the purpose of this research which involves. Langen (2014) postulated that descriptive method enables the researcher to observe, explain or describe an event or a situation as they happen in the company.

3.1.1 DESCRIPTIVE RESEARCH DESIGN

Kumar (2014) a descriptive design portray and outline the respondents in a more accurate manner. In short, a descriptive research is all about describing the respondents of a study. It can be carried out through three ways according to Farthing (2015), which are case study, surveys and through observation. Observation is viewing and recording and recoding the respondents whereas case study is all about obtaining an in depth on an individual or groups. Surveys involves having discussions and interviews with an individual or a group of respondents on a particular topic

3.1.2 CASE STUDY RESEARCH DESIGN

Kumer (2014) defined a case study as an in depth examination of a single organization to establish its connection with the research phenomenon. It involves all real life analysis of an organization's behavioral trends through the respondents' opinions and perspectives. A case study is considered cheap as it can be carried out by a single researcher and it only involves investigation of a single organization. The responses gathered from case study design are considered more realistic and detailed, Bryman (2014)

The researcher has chosen this method because it is mostly accurate and very objective as there is less or no room for the researcher to express their views and opinion but only to describe their observations. Farthing (2015) in addition described descriptive research as a tool to collect data about the current status of phenomenon to explain the variables on the ground and this will help the researcher to interpret the relationship between variables. In addition encompasses both qualitative and quantitative as a result it broadens the data to be acquired by the researcher and also at the same time enhances the quality of research findings. However it is difficult to assume the results gathered from a case study are the representation of the entire population as it only focuses on a single organization

The researcher is going to use the mixed methodology which uses both qualitative and quantitative data. The researcher decided to use the mixed methodology because it enables the researcher to gather both the statistical and qualitative data to confirm and support the phenomenon under the study. According to McGrath (2014) and Clarke (2014) quantitative and qualitative data complements each other as quantitative provides evidence that qualitative data cannot give. Langen (2014) also alluded that qualitative data sets the arguments for research while the quantitative provides statistical argument and evidence. The researcher has chosen mixed method to ensure guarantee quality and reliable qualitative and statistical data is gathered to compliment arguments on the effectiveness of cost reduction methods implemented by the organization.

3.2 TARGET POPULATION

According to Vonk (2016) posited that target population is a set of individuals relevant to the research under study. Markey (2014) highlighted that target population is a collection of people who are suitable for the research under study. In addition Langen (2014) defined target population as the group with the characteristics relevant to the study and they are of interest to the research.

In this research study, the research population will consist of individuals from management, finance department, underwriting department, HR and IT department. The target population of 40 Clarion insurance company is considered and 30 employees from Clarion Insurance Company head office as sample size.

3.3 SAMPLING AND SAMPLING TECHNIQUES

According to Lavrakas (2015) posited that sampling involves the selection of respondents from the target population to get a manageable size of respondents who are knowledgeable about the topic under study.

Table 3.1 Population and sample selected

Respondents	Population	Sample size	% of sample to population
Management	3	3	100%
Accountants	6	4	66.67%
Accounting officers	10	4	40%
Claims department	4	4	100%
Underwriting	8	6	75%
HR	3	3	100%
IT	6	6	100%
Total	40	30	75%

3.3.1 SAMPLE SIZE

According to Wenger (2011) a sample size of more than 70% is very reasonable, accurate and it gives more average view of the whole population and the researcher will use a sample size of 75% of the whole target population as it gives more accurate results and average reflection of the population.

3.3.2 SAMPLING TECHNIQUES

Donald (2014) postulated that there are probability and non-probability sampling techniques and the researcher will use judgmental sampling technique. The researcher will use the judgmental sampling techniques because it gives room to get the information from those directly involved in cost reduction techniques. According to Kent (2014) purposive sampling is based on the judgment of the researcher, basing on the criteria used in relation to selecting the sample.

3.4 SOURCES OF DATA

According to Kumar (2013) there are two sources of data which are; primary and secondary data. The researcher will use primary data for the purposes of this research. Langan (2014) primary data is collected for the first time and for the purposes of a certain. The data is raw, unanalyzed and not arranged as it is in its original form after the gathering process, alluded Kumar (2013). Primary data is therefore reliable and valid since it is collected for that purpose only and it is easier and less time consuming to gather and use on the study. The researcher will collect data from the use of questionnaires and interviews in this research study.

3.5.0 RESEARCH INSTRUMENTS

3.5.1 QUESTIONNAIRE

Clarke (2014) defined a questionnaire as a list of research questions designed to gather and collect appropriate data from a predetermined respondents. In addition Laser (2011) posited that a questionnaire is a set of questions designed to be asked to a group of respondents to extract certain information from them. According to Kumar (2013) a questionnaire is a research instrument devised with predetermined and limited choice of answers for the purposes of statistical study. The main advantage of a questionnaire is that it is very precise, short and it gives the respondents limited choices making the answer easier to analyze and interpret easier. The question are structured in a short, precise and clear way for easy understanding and this will ensure accurate and valid data is gathered. However the questionnaires are very standardized limit respondents and the researcher to only the asked questions and without giving any explanation or clarity. In a questionnaire the questions can be open-ended or closed-ended questions. In this research study the student will use closed-ended questions.

According to Clarke (2014) closed ended questions are designed and structured in a way that the respondents is provided with a set of answers to choose from. Donald (2014) posited that closed-ended questions gives the respondents explicit number of of option to choose from for example multiple choice questions, yes or no questions and satisfied or unsatisfied questions.

3.5.2 LIKERT SCALE

Novikov and Novikov (2013) posited that the likert scale is the measurement tool for survey research and it is used in scaling responses and it also measures the satisfaction or likelihood or quality. The student will use the likert scale as a yard stick during the research to ensure easy scaling of responses. It is very useful for scaling closed-ended questions. Goure (2014) cited that likert scale ascribes quantitative value to qualitative data and below is an illustration on likert scale.

Table 3.2: Likert scale

Item	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Points	5	4	3	2	1

Source: Allen (2013)

3.5.3 INTERVIEWS

According to Donald (2014) interviews are data collection tool through face to face meeting or over the phone. Wegner (2014) added that interviews enables the researcher to get clarity through explanations with the guide of the main question. Gill et al (2013) stated that there are three types of interviews which are structured, semi-structured and unstructured. According to Stuckey (2016) semi-structured interviews have several key questions which help to explain the area to be explored, it also allows the interviewer and the interviewee to diverge so as to get more detailed clarity of the area being explored. In this the researcher will use semi-structured questions so as not to limit the research only to questions on the interview guide so as to allow follow up questions to enable accurate responses. The interviews will supplements the information gathered by means of questionnaires.

3.6 ETHICAL CONSIDERATIONS

This research was carried on an ethical basis the data gathered was merely for the purposes of this academic study and high level of confidentiality were upheld. None of allthe respondents were forced to respond and their participation in this research was free will. Thus ethical consideration was not violated by this research process

3.7.0 VALIDITY AND RELIABILITY OF THE RESEARCH FINDINGS

3.7.1 VALIDITY

Kumar (2013) posited that validity of data is the ability of the data gathered capable of addressing the question (problems) to which it was intended to answer. In this research data valid was ensured by ensuring questions asked in the research instruments are relevant to the research objectives. In addition it was also ensured by the help and the approval of the academic supervisor that questions asked was relevant to the study.

3.7.2 RELIABILITY

According to McGrawth (2014) reliability is the degree to which the research instruments is able to measure accurately what is being measure. The researcher intents to use more than one research instrument that is interviews and questionnaire to ensure that more reliable information is gathered. Questions will be clear, short and precise and the will assist the respondents were they do not understand so that reliable and objective information will be provided.

3.8 DATA PRESENTATION AND ANALYSIS TOOLS

Hungler (2012) defined data analysis as the systematic organization and synthesis of research data. Data will be organized, grouped and tabled to enable clear presentation. The researcher will use frequencies and percentages as the statistical principles which will be used to analyze and interpret the data. Tables, pie charts, bar charts and descriptive narrations will be the methods of data presentation to be used to enhance interpret and analysis of the data gathered. Microsoft Excel also will aid the analysis together with the measures of central tendency which are, mean, mode and median application to ensure easy interpretation.

STATA II software will be used for determining the relationship between effective implementation of cost reduction techniques and financial performance, using simple regression equation: $Y = a + bx$

Where Y = dependent variable, Financial performance

a = constant

b = (sensitive response) of financial performance

x = (independent variable) Effective implementation of cost reduction techniques

3.9 SUMMARY

The chapter covered the research methodology that identified the research design, target population, sampling techniques, sampling methods, research instruments, types of data, validity and reliability of data, presentation and analysis of the data. Chapter four will focus on data presentation, analysis and interpretation

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

In this chapter primary data gathered through questionnaires and interviews was presented through the use of bar charts and tables. The data was analyzed and interpreted by the use of percentages and the application of measures of central tendency; the mean, mode and median. Responses from interview were also analyzed.

4.1 QUESTIONNAIRE RESPONSE RATE

The researcher distributed 30 questionnaires to the respondents at Clarion Insurance Company to gather the primary data on the effectiveness of cost reduction method implemented at the company. The table 4.1 below shows the rate of responses from the questionnaires distributed.

Table 4.1 Response rate

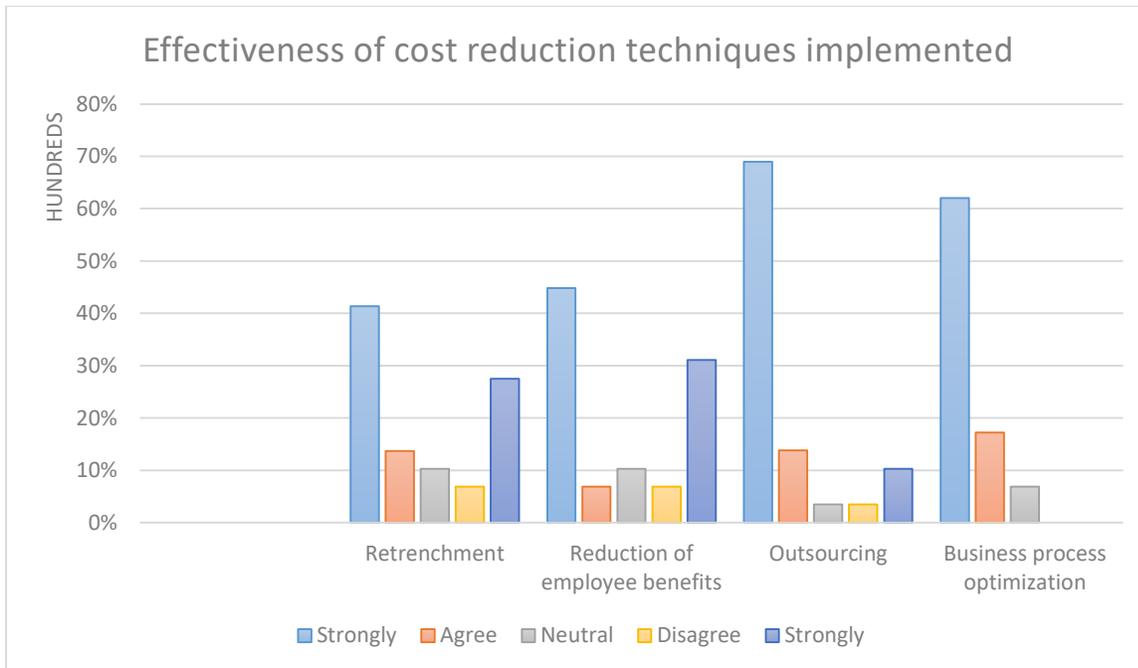
Respondents	Targeted population	Questionnaire administered	Questionnaire Responded to	Rate of response
Management	3	3	2	66%
General staff	27	27	27	100%
Total	30	30	29	96%

As shown in the above table 4.1 out of 30 questionnaires which were distributed and administered 29 were responded to which is 96% response rate. Gordon (2014) cited that a higher response rate is better, 60% would be marginal but 80% and above is good as it reflects a wider range of respondents views. The 1/30 (4%) who could not respond to the questionnaire had tight schedules and had travelled out of town on a business trip. Since the overall response rate was 96% is above average, the reliability of data was assumed enhanced.

4.2 RESPONSES TO QUESTIONNAIRES

4.2.1 EFFECTIVENESS OF COST REDUCTION TECHNIQUES IMPLEMENTED BY CLARION ON FINANCIAL PERFORMANCE

Fig 1.1 EFFECTIVENESS OF COST REDUCTION TECHNIQUES IMPLEMENTED



4.2.2.1 STAFF RETRENCHMENT

Fig 4.1 above shows that 12/29(41.37%) of the respondents at clarion insurance company strongly agreed that the implementation of staff retrenchment as a cost reduction technique is effective while 4/29(13.7%) only agreed. 3/29(10.3) of the respondents took a neutral position, 2/29(6.89%) the respondents disagreed and 8/29(27.5%) strongly disagreed

An aggregation of 16/29(55.17 %) of the respondents agreed that employee retrenchment has a positively affected the financial performance of Clarion and it has yielded results in the reducing cost hence improved financial performance. This is in agreement with Kesner and Dalton (2014) who cited that staff retrenchment reduces cash outflows in forms of wages and salaries and ensures

an improved liquidity position for the organization. However there was a very strong contention of 10/29 (34.48%) of the respondents who disagreed with the idea that staff retrenchment are effective as a cost reduction measure. Their position is supported by Boyne and Meyer (2014) who asserted that the process of retrenchment comes with a lot of costs including severance packages and gratuity payments which will result in severe cash outflows. An insignificant 3/29(10.3%) of the respondents took a neutral position suggesting possible gains and losses which can be incurred when applying this cost reduction measure. This is backed by Cameron (2014) who asserted that although retrenchment of staff may result in reduced wage bill however there are also costs that will be incurred in retrenchment process that may result in more cash outflow. The Operations Manager indicated that staff retrenchment indeed staff retrenchment resulted in reduced workers' morale as other employees were also scared of losing their jobs too.

A conclusion can therefore be made that staff retrenchment are effective cost reduction strategy and improve financial performance, from the mode of 16/29 of the respondents from the gathered data at Clarion. This is in agreement with Kesner and Dalton (2014).

4.2.2.2 REDUCTION OF EMPLOYEE BENEFITS

Fig 1.1 shows that 13/40(44.8%) of the respondents strongly agreed that reducing of employee benefits and allowances is an effective method of reducing cost leading in better financial position while 2/29(6.89%) agreed only. 3/29(10,3%) of the respondents decided to take a neutral position, 2/29(6.89%) disagreed and 9/40(31.1%) remaining strongly disagreed.

A staggering 15/29(51.7 %) were in agreement that the implementation of reduction of employee benefits and allowances results in improved financial performance of Clarion Insurance. This concurred with the views of Sundersanam and Lai (2014) who posited that employee related costs such as benefits and other allowances form a huge size of organisations' expenses thus their reduction results in increases in profits and it benefits the organization in both the short and long run. A small portion of respondents of 3/29(10.3) were of the neutral position as in line with the argument of Berk (2010) who cited that cutting employees benefits leads to reduced cost but it may results in reduced employee morale leading to reduced productivity

However a strong contention of 11/29(37.93%) of the respondents indicated that they disagreed that reduction of employee benefits and allowances is an effective cost reduction technique. This

is backed by Flynn and Shaw (2014) who posited that reduction of employee benefits and other allowances may result in reduced employee motivation and morale thus results in reduced productivity and there by negatively affecting financial performance.

The mode of 15/29 clearly indicates that the reduction of employee related benefits and allowances is an effective cost reduction measure as it results in reduced organizational expenses and enhanced financial performance of Clarion Insurance as is in line with the emphasis of Sudarsanam and Lai (2011).

4.2.2.3 SERVICE OUTSOURCING

Evidence from the above Fig 4.1 reveals that 20/29(68.96%) of respondent strongly agreed that service outsourcing is very effective measure of cost reduction as this results in reduced expenses and cost which leads to efficiency while 4/29(13.7%) agreed only. 1/29(3.44%) took a neutral position while 1/29(3.44%) disagreed and the remainder of 3/29(10.34%) strongly disagreed

An aggregation of a staggering 24/29(82.75%) agreed that service outsourcing is a very effective measure of cost reduction technique to attain improved financial performance of an organization. This is in line with the sentiments of Zhou and Ren (2014) who cited that transferring of the responsibilities and risks of a certain function within the organization results in reduced costs and efficiency. An insignificant portion of 1/29(3.44%) were of the neutral position and this is in line with the sentiments of Boyne and Meier (2014) who stated that it is not guaranteed that outsourcing of services will result in to a significant cost reduction. There was also a contention of aggregation of 4/29(13.7%) who disagreed that service outsourcing is an effective cost reduction technique, this is in line with the argument of Hunt and Philips (2014) who posited that the organization loses the control of the service being outsourced and this can result in possible compromises on quality and other elements of production or of service delivery.

The mode of 24 Out of 29 respondents can be used to conclude that outsourcing of service is another effective method of cost reduction at Clarion as is emphasized by Zhou and Ren (2014).

4.2.2.4 BUSINESS PROCESSES OPTIMIZATION

The Fig 1.1 above shows that 18/29(62.06%) of the respondents were in strong agreement that business process optimization is an effective measure of cost reduction and as it leads to efficiency

while 5/29(17.24%) only agreed, a very small proportion of 2/29(6.89) were neutral and 1/29(3.44%) disagreed and the remaining 3/29(10.34%) strongly disagreed.

A staggering of an overall of 23/29(79.31%) respondents were in agreement that business process optimization is a very effective technique of reducing cost and this is in alignment with the sentiments by Marrow et al (2016) who postulated that optimization of business processes and evaluation is a best way to achieve significant and a lasting cost reduction and also at the same time increased efficiency. 2/29(6.89%) of the respondents were of the neutral position which is in line with the argument of Rother and Shock (2014) who highlighted that business processes optimization can be costly but however when it is implemented well it results in cost reduction as there would be no or less wastages, enhanced processes and ensures efficiency. A total of only 4/29(13.7%) respondents were in disagreement that business process optimization is an effective cost reduction measure.

A mode of 79,31% can be used to conclude that business process optimization is highly effective measure of cost reduction technique at Clarion Insurance Company as was highlighted by Morrow et al (2016)

4.2.3.0 EFFECTS OF IMPLEMENTATION OF COST REDUCTION TECHNIQUES

Table 4.2 Effects of implementation of cost reduction techniques

Effects	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Reduced profits	9	6	2	7	5
Reduced productivity	7	8	4	4	6
Reduced morale	15	8	6	0	0
Increased expenditure	7	4	6	7	5

Primary data

4.2.3.1 REDUCED PROFITS

The Table 4.2 above shows that 9/29(31.03%) of the respondents strongly agreed that profits may be decreased when cost cutting are implemented and 6/29(20.6%) only agreed. An insignificant 2/29(6.89%) were of a neutral position while 7/29(24.13%) disagreed and the remaining 5/29(17.24%) strongly disagreed.

A staggering of 15/29(51.72%) were in agreement that cost reduction implemented results in reduced profits, this is in line with the sentiments of Kitchings (2014) who posited that cost incurred during the retrenchment exercises and other cost cutting techniques may result in reduced profits . However a strong contention of an aggregation of 12/29(41.37%) of the respondents disagreed that cost reduction measures results in reduced which is in line with sentiments of Gandofli (2014) who cited that even though cost will be incurred during the implementation a large portion of obvious and recurrent expenses will be avoided which results in more improved organizational cash flows and improved financial performance. A very small number of respondents took a neutral position suggesting possibility of reduced profits or increased profits which is in line the sentiments of Cameroon (2014) who posited that significant amount of outflow and inflows of cash can be made due to the implementation of cost reduction measures hence more or less amount of profits is uncertain. The researcher noted that the data gathered from respondents was reliable as it was in line with what was in the Clarion Management reports (2018) that profits have dropped.

The mode of 15/29 was then used to conclude that reduced profits may be experienced when cost reduction techniques are being implemented. This is in line with the argument of Kitchings (2014) who stated that large cash outflows during retrenchment leads to reduced profits in the short run.

4.2.3.2 REDUCED PRODUCTIVITY

From the Table 4.2 above it is highlighted that 7/29(24.13%) of the respondents strongly agreed that implementation of cost reduction techniques results in reduced productivity, while 8/29(27.58%) only agreed, and 4/29(13.7%) respondents were neutral. 4.29(13.7%) disagreed and 6/29(20.68%) strongly disagreed.

An aggregation of a staggering 15/29(51.72%) were in agreement that cost reduction techniques led to reduced productivity in line with the sentiments of Zunich (2014) who stated that as an

organization downsizes production may be reduced leading to reduced productivity of an organization. 4/29(13.7%) of the respondents took a neutral position in line with the argument of Cameroon (2014) who posited that the remaining employees after retrenchment may be motivated to work hard as to prove that they are the right staff for the job and prove their worth to the organization. However there was a strong contention of 10/29(34.48%) of the respondents who disagreed that implementation of cost reduction measures leads to reduced profits as in line with Pierce (2014) who stated that the remaining employees will be motivated to work hard as to prove themselves to the organization that they are the right people for the work which will result in increased productivity. The researcher noted that responses by the respondents was reliable as it supports what was in the company's annual reports (2018) which indicated that productivity levels has dropped at Clarion Insurance Company

It can be concluded from a mode of 15/29(51.72%) that cost reduction implemented at the company resulted in reduced productivity as in line with the sentiments of Zunich (2014).

4.2.3.3 REDUCED MORALE

It is shown in the Table 4.2 above 15/29(51.72%) of the respondents strongly agrees that implementation of cost reduction techniques resulted in reduced morale of the employees while 8/29(27.58) only agreed. 6/29(20.68) of the respondents were neutral. There was no respondent in disagreement

An overall aggregation of 23/29(79.31%) were in agreement that implementation of cost reduction techniques resulted in the reduction of employees morale. This is in line with Osak (2014) who postulated that retrenchment of staff and other employee related benefits method of cost cutting creates a hostile working environment and this results reduced productivity and profits. 6/29(20.68%) of the respondents were of the neutral position indicating that employee's morale may be reduced or increased as in line with the sentiments of Habib (2015) who posited that there is a 50% chance employees morale will be reduced and 50% chance that staff might be encouraged to work hard and prove themselves so as to retain and preserve their jobs within the organization. The researcher observed the information from the respondents was reliable as it comprehended Human Resources findings on performance appraisal report (2018) that workers' morale was reduced.

The mode of 23 out of 29 of the total respondents can be used to make a conclusion that implementation of cost reduction techniques results in reduced workers morale of the work force as cited by Osak (2014).

4.2.3.4 INCREASED EXPENDITURE

The table 4.2 above is showing that 7/29(24.13%) of the respondents strongly agrees that cost reduction techniques results in increased expenditure while 4/29(13.7%) only agrees. 6/29(20.68%) of the respondents were neutral, 7/29(24.13%) disagrees and the remaining 5/29(17.24%) strongly disagrees.

An aggregation of 11/29(37.93%) of the respondents were in agreement that implementation of cost cutting techniques results in increased expenditure as highlighted by Kitchings (2014) who stated that during retrenchments exercises there is a large outflow of cash in form of severance packages, compensation and other retrenchment related costs. 4/29(13.79%) of the respondents were neutral indicating possibility of increased expenditure or reduced expenditure as cited by Cameroon (2014). The remaining staggering 12/29(41.37%) of the respondents were in disagreement that implementation of cost reduction leads to increased expenditure. This in line with the sentiments of Gandalfi (2014) who cited that a large portion of obvious costs and recurrent expenses will be cut as a result of implementation of cost reduction techniques. A mode of 12 out of 29 can be used to conclude that implementation of cost reduction techniques does not results in increased expenditure as in line with Gandalfi (2014). The researcher noted that the data was reliable as the company 2018 reports indicated that there was no increases in expenditure.

4.2.4.0 MEASURES TO ENSURE EFFECTIVE IMPLEMENTATION

Table 4.3 Measures

Measures	Strongly agree	Agree	Neutral	Disagree	Strongly disagrees
Vibrant internal audit function	15	4	6	1	3
Earlier and frequent communication	21	2	6	0	0
Employee awareness and training	23	2	4	0	0
Research and development	14	3	7	2	3

Primary data

4.2.4.1 Vibrant Internal audit function

As shown in the table 4.3 above 15/29(51.52%) of the respondents strongly agreed that having a vibrant IAF can ensure effective implementation of cost reduction techniques and 4/29(13.7%) only agreed. 6/29(20.68%) were neutral while 1/29(3.44%) disagreed and the remaining 3/29(10.34%) strongly disagreed

An overall of 19/29(65.51%) of the respondents were in agreement that vibrant IAF results in effective implementation of cost reduction techniques , this is in line with Qates (2013) who cited that a vibrant IAF guarantees business processes, structures and activities are redesigned and they remain response to most risks hence maximization of profits from lowest possible costs. 6.29(20.68%) of the respondents took a neutral position in line with Berk (2014) who stated that having a vibrant IAF does not guarantee cost reduction as it sometimes results in cost increases. However an aggregation of 4/29(13.7%) of the respondents were in disagreement that vibrant IAF leads to effective implementation as in line with Mercer (2014) who cited that IAF itself is very costly to establish , running it and adhere to its recommendations.

A mode of 19 out of 29 can be used to make a conclusion that vibrant internal audit function can assist and help effective implementation of cost reduction techniques as pointed out by Oates (2014).

4.2.4.2 EARLIER AND FREQUENT COMMUNICATION

Table above also shows that 21/29(72.41%) of the respondents strongly agrees that earlier and frequent communication ensures effective implementation of cost reduction techniques while 2/29(6.89 %) only agrees. The remaining 6/29(20.68%) of the respondents were neutral. There was no a respondent in disagreement

A staggering aggregation of 23/29(79.31%) of the respondents were in agreement that earlier and frequent communication with the employees ensures effective implementation of cost reduction techniques. This is backed by the sentiments by Roch (2015) that communicating to the employees before, during and after the implementation of cost reduction techniques ensures that there is smooth and effective implementation process. An insignificant 6/29(20.68%) were of the netral view point suggesting possibility that it can or it may not ensure effective emplementation

A mode of 23 out of 29 can be used to conclude that earlier and frequent communication ensures effective implementation of cost reduction techniques.

4.2.4.3 EMPLOYEE AWARENESS AND TRAINING

It is shown from the figure 4.3 above that 23/29(79.31%) of the respondents strongly agreed that employee awareness and training ensures effective implementation process, 2/29 on agreed only while a small proportion of 4/29(13.79%) of the respondents were neutral. There were no respondents who disagreed.

The overall of 25/29(86.20%) of the respondents were in agreement that employee awareness and training ensures effective implementation process. This is agreement with the sentiments by Mercer (2014) who posited that a culture of bringing awareness to employees and training encourages initiatives, noble ideas and employee participation in building and growing the organization thus ensures maximization of profits and minimize costs. The mode of 25 out of 29

can be used to conclude that employee awareness and training ensures effective implementation of the process.

4.2.4.4 RESEARCH AND DEVELOPMENT ON COST REDUCTION TECHNIQUES

The Table 4.3 above shows that 14/29 of the respondents strongly agreed that continuous research and development of the cost control techniques results in effective implementation of cost cutting measures, 3/29(10.7%) only agreed. 7/29(24.14%) of the respondents were neutral while 2/29(6.89%) disagreed while the remaining 3/29(10.7%) strongly disagreed.

An aggregation of 17/29(58.62%) were in agreement that continuous research and development on cost cutting techniques ensures effective implementation process. This is in line with the sentiments of Jung (2014) who highlighted that through research and development the organization also develops a good culture of continuous cost control which will result in improved financial performance. 7.29(24.13%) of the respondents were of the neutral position which is in line with the sentiments of Lewis (2015) who posited that although a lot of costs might be incurred during research and development, the process guarantees successful implementation process of cost reduction measures thus they may be need to balance the cost with the benefits. A proportion of 5/29(17.24%) of the respondents were in disagreement. This is in line with the sentiments by Thompson (2014) who posited that a lot of costs is incurred at the research and development stage which maybe be wise to implement cost reduction techniques only without having to incur research and development costs.

A mode of 17 out of 29 can be used to conclude that research and development is of importance for effective implementation of cost reduction techniques.

4.2.5.0 RELATIONSHIP BETWEEN SUCCESSFUL IMPLEMENTATION OF COST REDUCTION TECHNIQUES AND FINANCIAL PERFORMANCE OF AN ORGANIZATION.

The researcher made use of SATA II software to calculate and deduce the relationship between successful implementation of cost cutting techniques and financial performance of Clarion Insurance Company. The question 4 on the questionnaire was answered using the coded ratings of

the response and the literature in chapter 2 was used as the base as it perceived a positive relation between successful implementation of cost reduction techniques and financial performance.

Table 4.4 STATA II-Simple linear regression results

p	Coef	Std. Error	T	P> T
Sign-Positive	0.168182	0.036415	4.62	0.000
RPositive	0.1055794	0.035575	2.97	0.005
RNegative	-0.0550687	0.0272255	-2.02	0.051
RSignificant Negative	0.0703669	0.0348616	2.02	0.051
Cons	-0.3203184	0.1655981	1.93	0.061

STATA Output

Number of observations: 29

P>|F=0.0000

R squared=0.7799

4.2.5.1 INTERPRETATION OF THE RESULTS

A total 29 observations was used in the testing of the relationship. R squared is used in the model for measuring the goodness of fit in regression models and R squared in this research was 0.7799 which means that the model is 77.99% fit for this relationship test. However Wegner (2014) cited that the actual regression coefficient and significance is of primary importance while the goodness of fit results is secondary

4.2.5.2 SIGNIFICANT POSITIVE RELATIONSHIP

According to the results from the STATA II software, the increase of implementation of cost cutting techniques leads to the increases in significant positive relation by 0.1055793 therefore it's a reflection of positive relation between these two variables, this is agreement with Kepner and Tregoe (2014) sentiments who posited that successful implementation of the cost cutting techniques brings a significant positive change to any organization in terms of increased productivity and resulting in increased profitability.

4.2.5.3 POSITIVE RELATIONSHIP

Positive has a positive coefficient showing therefore it's a positive relation between the successful implementation of cost reduction techniques and organizational efficiency which results in increased profitability. The value P of 2.02 and the coefficient of 0.0703669 makes the relationship between the variables a measurable positive relationship. This concurs with Habib (2015) who posited that the review and refinement of the production process through implementation of cost reduction techniques leads to increased profits for an organization.

4.2.5.4 NEGATIVE RELATIONSHIP

The Negative variable has a negative coefficient of 0-0550687 showing that there is a negative relation between successful implementation of cost reduction techniques and the negative variable. This shows that successful implementation has a positive relation with organizational performance. This is in line with Rother and Shook (2014) who posited that there is a positive relation between successful implementation of cost reduction techniques and financial performance of an organization

4.2.5.5 SIGNIFICANT NEGATIVE RELATIONSHIP

None of the respondents indicated that there is a significant negative relation between cost reduction techniques and financial performance organizational.

4.3.0 INTERVIEW RESPONSES

4.3.1 HOW EFFECTIVE ARE THE COST REDUCTION TECHNIQUES IMPLEMENTED BY THE COMPANY IN ENHANCING ORGANIZATIONAL FINANCIAL PERFORMANCE

One of the managers cited that there was some measurable amount of cost reduction experienced since 2016 to 2018 but however there was no significant improvement on profits. The manager is of the view that the cost reduction techniques were partially successful as it failed to yield any reasonable amount of increase in profits. Another manager also added that the implementation process was not a success as in that managers' view it cost the company in terms of lost business opportunities and reduced productivity at work.

4.3.2 HOW DOES THE COST REDUCTION TECHNIQUES AFFECT FINANCIAL PERFORMANCE?

Another top manager stated that the process of staff retrenchment resulted in a significant improvement of financial performance as a result of the reduction of cost through reduced wage bill as cost decreased gradually from 2016 to 2018 at Clarion Insurance Company. This is supported by a mode of 12 out of 29 of the respondents who indicated that there was no increase in the organizational expenditure. There was a narrow significant contest by the other respondents but the majority were in agreement with the sentiments of Basu (2015) who posited that retrenchments ensures reduced employee costs hence increased profits.

The other manager indicated that although to some extent implementation of cost reduction techniques resulted in reduced cost this however backfired as it negatively affected the morale of the employees. The operational manager indicated indicate that morale is key as in insurance business is more based on attitude and perception, he indicated that cost reduction strategies such as cutting of employee benefits and reduction of wages caused a huge harm to the organization as the company's most business is depends from sales from agents who works on commission hence cutting of employee wages negatively affected company sales and profitability. The operational manager was of the view that the implementation of cost reduction techniques did not yield its desired objectives of both cost reduction and increased profitability. This is in line with Osak (2014) who postulated that retrenchment of staff and other employee related benefits method of cost cutting creates a hostile working environment and this results reduced productivity.

4.3.3 WHEN IMPLEMENTING COST REDUCTION TECHNIQUES WHAT CHALLENGES ARE BEING ENCOUNTERED BY CLARION INSURANCE COMPANY

A top manager explained that worker's morale was negatively affected heavily during the implementation process. This is in line with the mode of 12 out of 29 who indicated that employees' morale is negatively affected during retrenchment and this is in line with Wegner (2015) who posited that staff retrenchment and reduction of any employee related benefits often leads to reduced motivation of the workforce as they will be uncertain and scared of losing their jobs too. The accountant also added that the productivity was reduced during the retrenchment process resulting in reduced profits, this is backed by Zunich (2014) who posited that productivity and profits are negatively affected during the retrenchment exercises. All the interviewees agreed on that challenges faced were reduced workers morale and decreased productivity.

4.3.4 IN YOUR OWN OPINION ARE WHAT THE MEASURES TO BE ADOPTED TO ENSURE EFFECTIVE IMPLEMENTATION OF COST REDUCTION TECHNIQUES BY CLARION INSURANCE COMPANY?

The Human resources and operational managers interviewed were both in agreement that communication with the employees is key within the organization for successful implementation. The operational manager also indicated that continuous research and development on cost reduction techniques is also of vital importance for effective implementation process. In addition the accountant highlighted that vibrant internal audit function (IAF) is also of great importance for effective implementation of cost reduction techniques, this is in line with Flyn and Staw (2014) who posited vibrant IAF gives the company a competitive advantages as the organization becomes proactive to the risks identified than being reactive to the consequences of the problems (risks) which is usually costly.

All the managers interviewed were in agreement that employee awareness (communication) and training, research and development and the establishment of vibrant internal audit function are the ways and measures which be used for effective implementation.

4.4 CHAPTER SUMMARY

The chapter presented the primary data gathered and arranged it in table. The data analysis was done through the use of bar graphs and percentages. The measures of central tendencies in particular the mode was used in interpreting the data and the STATA II software was used to

calculate the relationship between successful implementation of cost reduction techniques and financial performance of an organization. The next chapter will summaries chapters and establishment of a conclusion and recommendations on the study

CHAPTER 5: SUMMARIES, RECOMMENDATIONS AND CONCLUSIONS

5.0 INTRODUCTION

In this chapter will give the summaries of all chapters in the research study from chapter one to chapter four then will go on to describe and explain major findings from the study gathered by the researcher in the investigation of effectiveness of cost cutting techniques implemented at Clarion Insurance Company.

5.1 CHAPTER SUMMARIES

In the initial chapter the focus was introducing the problem under study and setting of the objectives to investigate on the effectiveness of cost reduction techniques on financial performance implemented by Clarion Insurance Company. The objectives included to determine the effects of implementing cost reduction techniques on financial performance, measures to be adopted for effective implementation of cost reduction techniques and establishment of the relationship between implementation of cost reduction techniques and financial performance of an organization. The limitations and delimitations of the study were also elaborated in the chapter one.

The chapter two reviewed and discussed in detail literature on the effectiveness of cost cutting techniques implementation on the financial performance of an organization. Authors Kitching (2014) and Bruton and Wan (2013) were of the argument that it very necessary to implement cost control measures such as staff retrenchment to ensure that the organization have a competitive edge within the market. On the other hand Flyn and Staw (2014) were of the view that some of the cost reduction measures may be very costly and ineffective hence the need for the organization to choose very carefully on which measure to be implemented.

The third chapter explained the research approach and the research design to be used on the carrying out of the research. The descriptive research design was chosen as it gives room for explaining and description of the situations and events under study by means of observation and the qualitative research approach. A sample size of 30 respondents was chosen from the targeted population of 40 personnel of Clarion Insurance Company management, supervisors and other

staff. The chapter went on to give detailed ways of how gathered was to be presented and analyzed and also the ethical consideration of the research.

Chapter four presented and arranged data gathered by the use of tables and bar graphs and the gathered data was analyzed using measures of central tendency which are the mean, the mode and the median. This encouraged clarity and accuracy in data presented and analyzed

5.2 MAJOR FINDINGS

5.2.1 EFFECTIVENESS OF COST REDUCTION TECHNIQUES IMPLEMENTED

The researcher found that service outsourcing and business process optimization were the most effective measures of all the cost reduction techniques implemented at Clarion Insurance Company. 18 out of 29(62,69%) respondents vouched for business process optimization and 20 out of 29 (68,697%) respondents vouched for service outsourcing as the most effective measures of cost cutting techniques. The operations manager, Human resources manager and the accountant agreed that these two were the most successful and effective of all the techniques implemented. The Operations manager went on to highlight that staff retrenchment were also successful and it produced results although most of the employees were not in favor of the method because it negatively affected them thus only 16 out 29(55.17%) respondents vouched for it. The operational manager was also of the view that reduction of employee benefits and other allowances was the worst of all the measures implemented as it negatively affected workers' morale and employee productivity which in turn negatively affected profits

5.2.2 EFFECTS OF COST REDUCTION ON FINANCIAL PERFORMANCE

The researcher noted all the cost reduction techniques employed by Clarion Insurance Company brought about a decrease in the total costs of the company, however cost reduction such as staff retrenchment and reduction of employee benefits and other allowances resulted in reduced employees morale at Clarion as evidence by 23 out of 29(79.31%) respondents who vouched that employees morale was negatively heavily affected by the implementation of some of the cost reduction techniques. The operation manager also indicated cutting of employee benefits and other allowances did more harm than good as it negatively affected profits.

5.2.3 MEASURES TO ENSURE EFFECTIVE IMPLEMENTATION

It was established during the research study that earlier and frequent communication, employee awareness and training, building a vibrant internal audit function were the most vouched for ways of ensuring effective implementation by the respondents. 23/29(79.31%) of the respondents were in agreement that earlier and frequent communication is of importance in ensuring effective implementation. A large number of 25/29(86.20%) of the respondents also vouched for employee awareness and training as the other most important measure in ensuring effective implementation of cost reduction techniques. The operations manager also cited that the two methods are of great importance in ensuring effective implementation.

5.2.4 RELATIONSHIP BETWEEN EFFECTIVE IMPLEMENTATION OF COST REDUCTION TECHNIQUES AND FINANCIAL PERFORMANCE OF AN ORGANIZATION

The researcher found out that the relationship is significantly positive. It was established that if cost control techniques are implemented effectively and efficiently, they result in cost reduction and increasing profits.

5.3 CONCLUSION

Choosing and implementing the applicable and right cost reduction techniques for an organization results in less costs, improved productivity and profit maximization. Other types of cost reduction techniques may negatively affect employee morale and this results in reduced productivity and loss of business opportunities such that there is a need for management expertise, employee awareness and training and earlier and frequent communication to ensure effective implementation. A vibrant internal audit function and continuous research and development about cost reduction techniques also ensures effective implementation of the cost reduction measures.

5.4 RECOMMENDATIONS

The researcher has come up with a number of recommendations, the following are the recommendations to ensure effective implementation of cost reduction techniques and considering the above findings made at Clarion Insurance Company.

- Management at Clarion Insurance is encouraged to consider service outsourcing and business process optimization more than employee targeted strategies of cost cutting techniques that result in reduction of employee morale
- Dialogue between management and staff and earlier and frequent communication with the employees at Clarion Insurance Company is encouraged in ensuring that high levels of morale are maintained within the work force.
- Continuous research and development on the best cost control methods is also encouraged and training of employees is also of great importance in ensuring effective implementation of cost reduction techniques.
- Clarion is also encouraged to invest in their internal audit function so that it becomes proactive to risk and problems rather than being reactive to consequences of the problems which usually costly in most cases. A vibrant internal audit function will help the company in reducing risks, creation of controls strategies and maintaining of costs so as to gain maximum profits.

5.5 AREAS OF FURTHER STUDY

The researcher recommends that further studies must be carried on analysis of cost cutting measures and problem hindering effectiveness in Zimbabwe.

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APPENDIX A
COVER LETTER

Midlands State University

Department of Accounting

P. Bag 9055

Gweru

Clarion Insurance Company

346 H Chitepo Avenue

Harare

7 February 2020

Dear Sir/Madam

RE: AUTHORISATION TO CARRY OUT RESEARCH AT YOUR ORGANISATION

I am a final year student at Midlands State University pursuing a Bachelor of Commerce Accounting Honours degree. In my area of study, my focus was **on the investigation on the effectiveness of cost cutting techniques on financial performance of an organization (A case of Clarion Insurance Company).**

It is with honour to involve you in this study and take into consideration your views. Please note that the information you will provide is only intended for academic purposes and confidentiality shall be maintained

Thank you for cooperation

Yours faithfully

Innocent Vincent James

APPENDIX B

Questionnaire for Clarion Insurance Company employees and Management

Data to be gathered is purely for the academic purposes only and confidentiality is guaranteed

Instructions

- *Do not write your name on the questionnaire*
- *Show response by ticking the respective answer box and fill in the relevant space provided*

Questions

Personal questions

- 1) The following are the cost reduction techniques employed by the Clarion Insurance Company

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Retrenchments					
Reduction of employee benefits					
Outsourcing					
Business optimisation					

- 2) The implementation of cost reduction techniques resulted in the following:

	Strongly agree	Agree	Uncertain	Disagree	Strongly agree
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Reduction of profits					
Reduced productivity					
Reduced morale					
Increased expenditure					

3) The following measures can ensure effective implementation of cost reduction techniques

	Strongly agree	Agree	Uncertain	Disagree	Strongly agree
Earlier and frequent communication					
Employee awareness and training					
Continued research and development					
Establish vibrant internal audit					

4) There is a relationship between cost reduction techniques and financial performance of an organization

	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree

Significant positive					
Positive					
Negative					
Significant negative					

Any other comment

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The end.....THANK YOU

APPENDIX C

INTERVIEW GUIDE

I am kindly seeking your views and comments to the following questions on cost reduction techniques implemented by Clarion Insurance Company, information and views given will be treated with high confidentiality and it will be used for academic purposes only. Your assistance is greatly appreciated.

- 1) How effective are the cost reduction techniques implemented by the company in enhancing organizational performance
- 2) How does the cost reduction techniques affect financial performance
- 3) When implementing cost reduction techniques what challenges are being encountered by Clarion insurance company
- 4) In your own opinion are the measures to be adopted to ensure effective implementation of cost reduction techniques by Clarion Insurance Company.

Thank you for your co-operation

Appendix D

STATA II Ouput

Table 4.4 STATA II-Simple linear regression results

p	Coef	Std. Error	T	P> T
Sign-Positive	0.168182	0.036415	4.62	0.000
RPositive	0.1055794	0.035575	2.97	0.005
RNegative	-0.0550687	0.0272255	-2.02	0.051
RSignificant Negative	0.0703669	0.0348616	2.02	0.051
Cons	-0.3203184	0.1655981	1.93	0.061

STATA Output

Number of observations: 29