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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN ANALYSIS OF COST REDUCTION INITIATIVES ON THE PERFORMANCE
OF MAKOMO RESOURCES (Pvt) LIMITED.**

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**THIS DISSERTATION IS SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE BACHELOR OF COMMERCE HONOURS
DEGREE IN ACCOUNTING.**

Approval Form

The undersigned certify that they have supervised the student registration number R178283G's dissertation entitled "An analysis of cost reduction initiatives on the performance of Makomo Resources (Pvt) Limited" submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree at the Midlands State University.

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Declaration

I, Raymond Muzavazi, do hereby declare that this dissertation is a result of my own investigation and research, except to the extent indicated in the Acknowledgements, References and comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other University or College.

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Release Form

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Abstract

This research evaluated the cost reduction practice at Makomo Resources. The study made an examination into the effectiveness of the measures as used and their impact on the performance of Makomo Resources, as well as the literature review relevant to the study. It was prompted by the trend in total cost of mining, measured in dollars per tone (\$/ton) at the mine relative to other comparable mining entities countrywide. The main objectives in this case study were to verify impact of the practices and policies in cost management, optimisation of equipment availability and utilisation, managing variable costs and overtime costs, sustainable development improvement opportunities and the use of IT in implementing effective cost reduction. The main instruments used were the questionnaire and follow up interview questions. Primary and secondary data were used for analysis. The conclusions of the study were based on 70% response rate of the questionnaires. The main results of the research were that there were some opportunities across the value chain which if utilised can help to effectively in cost reduction. There commendations that can be implemented include urgent implementation of a cost control committee, full utilisation of Original Equipment Manufacturer (OEMs), implementation of problem solving action plans, thorough supervision of contracted services, use of latest mining equipment, price negotiations in spares procurement, overtime reduction and use of IT services such as responsible accounting. The areas for further study were suggested as; to explore more on cost management through benchmarking with other performing mines in the country and region so as to get an anatomy of their operations in relation to cost management, like the UNKI and ZIMPLATS in Zimbabwe and GLENCORE in South Africa.

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CHAPTER 1

1.0 Introduction

This chapter gives a detailed outline of the background to the proposed research and the problem statement underlying the research. It presents and sets out the tone for the objectives, main research question, sub- research questions and the justification of the study. The limitations as well as the delimitations of the research are also clearly covered. Finally, it details the summary of the chapter.

1.1 Background of the study

Makomo Resources is the largest privately owned coal producer in Zimbabwe, supplying coal to Zimbabwe's power stations, industrial and agricultural sectors. The mine is situated in the Hwange district of Matabeleland North Province of Zimbabwe. The major consumer for coal is the Zimbabwe Power Company (ZPC) for power generation. Makomo Resources came into existence through a special mining grant for Coal exploration by the Ministry of Mines & Energy in October 2008. Makomo Resources as the owners of the mining, however, do not actual mining of the coal but instead has 2 main sub-contractors Macatoo Mining Services and Mapungubwe Energy who carry out the mining activities, with Double Peak Zimbabwe managing them.

Cost reduction is to be inferred as the realisation of real and permanent reduction in the cost per unit of goods manufactured and/or services rendered without hampering their suitability for the use intended use or reduction in the quality of the product. Makomo Resources are crucial at the time the mining company was trying to increase profitability and output.

The effective cost reduction and control process are aimed at reducing and managing expenses from all the mine's operations ranging from labour, exploration, mining, value addition and distribution of coal and coal related products, without affecting quality of the coal or ability to meet it's purpose.

According to Yadav et al. (2013), excessive competition and pressure from customers to reduce prices has obligated many companies to cut down costs to remain in business. As such costs must be traced or assigned to each product or service in order to effectively manage them. Michael D. Shields (2016), stated that sustainable long-term cost reduction is a continuous process that must be embraced as part of a competitive strategy and cultural priority.

According to Young (2015), most accustomed cost reduction techniques have failed to address their objectives. In a survey he conducted out of 350 senior managers in 275 companies that, together, make up 26% of U.S, gross national product, half responded that the cost cutting or restructuring programs at their companies had failed to achieve what had been hoped. Spring (2012), concluded that cost cutting entails a set of crash activities that focus on cutting costs by reducing employee earnings and eliminating employment. Henkoff (2013), in his paper "Cost cutting: How to do it right", augments that long term cost reduction is most effectively achieved by continuously learning about target core competencies faster than rival companies can and by establishing long term employment relationships with creative, innovative, multi-talented employees who are rewarded above average earnings.

Below is an extract showing the company's result for the period prior to 2016 and after, when the turnaround program was put in place.

Table1.1: Makomo Resources before and after cost reduction measures

	2014		2016	2017	2018
	(\$mln)	2015 (\$mln)	(\$mln)	(\$mln)	(\$mln)
Revenue	44.20	53.75	54.84	53.35	44.99
Op. Costs	(44.30)	(53.65)	(54.64)	(53.20)	(44.90)
Profits	(0.10)	0.09	0.20	0.15	0.09
% of Costs	1.002	0.998	0.996	0.997	0.998
Pdn (tons)(’000s)	0.981	1.153	1.207	1.125	0.902
Cost per ton (\$)	45.16	46.53	45.27	47.29	49.78

Source: Makomo Resources Fin Stats 2014– 2018

In 2014 the company operated at a loss of \$0.1m with total operational costs at \$44.3m accounting for 100% of total revenue, translating to \$45.16/ton. The same scenario has been the case for the following year, at an even higher rate of \$46.53/ton. This prompted the initiatives for cost reduction in 2016. Although the company was operating profitably the top and bottom lines as shown by Revenues and Profits were decreasing each year. The major reason being the increase in operating costs, mainly payroll costs, maintenance costs, fuels and oils, travelling expenses and other overheads. A slight reduction on cost/ton was seen in 2016 where a 2.71% reduction occurred translating to \$45.27/ton. The cost reduction initiatives implemented by Makomo Resources focused on reducing the unit cost of output at the operational level, while seeking to reduce total cost at the corporate level did not seem to yield the desired results for years after 2016 as cost(\$)/ton started to increase at 4.47% and 5.26% in 2017 and 2018 respectively, a clear sign that

the measures were not effective in turning around the fortunes of the company. This led to the company adopting a 360-degree approach to the reduction and control of costs within the mining entity.

The approaches adopted included, reducing the wage bill. Overtime was completely removed by introducing a 3-shift system. A centralized procurement and stores function was put in place. All material and consumables requirements are now being managed from a central point this includes spares, fuels and oils, stationery and personal protective equipment. In pit hauling distances have been cut by almost a kilometer, in order to save on fuel and transmission failures for mining equipment due to longer hauling distances.

The company has also embraced the latest technology in mining equipment and processes, to reduce human intervention thereby cutting on payroll costs. Travelling was also reduced. Previously EXCO meetings were held at the Head office in South Africa, now they are being held locally at the mine with only a few EXCO members travelling from the Head Office instead of the whole management team travelling to SA.

However, with all the above initiatives and as much as the 360-degree cost reduction approach did not only focus on reducing total costs, no notable importance was placed on perfecting operational effectiveness, asset utilisation and production output, hence the overall measure of performance as reflected by the cost(\$)/ton kept on increasing. This reflects the discourse by Hutchings (2014) who stated that cost cutting implementation measures do not warrant improvements financial performance of an organisation.

As depicted below by table 1.1, continuous increase in the costs can be seen regardless of the efforts by management to reduce and control them.

1.2 Statement of the problem

The background to this study is the increasing total costs of production (TCP), cost(\$)/ton and the decline in Revenues and Profits even after the company had put in place cost cutting and control measures.

TCP are distributed over a spectrum ranging from high prices of consumable materials, equipment spares (both locally and imported), oils & lubricants, contracted works costs, utilities costs(water, energy), maintenance costs, overtime costs, distribution costs (fuel) among other various cost contributors. These affect the bottom line by reducing the company's earnings before Interest and tax (EBIT) hence the net profits. Therefore, this research seeks to analyse how effective and sustainable has been the cost reduction initiatives adopted by Makomo Resources.

1.3 Main research topic

An analysis of cost reduction initiatives at Makomo Resources (Pvt) Limited.

1.3.1 Research objectives

- i. To analyze the mining company's cost reduction policy.
- ii. To determine whether cost reduction implementation guidelines exist.
- iii. To determine the challenges in encountered over cost reduction policy implementation
- iv. To determine controls which are in place over cost reduction policy implementation
- v. To determine the best practice in cost control at Makomo Resources.

1.4 Main research question

What effect do cost reduction initiatives have on financial performance improvement at Makomo Resources?

1.4.1 Sub research questions

- i. What is the mining company's cost reduction policy?
- ii. What are the cost reduction implementation guidelines?
- iii. What challenges are in place over cost reduction policy implementation?
- iv. What controls are in place over cost reduction policy implementation?
- v. What would be the best practice in cost reduction at Makomo Resources?

1.5 Significance of the study

To the Student

The study was carried out in partial fulfillment of the requirements of the Bachelor of Commerce Honours Degree in Accounting.

To the University

The study would be an aid to future literature review by other Universities and Tertiary students in the same field of study and future interested researchers intending to undergo research on a similar topic.

To Makomo Resources

Proposals and recommendations are provided for adoption by management on how to choose the most effective cost reduction initiatives and how best to implement them to ensure a sustainable reduction in mining costs and improved financial performance.

1.6 Limitation of the study

The data, statistics and conclusions made with regards to this research may not be a true reflection of the mining industry as a whole as the research was case specific and thus data and information gathering was restricted to Makomo Resources, Entuba Coal project, Hwange.

1.7 Delimitation of the study

The study was centered on determining the effectiveness and sustainability of cost reduction initiatives by Makomo Resources on its financial performance. The study covered the period 2014 to 2018. The respondents are all employees and management of Makomo Resources.

1.8 Assumptions of the study

- i. All the respondents are fully competent in their areas of specialty and are fully acquitted in mining operations.
- ii. Honesty and truthful responses.
- iii. Participants have a sincere interest in participating in the research.

1.9 Definition of terms

Cost Control—Activities aimed at managing and/or reducing an organisation's expenses

Cost Centre— a unit within an organization or a controlling area that represents a clearly delimited area of responsibility within an organization.

Cost Reduction - the process of looking for, finding, and removing unwanted expenses from a business to increase earnings without having a negative impact on product quality.

1.10 Summary

The Chapter has covered an introduction to the dissertation topic, the background and justification of why the particular topic has been selected. It also looked at the objectives and some of the research questions that will guide the research. Significance of the study, delimitations and limitations of the study, assumptions, abbreviations, and a definition of terms were also deliberated. The next section is chapter 2, which is on literature review.

CHAPTER 2

Literature Review

2.0 Introduction

According to Neuman (2006), the purpose of a literature review is to stimulate new ideas through learn from others. This review tells what others have found so that the researcher can benefit from the effort of others. Neuman further postulates that a good review identifies blind alleys and suggests hypothesis for replication. Gill and Johnson (2003) supports this view by highlighting that literature review justifies any new research through a coherent critique of what has gone before and demonstrates why new research is both timely and important. The chapter arrangement is summarised as follows: Section 2.1 review of theories, Section 2.2 identification, and review of cost reduction by the entity. Section 2.3 determines factors to be considered when implementing cost reduction, 2.4 an analysis of the effects of cost reduction implementation. Section 2.5 establishes the techniques an organisation can take to ensure cost cutting measures are implemented effectively and finally section 2.6 establishes the co-relation between cost reduction implementation and the financial performance of Makomo Resources.

2.1 Theoretical Review

2.1.1 Definition of cost

Institute of Chartered Accountants of England and Wales (ICAEW) pack (2014) opined that cost to Economists is given up in order to obtain something, whereas to the Accountants, cost is the value of economic resources used in the production of goods and services to arrive at income or profit. This shows that cost is very essential in determining the control of organization activities. ICAEW pack (2014) views cost control as management's ability to supervise and monitor expenditure to ensure that everything goes according to planned results and appropriate corrective

action can be taken on the discrepancies that are bound to arise, on time . CIMA, defines cost as “the amount of expenditure (actual and notional) incurred on or attributable to a specified thing or activity”. Cost behaviour is the way in which cost per unit of output are affected by fluctuation in the level of activity.

2.1.2 Classification of cost

Classification of cost is the grouping of items of cost according to their common characteristics. They include,

1. **Cost Behaviour** - Is the way and way a cost item responds to a small change in the level of activity. It may also represent the reaction of a cost in change in activity level. Using behaviour as a parameter, it is possible to identify four (4) different examples of cost as follows: (a) Variable cost (b) Fixed cost (c) Stepped fixed cost (d) Mixed/ Semi- Variable/ Semi- Fixed Cost

2. **Controllability** - A decision maker may also classify cost according to degree of influence that can be exerted on such items of cost by varying the degree of production, patterns and techniques. Under this platform, there are two (2) examples of costs as follows: (a) Controllable and (b) Uncontrollable cost

3. **Traceability** – This involves the process of classifying cost according to the ability if a decision maker or operating manager to relate cost item to any of the cost centre within the organization. Under this type of cost classification, there are two (2) examples of cost as follows: (a) Direct cost (b) Indirect cost

4. **Functional classification** - Different items of cost may also be classified under specific roles or duty been performed by such items of cost. The objective of this type of cost classification is for cost identification. The following are examples of cost: (a) Manufacturing costs (b) Selling & Distribution (c) Administration costs

5. Economic characteristics - This represents an integral part of decision making. It is used to ascertain the effect or impact of a cost item on a given decision. Situation in this case, a decision maker will ascertain the relationship between cost and corresponding decision, based on this parameter. Examples of costs are as follows; (a) Opportunity cost (b) Sunk cost (c) Avoidable cost (d) Historical cost.

2.2 Definition of Cost Reduction

“Cost reduction can be understood as the real and permanent achievement of a reduction in the cost per unit of manufactured goods or services rendered without impairing their suitability for the use intended or compromising the quality of the product.” The reduction must be a real one during manufacture or rendering of services. Real cost reduction emanates from greater productivity. Greater productivity may be through obtaining large quantities of production from the same resources, using lower cost materials and of different quality without, sacrificing the quality of the finished product, i.e., cost reduction through substitution and simplifying the process of manufacture without sacrificing the quality of the finished product and a change in product features suitably without sacrificing the quality of the product etc.

The reduction must be a permanent one and should not be at the cost of essential characteristics, such as quality of the products or services rendered.

According to Neuman (2006), the purpose of a literature review is learning from others and stimulating new ideas. This review tells other researcher’s findings so that the researcher can benefit from their efforts. Neuman further postulates that for a review to be deemed good it must identify blind alleys and suggests hypothesis for replication. Gill and Johnson (2003) supports this view by highlighting that a review of literature justifies any new research through a coherent critique of what has transpired and justifies why new research is both timely and important.

2.3 Cost Reduction Techniques Implemented

2.3.1 Retrenchment

Kitching (2011) states that retrenchment takes many forms of job losses but mainly a reduction in staff often referred to as redundancy or down-sizing for possible gains in efficiency or decreasing demand for the company's products or services. This was supported by Morrow et al (2016) who states that retrenchment is a necessary cost reduction measure since labour is one of the major cost driver in organisations, hence a regular analysis of the labour force size and streamlining will enhance efficiency in operations. Kesner and Dalton (2014) further alluded that retrenchment processes ensure better organisational liquidity since salaries and other staff benefits will be significantly reduced. Holley et al (2015) and Basu (2015) also alluded that retrenchment enables firms to retain or minimize cash outflows in the remunerations especially those of top management which are normally hefty.

However, Boyne and Meier (2012) had a different view which postulates that there are huge costs that come with retrenchment including severance packages, gratuity payments, outstanding leave balances and other costs including bonuses and pensions. Mudely and Raphulu (2015) support the idea that the main reason why organisations carry retrench is to cut labour costs such that the incurring of such costs leads to losses. Hofer (2011) and Aral (2015) also pointed out that in addition to the costs, retrenchment leads to a disgruntlement by the remaining employees and a disruption in the production process which in turn negatively affects productivity and ultimately profits.

Cameron (2014) had a neutral view which asserts that retrenchment does enhance the fluidity of the organisation, but also has long run negative effects thus must be done cautiously. Retrenchment's benefits are mostly short term, otherwise it has negative long-term effects as far as the workforce performance and organisation's image is concerned, added Rother and Shook

(2011). All the research above where on cases in developed countries and in public sector entities thus this research seeks to examine if retrenchment has effectively contributed to the financial performance of Makomo Resources.

2.3.2 Phasing out and Reduction of some employee benefits and allowances

Sudarsanam and Lai (2011) state that benefits and allowances given to employees constitute a significant portion of total overheads, hence their reduction greatly improves financial position. Bruton and Wan (2013) concurred that huge costs are incurred by companies in the form of medical contributions such that their reduction would help improve their financial position. Authors Schoenberg et al (2015) and Hofer (2011) went on to state that the reduction of employee benefits and allowances does not only improves liquidity but unlike retrenchment it also maintains a certain level of motivation within the workforce since no jobs are lost. A reduction of each employee's allowances and benefits will significantly reduce the total overheads of the business when aggregated giving an immediate and long-term gain to the organization, as propounded by Aral (2015) and Mercer (2013).

However, Flynn and Staw (2014) argued that a reduction in employee benefits may lead to demotivation especially if critical benefits like health are tempered with. This notion was supported by Cameron (2014) who stated that it is detrimental for the organization to reduce benefits that may hurt morale, productivity and in the end profits. Cheinhall (2011) and Hair et al (2012) also supported the view that health-related benefits among other benefits should never be tempered with because they affect the workforce and the working environment. Many at times allowances and benefits reduction do not yield a significant change as intended and as a result companies opt for retrenchment, Barolsky (2011) and George (2013).

Kitching (2011) had a neutral stance which states that reductions in employee allowances and benefits can only be a noble move when top management's allowances are cut, as it brings in significant changes on the performance of the organization. Berk (2010) also supported the technique's effectiveness, but often it is applied to the lower earning bracket hence, no significant changes are realised on the financial performance of an entity.

These authors above focused their research on organizations in developed countries where health insurance is a priority and pulls its weight than other employee benefits and allowances and is held in high esteem. Therefore this research seeks to find out if the reduction and/or scrapping of employee benefits and allowances is an effective cost reduction technique in the Zimbabwean context and if it can have a bearing on the performance of Makomo Resources.

2.3.3 Asset retrenchment

According to Hair et al (2012) asset retrenchment is a strategy used by organizations when disposing off redundant assets. Further explanation is that this an organization receives cash inflows and at the same time do away with the non-performing assets. Himme (2012) and Basu (2015) also supported this view stating that disposing off assets releases tied up capital in the value of the assets for the business to re-invest in other performing portfolios for expansion and be able to recapitalize the business. Depreciation expenses, maintenance and storage costs for idle assets is reduced thereby resulting in a favourable liquidity position, according to Mudely and Raphulu (2015). Gandolfi (2013) supports the idea stating that asset retrenchment strategy is the first strategy that any organization must employ since it focuses on idle and unnecessary machinery in the organization.

However, Flynn and Staw (2014) show a discourse in that asset retrenchment strategy may not result in the cost reductions as evidenced by the buying back of disposed assets by many

organisations at an even higher cost. Berk (2010) and Hofer (2011) supported the view by stating that organizations normally lose out because decisions on which assets to dispose are not made rationally as disposed assets may be needed in the future. Asset disposals result in a once off gain in cash inflows in the form of sale proceeds and a reduction in depreciation costs only affects profit figures. Actual cash flows in the long term do not improve since depreciation is a non-cash item, according to Warren et al (2011).

Habib (2015) and Cameron (2014) had a neutral position and asserted that there is an equal chance of gains or losses when an asset retrenchment cost cutting technique is employed. These 2 authors reiterated that immediate cash flows are realised when a disposal is made but the true value of the asset is known when it is sold and a need for that same asset is felt and its bought back. According to Kitching (2011) it is better for organizations to go for a leasing arrangement than an outright disposal as they may need them in the future. These sentiments shared by the authors were deduced from developed countries' entities whose economies are stable not in the Zimbabwean economy. This research seeks to find out if asset retrenchment is an effective cost reduction technique especially on the financial performance of Makomo Resources.

2.3.4 Service Outsourcing

Zhou and Ren (2010) alluded that outsourcing part or the whole business' process are the most practical and cost-effective ways of cost reduction. Outsourcing is known as the transfer, delegation or allocation of risk responsibilities of a function to a third party who can do it at cheaper rate and efficiently, Tayauova (2015). Kremic (2014) asserts that outsourcing some business processes often leads to cost reduction because the organisation will not have to incur recruitment costs, provide workspace, training, and other employee related costs e.g welfare. Rother and Shook (2011) and Harrington et al (2010) went further to articulate that when business units are

outsourced the business will have more time to concentrate on its core competencies and work efficiently thus reducing wastages over and above other employee related cost savings. According to Hofer (2011) there are many benefits that come with outsourcing namely focus on core activities, cost savings, access to experienced and highly skilled services, improving performance, and flexibility.

However, Troaca (2011) argued that outsourcing ultimately result in the retrenchment sparking retrenchment costs as well as lost morale among the workforce. In addition, huge costs may be imminent on tendering for the best companies to outsource from. Services provision by a third party may also result in quality compromises that can cost the business its market in the long run stated Hila (2014). Hunt and Phillips (2013) pointed out that by outsourcing a certain organisational function often results in loss of control as this may compromise management's effectiveness or efficiency. The authors went on to state that in the end it may be more costly to outsource in the long-term since control over the services and quality would have been passed on to someone else.

Boyne and Meier (2012) took an impartial position which highlighted that cost reduction through outsourcing may be realised but is not guaranteed. This was corroborated by Thompson (2012) who said, the fact that management have no control over the quality of goods and services it makes the organisation vulnerable to possible product defects which in turn may cost the organisation its market share. The ideas above were derived from studies done to large conglomerates outside Zimbabwe with different operating environments. Therefore, this study seeks to examine outsourcing in the Zimbabwean context with reference to Makomo Resources' performance.

2.3.5 Business Process optimization

Meyer and Serima (2013) asserted that business optimization focuses on improvement and perfection of processes with the ultimate goal of improvement in service delivery. Vergidis (2015) added that business processes optimization of leads to a reduction in costs, processing time and enhancement of product and service quality. Improved processes cut out unnecessary activities and alternative means are analysed to come up with the most efficient and competitive way of production and service delivery, Flynn and Staw (2014). Morrow et al (2016) and Dahl (2012) also alluded that evaluation of business processes is the most important aspect in cost cutting as it allows the identification of flaws of the production line and ensure the new or improved design does not only result in good product quality but does so, efficiently and at the minimum possible cost.

Hoyer (2015), however argued that business process optimization in the short-term may not lead to cost reduction. George (2013) and Osak (2011) also added that business process optimization involves an evaluation, planning and development of alternative methods to ensure optimization then implementation which may take even longer to implement. Kitching (2011) also indicated that there are also costs associated with optimization of business processes, in the form of wastages and interruptions to the production process thus the method may not be efficient in getting the desired results both in the sort and long run. In a neutral view, Rother and Shook (2011) argued that optimization of business processes may or may not lead to a reduction in costs as the modification of processes may entail increased spending with shorter processes and better-quality goods and services. The ideas above were mainly derived from research in the manufacturing sectors of the USA, thus a need to further research to find out how business processes optimization may reduce costs and to what extent in the Zimbabwean perspective.

It is in my view as the researcher that as much as the above outlined techniques may all lead to significant cost reduction, their success hinges on the extent to which management successfully implement them and the commitment of the workforce available for execution

2.4 Factors to be considered when cutting down costs

2.4.1 Management expertise

Aranda and Arellano (2010) pointed out that the complex process of cutting costs successfully works with everyone's involvement from the initial stages of planning and brainstorming of techniques to be adopted. Management expertise concerning is a major factor that determines the effectiveness of the process or otherwise. This was supported by Berk (2010) and Morrow (2014) who alluded that management drive the implementation of the cost cutting techniques in any organization, thus there is need for their expert knowledge planning and execution of these strategies to ensure success. Brutin and Wan (2013) also highlighted that from observation where the implementation of cost cutting strategies have not yielded desired results in organizational performance, management would have failed to effectively plan and execute the strategies.

However, Mudely and Raphulu (2015) argued that the effectiveness of the process and achievement of better financial performance does not solely lie on management expertise but rather on employees with bigger roles to play. Kitching (2011) and Basu (2015) added that communication is critical, apart from management expertise that can make or break the implementation process. Management with no expert knowledge but who have frequent and accurate communication can successfully implement the cost cutting techniques.

An impartial author Himme (2012) alluded that for there are several factors that contribute to the success of cost cutting techniques implementation. Apart from only management expertise, commitment from employees, planning and implementation of these strategies often lead to loss

of skilled personnel as well. Hofer (2011) supported that management expertise must be blended with a good plan, employee participation and good communication lines to ensure effective implementation, otherwise expertise alone may not be able to realise the benefits of the initiatives. The above sentiments are from research done on developed mining companies outside Zimbabwe. This research therefore seeks to find out how management expertise affects the effectiveness of the implementation of cost cutting strategies at Makomo Resources in Zimbabwe.

2.4.2 Loss of skilled and experienced personnel

Falkenberg (2012) alluded that techniques on cost reduction implementation has an impact on employees since most of them revolve around the retrenchment of personnel and/or assets used in the production process. The author further highlighted that it is therefore important for management to consider possible losses of experienced, skilled and loyal personnel when trying to implement cost cutting techniques. Wegner (2013) and Marrow (2014) also supported this view, in that negative effects of staff turnover are mainly felt in the long run rather than short term where the cost cutting exercises frees up liquidity and helps improve the organization's profitability. Boyne and Meier (2012) also asserted that management has a duty in considering the personnel currently employed and strategize on elimination of duplicated skills and experiences to ensure that invaluable workers are not affected in the process.

However, Cameron (2014) went on to argue that management do not necessarily have to consider possible losses of employees as it is inevitable impossible to any cost cutting exercise. The following authors Aranda and Arellando (2010) and Schoenberg et al (2013) also supported that management focus should be also on other issues more detrimental to the success of the implementation process than loss of employees as the art of downsizing not only reduces costs but increases organisational efficiency. Kesner and Dalton (2014) also alluded that possible negative

effects must be considered by employing cost cutting measures before implementation and not on the remaining employees. These authors also noted that most organizations that laid off employees faced diminishing profits due to a loss of experienced personnel who in turn joined their rivals thereby leading to increased cutthroat competition

Sudarsanam and Lai (2011) neutral view alluded that management should consider the possible loss of skilled and experienced labour among other factors that may hinder the success of the implementation process. The labour market is generally faced with a wider pool of experienced and skilled workforce such that management need not to worry about that, Hofer (2011). The theories above were derived from researches done in BRIC countries that are developed thus this research seeks to find out if loss of skilled personnel is one of the factors to be considered before implementation to ensure the process is a success in Zimbabwe with an unemployment rate above 50%.

2.4.3 Implementation costs

Hunt and Phillips (2013) state that there is also management need to consider the costs associated with implementation especially when considering staff retrenchments. This view was supported by Rother and Shook (2011) who asserts that there are huge costs associated with retrenchment hence, a cost benefit analysis by management must be carried out. Dahl (2012) and George (2013) identified severance packages, gratuity and leave days balances among others as the direct costs of retrenchment. Warren et al (2011) added that these direct costs together with indirect costs such as reduced employee morale and production disruptions can negatively affect the performance of the organization and must be given serious consideration.

On the hand, Himme (2012) argued that to effectively cut cost there are expenses that will be incurred but the gain of implementing the cost reduction techniques outweighs the costs. This was

seconded by Gitlow et al (2014) and Hofer (2011) who added that implementation costs are once off and cannot be compared to the long-term gains that will accrue to the organization. Cost reduction techniques have been implemented in businesses for ages and has been proven that they improve the performance and competitiveness of businesses thus the costs cannot take away the benefits gained from the successful implementation added Thompson (2016).

Davis (2012) took an impartial view suggesting that it is management's duty to carry out a cost benefit analysis of the chosen techniques before implementation. Reimink (2015) also added that management should also consider the net benefit both in the short and long term and seriously consider the methods will work well and are more effective to their industry. These researches were done to organizations other than Makomo Resources, thus this research seeks to find out if implementation costs are worth considering when implementing cost cutting initiatives at Makomo Resources.

2.4.4 Effects on quality

According to Kesner and Dalton (2014) management's major consideration prior to embarking on cost cutting is the impact on quality of product and/or service. Hofer (2011) and Lewis (2015) asserted that the normal thing for any business embarking on cost cutting is the possible compromise on quality. Management must seriously consider this as it will have a bearing on their livelihood and survival both in the short and long run added Bruton and Wan (2013). Osak (2011) reiterated that it is management's duty to ensure products and services delivered meet customer's expectations thus the possibility of any cost reduction must be with a thrust of improving and maintaining product quality. It is of paramount importance that management keep in mind product quality when choosing a cost reduction method and when considering costs to cut. Basu (2015) highlighted that management should consider cutting costs on non-value addition areas first.

However, Rother and Shook (2011) argued that cost cutting does not imply a compromise on quality thus management may not need to worry about that. Morrow (2014) and Holley et al (2015) supported the view stating that companies normally consider cutting costs that do not bring revenue first that is indirect costs such that the quality of products or services remain not affected at all. Habib (2015) further highlighted that the quality of products and services can always be maintained by cheaper alternatives such that quality issues would not worry management.

Mudely and Raphulu (2015) took a neutral stance and stated that although cost cutting can compromise product and service quality it is not a huge factor to be considered as there are other ways of cutting costs while maintaining quality. The researchers above concentrated on quality considerations in the manufacturing industry only, thus the researcher intends to find out if there is a need to consider quality in the mining industry in Zimbabwe specifically at Makomo Resources.

2.5 Cost Reduction Techniques on Employee Performance.

2.5.1 Reduced morale

Osak (2011) highlighted that job cuts done bluntly result in reduced staff morale and capabilities of the remaining workforce. This was supported by Dahl (2012) and Wegner (2013) who asserted that retrenchment of staff and any other cost reduction technique often lead to demotivation of employees as they become uncertain and scared of jobs losses as well. Customers are prone to be mistreated by demotivated employees during their normal tasks. Mudely and Raphulu (2015) also noted that reductions in labour force tend to be difficult and expensive, and often have long-term damage to corporate culture, knowledge base, morale, as well as corporate image. Employees often perform worse after a retrenchment exercise because of low morale as they also fear for the security of their jobs, Ruch (2015).

In a parallel line of thought Hofer (2011), the main reason that can lead to reduced morale in workforce is the non-payment or delay in payment of their salaries and not retrenchment. Wegner (2013) also suggested that cost reduction techniques may not lead to a reduction in morale but rather work as an encouragement to workers to work even harder to retain their jobs. This was supported by Holley et al (2015) who suggested that the implementation of cost reduction techniques is a powerful motivator to the remaining workforce. Personnel also get the idea of the importance of being engaged in cost cutting activities even on the production floor when cost reduction techniques are implemented according to Hunt and Phillips (2013).

Habib (2015) had a neutral view which suggested that as much as the levels of morale go down after cost reduction techniques implementation, employees are however made aware of what is at stake and are encouraged to seek and pursue cost cutting strategies at all levels. The above arguments were developed from researches done mostly in countries outside the African continent thus this research intends to find out if the implementation of cost reduction techniques reduced morale in an African country such as Zimbabwe and specifically at Makomo Resources.

2.5.2 Disruptions and decrease in Productivity

Zunich (2012) asserts that when companies downsize the most visible effect of the exercise is the disruption of the production process and ultimately productivity. This was supported by Rother and Shook (2011) who noted that workers' job insecurity causes anxiety and a significant reduction in morale that results in a decrease in productivity. Workers will start seeing themselves as not part of the future of the organization such that they do not see the need to work hard at all or as much as they did, added Gitlow et al (2014). Osak (2011) also added that the remaining employees have increased responsibilities after others are laid off and may find it difficult to cope and carry out all activities as normal.

However, Wegner (2013) and George (2013) argued that a well-planned retrenchment exercise or general implementation of cost reduction techniques does not result in a decrease in productivity. The authors went on to explain that tasks are allocated to the remaining employees who are made aware immediately after the retrenchment. Hunt and Phillips (2013) also noted that is done to eliminate duplicated responsibilities and after serious considerations by management thus if the process is done according to the plan a smooth transition that will not disrupt production or reduce productivity but rather increase it prevails.

Pierce (2014) and Dahl (2012) gave a neutral line of thought by suggesting that the implementation of cost reduction do not necessarily disrupt or improve productivity as management can still offer other incentives to employees to maintain productivity levels. Berk (2010) also added that the remaining employees may be encouraged to maintain productivity levels to prove and affirm to management that they are the right pick to remain on the job and take up even more responsibilities. The above theories and sentiments bordered on research done on heavy manufacturing companies and not mining companies such as Makomo Resources. The researcher therefore seeks to investigate whether the implementation of cost reduction strategies does have an impact on the productivity of Makomo Resources.

2.5.3 Reduced Profits

Flynn and Staw (2014) asserts that the implementation of cost reduction measures may lead to reduced profits mainly because of an immediate influx in retrenchment costs that include payment of severance packages and of leave days. This view was concurred by Himme (2012) and Kitching (2011) who emphasized that costs incurred by companies in laying off employees may actually result in major cash outflows and sometimes lawsuits for the organizations that may leave the organization cash strapped and with no profits at all. Boyne and Mier (2012) also added that the

possible reduction in employee morale and productivity also add to the issues that have a negative effect on the organization's earnings in the short run and often threaten the existence or survival of the organization.

On the other hand, Sudarsanam and Lai (2011) argued that the employment of cost reduction techniques is so that organizational expenditure especially in the wage bill can be significantly reduced thereby increasing earnings. Morrow et al (2016) supported that the cost reduction techniques are more likely to increase than decrease the organizational profits. Gandolfi (2013) also highlights that retrenchment costs they can be staggered or delayed thereby allowing the organization to reduce the risk of making losses as a result of retrenchment.

In a more impartial note, Cameron (2014) asserted that the implementation of cost reduction techniques does result in possible cash savings, but other significant outflows will be made. Habib (2015) alludes that there is an equal chance that either profits will increase or decrease after the implementation of cost reduction techniques such that management must plan properly and adopt strategies that ensure effectiveness of the process.

The above conclusions were drawn from studies done on organizations in developed countries with well-established production systems and employee standards unlike developing countries with harsh working conditions such as Zimbabwe. This study seeks to investigate the effect of the cost reduction techniques on profitability at Makomo Resources in Zimbabwe.

2.5.4 Lost business opportunities

According to Rother and Shook (2011) employing cost cutting techniques such as asset disposal, companies risk losing business by downsizing their operations and workforce. This is due to reduced productive capacity and employee numbers as a result they may not be able to meet customers' demands. Basu (2015) added that the corporate image is lost by retrenching employees

such that all potential stakeholders and investors, may avoid doing business with siting viability issues.

However, McDemott (2015) argued that cost cutting results in efficiency and better quality which will retain customers, attract investors and creditors as well. Cost cutting measures do not in all cases encompass reductions in personnel, however in some cases new products are added, new sources of revenue are opened up or extra work acquired without a proportionate addition to the number of employees Dahl, (2011).

All the researchers mentioned above shared parallel conceptions and views on how the implementation of cost cutting measures impact business opportunities of the firm. The researcher therefore intends to establish how cutting costs affects the business opportunities at Makomo Resources.

The researcher is of the opinion that negative effects such as lost business and production disruptions which may result due to the implementation of cost cutting techniques are short term but the process has long term benefits to the viability and sustainability of the business organisation.

2.6 Measures to ensure effective implementation of cost cutting initiatives.

2.6.1 Establishing a vibrant Internal Audit Function (IAF)

The internal audit function remains be an integral part of any strategic cost reduction initiative to ensure that the redesigned business processes, activities and structures are responsive to risks, and are embedded into the business methods and practices, Oates (2013). Cohen and Savag (2010) also highlighted that the internal audit function must ensure the safeguarding of the organization's assets and measures are put in place to close any loopholes, Barolsky (2011). McDemott (2011) noted that as much as management can come up with strategies to reduce costs but a vibrant IAF

establishes and monitors controls on techniques before and after implementation to ensure they are operating effectively as prescribed.

Flynn and Staw (2014) also alluded that a vibrant IAF is an aid to competitive advantage as the organisation becomes more proactive to risks identified than dealing with the consequences of the risks which can be more costly.

However, Mercer (2010) argued that an IAF maybe costly for any organization as it includes hiring competent and experienced staff. Lewis (2015) also noted that enhancing the vibrancy of the IAF may not be viable if the organization is in dire need of cost reduction such that the few members that are there already retrenched as well or the whole department wiped out entirely. Harrington et al (2015) concurs that the internal audit may also be compromised if it lacks objective thus it can collude with management and this may lessen the effectiveness of the function al together.

Rother and Shook (2011) took a neutral stance as they explained that although employing experts in the internal audit department may be costly, for any organization to remain competitive there is need for a sound and vibrant IAF that is not only independent and objective but effective. This was corroborated by Berk (2010) who stated that the internal audit function is mainly valuable when trying to avoid costs and not when the organization wishes to embark on a serious cost reduction program.

The research above were done in developed countries where the internal audit function is well appreciated and has been functioning effectively for many years but not in countries such as Zimbabwe where its function has no serious impact or existence in companies. This research therefore intends to find out the effectiveness of the internal audit function at Makomo Resources in general and investigate its role on cost reduction.

2.6.2 Effective communication

According to Rother and Shook (2011) the best way to ensure that the implementation of a cost reduction initiative is effective and successful is through communicating with employees. Ruch (2015) and George (2013) supported that communicating to employees before, during and after the implementation process ensures a smooth and efficient process. Employees accept the cost reduction process better when there is clear communication from management, Gandolfi (2013). Communication with employees helps management in getting ideas from employees themselves and at the same time get dedication and commitment from employees, alludes Hofer (2011). The author went on to highlight that communication helps management to strategize with the remaining employees on the allocation of responsibilities to ensure a smooth transition. Berk (2010) also alludes that it is easier to manage situations when or if management communicates and speak out first unlike if the news reaches employees through grapevine as that will cause despondence and render the situation uncontrollable.

However, Kesner and Dalton (2014) argued that communication to some extent may lead to uprisings by unions in the end derailing the process and creating more confusion. This was supported by Falkenberg (2011) and Morrow (2014) who asserted that sometimes frequently updating employees on management's plans of cost reduction implementation may cause more panic and unrest compromising productivity. Wegner (2013) also suggested that the use of formal communication channels may not determine the effectiveness of the implementation process because the effects of implementing cost reduction strategies will be met with the same reactions whether formal channels of communication are used or not.

McDemmott (2011) took an impartial stance stating that as much as communication is important, the success of the implementation process cannot be entirely pinned on that one aspect. The author

further noted that there are many stakeholders and different processes involved that have a more concrete bearing on the success or otherwise of the activity. Basu (2015) further highlighted that communication in this case has two possible results that is acceptance or civil unrest such that if the communication process is not monitored or evaluated to meet or address the immediate needs of the workforce carefully it may backfire on the management.

The above research was conducted in other countries other than Zimbabwe with different cultures and labour laws. The researcher therefore intends to research on the effectiveness of the communication process at Makomo Resources when implementing cost reduction strategies. The researcher also seeks to find out the effects of the use formal and informal channels of communication when implementing cost reduction strategies.

2.6.3 Employee awareness and training

According to Harrington et al (2010) it is better to first implement all other cost cutting strategies other than retrenchment that motivates and encourages hard work from employees and then come up with ways to reduce the costs. This was corroborated by Mercer (2013) and Ruch (2015) who highlighted the importance of maintaining a stable workforce to ensure effective cost-cutting and when employees know the organisational culture and are well trained and are conscious of the need for cost cutting it is actually easier than retrenching them. The author was supported by Bruton and Wan (2013) who alluded that when employees have a sense of belonging and job security they work tirelessly to ensure that goals are attained for their benefit and for the benefit of the organization as well. Himme (2012) also highlighted that a cost cutting awareness drive to committed employees may not even be necessary as they can do that voluntarily to keep their jobs, make profits in turn encouraging the organization to increase their salaries and allowances.

Kitching (2011) alluded that training and increasing awareness of employees has both short run and long run benefits.

On the other hand, Morrow et al (2014) argued that salaries and wages are the major cost for most companies, hence the easiest and fastest way to cut the costs is by retrenching non-performing and redundant employees than training them. This was supported by Thompson (2012) and Downes et al (2014) who asserted that companies retrench because the reduction in salaries is more significant than spending years cutting gradually and not making much difference.

Barolsky (2012) gave a neutral view highlighting that retrenchments may be inevitable, but they must always be the last resort as they affect employee morale and make the working environment unfavourable to the remaining employees. This was supported by Lewis (2015) who added that organizations thrive and grow because of employee dedication and commitment and as such management should prioritise employees' welfare and consider increasing awareness on cost cutting before choosing the cost cutting techniques to implement. The above research were focused on other organisations all over the world but not specifically Makomo Resources, thus this research intends to find out if the recommendations given can work to ensure successful implementation of cost cutting techniques.

2.6.4 Continued Research and development

According to Ruch (2015) and Habib (2014) continuous research and development must be done by the organisations on which techniques to implement and how to implement them effectively. Mercer (2013) also alluded that the economic environment of the 21st century is very dynamic hence the need for management to keep abreast with changes through research and development to ensure how best to reduce costs and be competitive in such an environment. Jung (2012) also

added that through research and development the organisation also develops a culture of continuous cost control which results in improved performance.

However, Bruton and Wan (2013) alluded that research and development increases costs to the organisation as opposed to reducing them. This was supported by Thompson (2012) who added that a lot of expenditure is incurred at the research and development stage hence it may be wise to only implement cost reduction techniques without having to incur research and development costs as well.

Lewis (2015) took a neutral stance by suggesting that although costs are incurred through research and development, the information gathered sets the tone and foundation for a guaranteed successful implementation of a cost reduction program. The ideas above are derived from research done in developed countries where the research and development are less costly, effective and yields results than in a Zimbabwe economic environment. This research seeks to investigate the effects of research and development on the implementation of cost reduction techniques at Makomo Resources. The researcher is of the opinion that the recommendations above are effective as they ensure an effective cost cutting culture in organisations and comes with benefits that benefit the organisation in the long term.

2.7 The Relationship between successful implementation of cost reduction Techniques and financial performance.

2.7.1 Significantly positive relationships

Kepner and Tregoe (2014) asserted that successful implementation of cost reduction techniques brings measurable positive results to any organisation financially. Reimick (2015) highlighted that reduction in costs ultimately leads to increased profits and cash flows. Hofer (2011) alluded that successful process implementation fosters a review of production processes and activities and the

identification of better ways of carrying out production to produce more. Davis (2012) also supported that cost reduction techniques ensures that more is attained from just adequate resources and time through wastages and spoilages reduction in the production of goods and services from his research where a sample of 65 respondents participated and were chosen using the judgmental technique. Gandolfi (2013) and Mercer (2013) are some of the authors who agreed that the more successful the implementation of cost cutting strategies is, the more production and profits the organization gets.

However, Falkenberg (2011) argued that some of the costs reduced do not result in tangible results as the cash flows will not be affected by their reduction for instance depreciation. Wegner (2012) supported that the effectiveness of the cost cutting techniques does not guarantee significantly positive relationships because there are always associated with the implementation process such they are offset by income.

Gitlow et al (2014) gave a neutral stance and asserts that the successful implementation of cost reduction techniques does not always guarantee an increase profits and production as there are many possible hiccups that goes with the implementation process. This was from a study where a sample of 135 respondents were chosen and interviews and questionnaires were research instruments used to collect primary data. Osak (2011) also alludes that successfully implementing cost reduction increases chances of the organization producing more but not guaranteed as there are many factors that affect productivity.

The above ideologies were derived from research that mainly focused on employee and asset retrenchment as methods of cost reduction but did not focus on other methods. This research therefore seeks to find out the significantly positive relationships between the successful implementation of cost reduction techniques and the financial performance of Makomo Resources.

2.7.2 Positive relationships

The author Reimink (2015) states that as managers embark on cost reduction, they evaluate every process to make sure the production process is accelerated, wastages are reduced, and target output attained in best quality. Davis (2012) adds that by employing cost reduction techniques resources can be saved and used on other projects for expansion and innovation to remain competitive. This came out from a study carried out using closed ended questions in gathering primary data and interpreted using central tendency measures. Aral (2015) and Hunt and Phillips (2013) also added that other cost cutting methods such as asset retrenchment be it through disposal or leases, does not only reduce costs of maintenance and depreciation but also result in cash inflows from sale or lease premiums. Habib (2015) also alludes that the review and refinement of the production process and increase in efficiency inevitably leads to increased profitability of the organization. This was arrived at from a research where a sample size of 45 respondents was used after employing non-probability sampling techniques to choose the respondents. The reduction of wastage and spoilage also results in a saving and reduction of losses, Morrow (2014).

However, Hair et al (2012) states that the implementation of cost reduction techniques affects employee morale and have an impact on the quality produced hence increased wastages. This was supported by Rother and Shook (2011) who asserted that effective implementation results in negative than positive relationships.

Arial (2011) neutral stance asserts that a successful implementation does not equal a positive change but rather a drastic negative change that can haunt the organisation for ever. The ideas above are derived from research done on positive relationships in manufacturing industries and not mining companies. This has prompted the need for this research into the possible positive relationships of successful implementation of cost cutting strategies and financial performance of Makomo Resources.

2.7.3 Significantly negative relationships

Kitching (2011) argued that the success of the implementation process entails an interruption of business activities and processes during the implementation process leading to reduced production and ultimately profits. This was seconded by McDemmott (2011) who stated that production processes may be slowed after implementation as remaining employees struggle and strive to adapt to changes and increased responsibilities before normal production levels may be maintained. The costs that are also incurred during the implementation process may result in reduced profits or losses to the organization according to Mercer (2013). This was concluded after a study where a sample size of 95 respondents was chosen and the data gathered was presented and analysed using percentiles, tables, graphs, and pie charts.

However, Dahl (2012) highlighted that successful implementation is more likely to increase profits as opposed to reducing them since some significant costs on retrenchment, the wage bill is heavily cut. McDemmott (2011) also supported this by asserting that it is not possible to successfully implement any cost cutting strategy and have profits and productivity reduced.

Zunich (2012) took an impartial stance stating that either an increase or decrease in profits is possible even after successful implementation of cost cutting strategies as more variables are available that affect profits. The researches above focused on developed economies such as China, Japan and Russia but not on developing economies like Zimbabwe hence the researcher intends to find out the possible significantly negative relationships between successful implementation of cost cutting techniques and the performance of Makomo Resources.

Negative relationships

Flynn and Staw (2014) argued that the cost cutting implementation may reduce efficiency as production processes are normally disrupted during and after the changes. In some occasion's responsibilities may not be allocated immediately to the remaining staff and the workload will be just become too heavy for the remaining staff, added Cameron (2014). Zurich (2012) also highlighted the relationship between the successful cost cutting strategies implementation and the efficiency of production processes maybe indeterminable as wastages, spoilages and delays in production may also be encountered especially when new processes are adopted or new machinery is to be used. In addition, the possibility of losing more skilled and experienced staff exists leaving the organization manned with people who may not

be efficient in delivering the duties when they are increased, emphasized Pierce (2014) and Dahl (2012). However, Basu (2015) argued that the cost reduction does not result in wastages as the processes would have been modified and perfected to reduce the costs. Rother and Shook (2011) also emphasized that when thoughtfully planned production processes will not be interrupted, and no losses or disruptions will occur.

Mudely and Raphulu (2015) took an impartial stance arguing that the implementation of cost cutting strategies has many dynamics that increase costs while some may reduce efficiency. The researchers above carried out their studies in powerful and developed countries that include Britain, Russia and India and not Zimbabwe. These researches were also done in the banking and manufacturing sectors and not in mining organizations. This research therefore seeks to outline any negative relationships that may exist between the successful implementation of cost reduction and profit of an organization.

HO: There is ultimately a significant positive relationship between the successful cost reduction implementation and the organisation's financial performance.

The Scopes of most existing studies are limited to either the manufacturing or service sectors of the European countries, and cover limited geographical regions, particularly developed countries. Moreover, there are no or very few studies on cost reduction in the mining industry in Africa better still in Zimbabwe. Since the mining industry is one of the sectors that form the backbone of the Zimbabwean economy and is experiencing significant growth and importance, a comprehensive study on understanding the effectiveness of cost reduction initiatives on the performance of mining organisations becomes very important. Therefore, this study aims at filling the existing research gap, where in the Zimbabwean economy the mining industry has a huge potential of growth and contributes significantly to the GDP of the economy.

2.8 Chapter Summary

The chapter outlined in detail the literature on the cost cutting techniques, factors considered in implementing cost reduction techniques, effects of the implementation of costs reduction techniques, possible measures that can be implemented to ensure successful implementation and the relationship between successful implementation and financial performance of the organization. The next chapter focuses on research methodology.

CHAPTER 3

Research Methodology

3.0 Introduction

This Chapter focuses on the methods, techniques and tools that are used in the gathering, classification, management, and interpretation of data. It also covers the theory of research design, research methods adopted, target population, research instrument applied, data collection procedure, justification of approaches used and data analysis.

3.1 Research Design

According to the business dictionary, a research design is a detailed outline of how an investigation will be done. It normally includes how data is to be gathered and the instruments to be used for analysing the data collected. This concurs with Ader and Mellenbergh (2014) who postulated that research design encompassed methodology and procedure employed to conduct scientific research. Fraenkel and Wallen (2015) defined a research design as a study strategy and plan by which the strategy is to be executed. They stated that the design will have specific methods and procedures that are used in gathering, measuring, and interpreting data. It is used to structure the research and to stipulate how the major areas of the research project-the samples or groups, measures, treatments, or programs and methods- work together to try and address the central research question(s). There are three main types of research which are exploratory, descriptive, and casual (Cooper and Schinder, 2013). A descriptive research design is chosen for to carry out this research.

3.1.1 Descriptive Research Design

The descriptive research design method was adopted by the researcher for the purposes of this research. According to Langen (2014) the descriptive method allows the researcher to observe, describe and explain a scenario or event as they happen in any set up. According to Remenyi et al (2013) descriptive research design urges a study of direct experience selected at face value. Bhattacharjee A (2012) said it is aimed at making careful observations and elaborated documentation of a phenomenon of concern. It tries to describe consistently a problem, situation, development, plan, or describes positions towards an issue. Cooper and Schinder (2013) highlighted that it looks at the oftenness on which something takes place. It enables to learn the when, who, how and what of the matter. Kothari (2014) also alluded that this design gives the researcher little or no control of the variables thus the researcher can only report on what was said by the respondents or what happened. The descriptive design method encompasses both qualitative

and quantitative approaches to support and confirm the phenomenon under study and broaden the data to be acquired by the researcher, at the same time enhancing the quality of the research findings. According to Bless and Higson (2009), there are two basic research philosophies which are qualitative and quantitative.

Justification for use of descriptive research

The researcher chose this method because it is more accurate and objective as there is less room for the researcher to express their opinion but only to describe their observations. In-addition the descriptive design method also encompasses both qualitative and quantitative to support and confirm the phenomenon under study and broaden the data to be acquired by the researcher, at the same time enhancing the quality of the research findings. According to Clarke (2013) and McGrath (2014) qualitative and quantitative data complement each other as quantitative data gives evidence that qualitative data cannot provide. Qualitative approach will be used to understand and explore behaviour and attitude whilst quantitative approach will be used to conclude or confirm how widespread these behaviours and attitude are, (Wilson, 2006). Langen (2012) also supported that qualitative data sets the arguments for the research while quantitative data gives statistical arguments and evidence. The researcher chose this method to ensure quality and reliable statistical and qualitative data is gathered to support arguments on the effectiveness of the cost reduction methods employed by Makomo Resources.

3.2 Research Approach

3.2.1 Mixed Approach

The descriptive design method encompasses both qualitative and quantitative approaches to support and confirm the phenomenon under study and broaden the data to be acquired by the researcher, at the same time enhancing the quality of the research findings. According to Bless and Higson (2009), there are two basic research philosophies which are qualitative and quantitative. Many studies use both qualitative and quantitative approaches whereby qualitative one will be used to understand and explore behaviour and attitude. On the other hand, quantitative approach will be used to conclude or confirm how widespread these behaviours and attitude are,(Wilson, 2006).Qualitative research deals with information that is too difficult to quantify and that can only be observed such as opinions and judgments of participants (Kapoulas and Mitic, 2012). More-so a qualitative approach enables the researcher to read/ deduce attitudes, views and past behaviour

towards the study question (Bhattacharjee, 2012). According to Cohen and Manion (2014), the qualitative approach to research has the intention of understanding "the world of human experience", suggesting that "reality is socially constructed" (Mertens, 2015). Creswell (2013) further highlighted that the qualitative researcher tends to rely upon the "participants' views of the situation being studied" and recognises the impact on the research of their own background and experiences.

Kapoulas and Mitic (2012) defines Quantitative approach as a system which is systematic and having data in numerical format from which information with regards a study can be developed. They further state that such an approach can be utilised in describing and examining cause and effect relationship and output thereto presented numerically and statistically. Berg, (2011) argues that quantitative research has the ability to verify quantitative data since many people feel safe only with statistics, which can be verified and quantified to support findings. To cater for the different perspectives about qualitative and quantitative research in this study, triangulation was employed by the researcher. Plooy (2015) point out that triangulation is an attempt to include multiple sources of data collection in a single research project so as to increase the reliability of the results, and to compensate for the limitations of either qualitative or quantitative approach. This research combined the approaches in order to take advantage of the strengths of the two approaches, to obviate the weaknesses of a single approach and to increase reliability and validity of findings.

Justification for use of the Mixed Approach

According to Clarke (2013) and Mc-Grath (2014) qualitative and quantitative data complement each other as quantitative data gives evidence that qualitative data cannot provide. Langen (2012) also supported that qualitative data sets the arguments for the research while quantitative data gives statistical arguments and evidence. Data is more objective and scientifically derived using fundamental scientific laws. It is difficult to alter figures and hence use of figures eliminates subjectivity when searching for irregularities and casual relationships between elements. The researcher used a qualitative-interview approach to answer most of the research questions as they required qualitative information such as the opinions and views of the participants about the impact, effects of cost reduction. It was however difficult to measure impact and relationship of cost reduction on the performance of the company hence incorporation of the quantitative approach

to the research. The researcher chose this method to ensure quality and reliable statistical and qualitative data is gathered to support arguments on the effectiveness of the cost reduction methods employed by Makomo Resources.

3.3 Target Population

According to Langen (2014), target population are all people or items (unit of analysis) with certain characteristics relevant to the study and is of interest to the researcher. It is the set of individuals or objects with some visible distinctiveness to which a researcher wants to extrapolate the outcomes of the study. In the case under study, Makomo Resources has a total of 451 employees both permanent and contract which constitute the population. Conducting research to such a large number would be cumbersome, costly and time consuming. The researcher saw it thus prudent to implement sampling techniques in dealing with the cross functional groups. The groups under study include, Geology, Survey, Quality Control, Processing, Engineering, Mining, Finance and Administration, Sales and Marketing. Survey method was used by the researcher as the research strategy in implementing sampling techniques.

3.4 Sampling methods

3.4.1 Sample size

A sample is referred to as the segment of the population used for investigation and

inference purposes (Bryman and Bell, 2012). It is sometimes impossible to gather information on all members of a population, thus a sample must be selected which should as much as possible resemble the main characteristics of parent population for it to be representative of the population.

Laser (2011) asserts that the sample is the manageable group from the target population chosen to give a reflection of the thoughts of the whole population. The sample is set to give at least an average thereby representing the whole group, according to Kumar (2013). A sample size is therefore a manageable group set to adequately represent the population under study. The researcher chose 50 employees as the sample as they could represent and give adequate data to cover the target population, had the knowledge on cost cutting measures and were easily accessible. The table below shows the chosen sample for the purposes of this research.

Table 3.1 Population and Sample Size

Department	Population	Sample Size	Percentage (%)
Engineering	8	5	63
Finance & Admin	4	2	50
Geology	2	1	50
Mining	20	10	50
Processing	15	8	53
Quality Control	2	1	50
Sales, Marketing & Logistics	5	2	40
Survey	2	1	50
Total	58	30	52

3.4.2 Sampling Techniques

According to Cooper and Schindler (2013), the basic idea of sampling is that by selecting some of the elements in a population the researcher may draw conclusions about the entire population. Donald (2014) went further to state that there are 2 main sampling categories available, that is, probability and non-probability sampling.

3.4.2.1 Stratified Random Sampling

Saunders et al (2012) alluded that probability sampling ensures an even and equal chance of every member within the target population to be selected. Therefore, to fairly select individuals for this study sample, a stratified random sampling method was used. This is a technique of sampling that enables apportionment of the sample into distinct categories (strata) then individuals are selected from each category (stratum) on a random sampling basis (Sigauke, 2013). The researcher categorised the population into 8 different strata according to their functional departments, which also served as the strata. Random samples were then drawn from each strata for carrying out the survey.

Justification for using Stratified Random Sampling

This method of sampling enhances fair representation of respondents and allows an explicit exploration of each stratum, unlike simple random where sampling is randomly a selection of

activities (a sample) from the entire population (MacDonald & Headlam, 2014). Furthermore, this technique provides adequate data for analyzing the various sub-populations and also allows the use of other sampling procedures. With this method different groups of the population are adequately represented in the sample to have a true picture and valid results of the research.

3.5 Data Collection

3.5.1 Sources of data

There are two sources of data namely, primary and secondary data. Both primary and secondary data sources will be used for the purposes of this study.

3.5.1.1 Primary Data

Bailey (2015) states that primary sources are firsthand accounts not based on other written works, nor interpreted by other researchers. Primary data are invaluable as it is not only the most current data available but are also specific and concise. According to Ghosh and Chopra (2013), primary data is originally collected by the concerned investigator or enumerators from the source of their origin in the process of investigation. The data so collected originates from the researcher and thus are current, of an original nature and readily suited for the research problem at hand. These data are collected through various methods like interviews and questionnaires. Primary data was incorporated by the researcher because it is envisaged to produce direct and useful information best suited for the requirements of this study.

3.5.1.2 Secondary Data

On the other hand, secondary data is one that is gathered and recorded by someone else prior to the current project. The secondary data includes the use of information from textbooks, journals, the internet and other sources on the subject (Zikmund,2013). Secondary data has the advantage of being readily available, data is highly accessible and less expensive to obtain (Zikmund, 2013).

However, secondary data has its disadvantages. The data may not be relevant to

the current study, or data may be outdated for the current purpose, while bias and collation errors may arise. In the research case, such data has will be gathered from

company journals, monthly and quarterly reports, financial statements for the

company, and strategic documents, to endorse primary data.

3.6 Research Instruments

Research instruments relates to the tools used to collect information from respondents (Bogdan and Biklen (2016). The research used both primary and secondary data. To get this information, the researcher conducted interviews, used questionnaires and analysed Makomo Resources' management reports.

3.6.1 Questionnaires

According to Clarke (2012) a questionnaire is a list of research questions designed to collect appropriate data from several predetermined respondents. Kumar (2013) added that this research instrument is devised with predetermined and limited choice of answers for purposes of statistical study. It is therefore important for the questions to be simple, clear and precise to ensure respondents understand the questions and to ensure valid and accurate data is gathered. The main advantage of using questionnaires is they are precise and give respondents limited choices making the answers easier to interpret and data analysis and presentation easier. On the other hand, the fact that questionnaires are standardised limits respondents and the researcher to only that he would have asked as people cannot give supporting explanations or clarity where necessary. Questions asked in research can be open-ended or closed-ended questions. The researcher used a structured questionnaire as an instrument for obtaining primary data for the study, with closed-ended questions for the purpose of the research.

Closed-ended questions are designed in such a way that the respondent is provided with a set of answers to choose from, Clarke (2012). Donald (2014) added that closed-ended questions come in many forms, but their main characteristic is they give respondents explicit options to choose from for instance YES or NO questions, multiple choice questions and satisfied or unsatisfied questions.

The researcher also used the Likert scale reviewed below for structuring questionnaires.

3.6.1.1 Likert Scale

Wegner (2011) defines the Likert scale as an ordinal psychometric measurement of attitudes, beliefs and opinions. The respondent is required to indicate their level or extent of agreement or disagreement for every statement presented as shown by the scale below:

Table 3.2: Likert Scale

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

Source: Allen (2013)

Allen (2013) asserts that the Likert Scale is a widely used tool in surveys around the world because its analysis is easier as responses are already classified and limited.

3.6.2 Interviews

Cooper and Schinder (2013) defined an interview as a face to face oral communication started by the interviewer to obtain information from the respondent. The interviewee may at times ask certain questions and the interviewer responds to these (Kothari, 2014). Interview involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses (Kothari, 2014). Personal interviews cancel the weakness in questionnaires. Structured interviews were used by the researcher in which questions are predetermined. They involve the use of a set of predetermined questions and of highly standardised method of recording (Kothari, 2014).

The researcher used personal interviews personal /depth interviews and telephone interviews in this research for interaction and verbal communication with respondents giving instant responses for the field under study. Questions used were in the questionnaire and others were dependent on the answers provided by the interviewee.

3.7 Data Reliability and Validity

According to Kimberlin and Winterstein (2011), validity entails the extent to which an instrument is capable of measuring that which it purports to measure and perform as it was designed. Reliability on the other hand refers to consistency, that is, does the instrument manage to exhibit consistency in measuring what it is intended to measure. An instrument that is most useful must be both valid and reliable. These components constitute a crucial criterion in determining and assessing the quality of a study because they determine the credibility, authentication and the

degree of reliance to be placed on the findings. The process of developing and validating an instrument is by and large focused on reducing error in the measurement process.

Three factors that are used to measure reliability are stability, internal reliability and internal observer reliability, thus employees with vast knowledge and experience in each department were selected thereby enhancing the dependability of the findings.

In order to ensure the reliability and validity of research findings, the researcher used more than one method of collecting data that is interviews and questionnaires to ensure information gathered was reliable. A group of people from the mining, quality control and survey were asked the same interview questions at 2 different occasions on a space of 2 weeks, and then looking at test-retest correlation between the two sets of responses. Same questions were also asked to different respondents in order to determine reliability from questionnaires and interviews and analysed the data collected and equated it to the research objectives in ensuring its validity. The data was analysed by graphing it on scatterplot and computing Pearson's r.

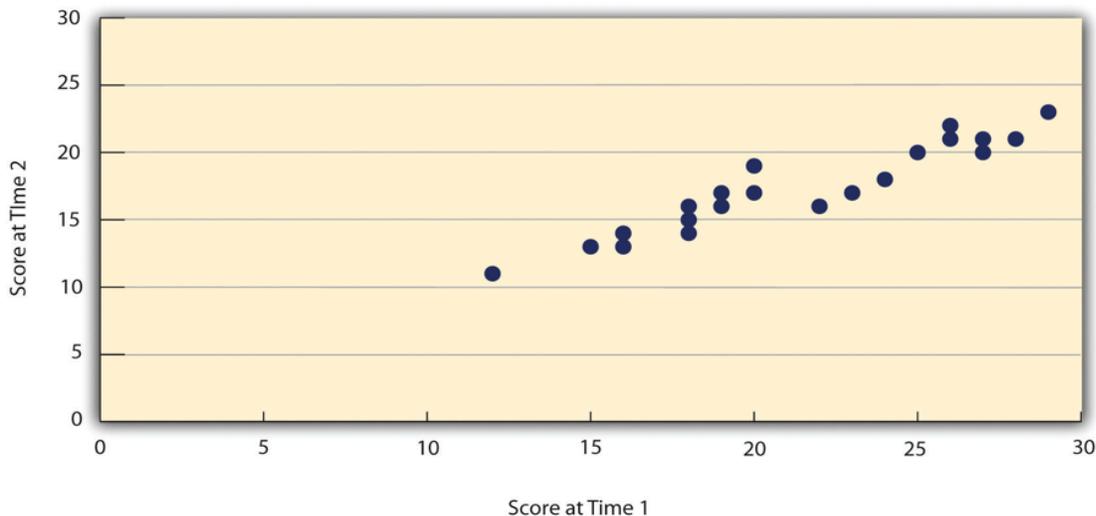


Figure 3.1 shows the correlation between two sets of results of groups of mine employees on the Scale, administered two times, a week apart.

Validity was established by using face, concurrent, construct, convergent and predictive validities, (ibid).Also, to ensure that validity was incorporated, the questions asked related only to the problem under study and the objectives to be achieved. Factor analysis was used in determining the validity of the responses. Values of observed data from geology, mining and survey were

expressed as functions of several possible causes in order to find which factors mostly affected the cost reduction initiative at Makomo Resources.

3.8 Data Presentation and Analysis

According to Hungler (2012) data analysis refers to the refinement and manipulation of data to prepare them for application of logistical inferences. Data analysis is the process of systematically applying statistical and/or logical techniques to illustrate, condense, summarize, and evaluate data. Data gathered was organised, grouped and tabled to ensure clear presentation. Regression and correlation analysis will be used to analyse the data. In view of the many variables to be considered, multiple regressions will be employed using appropriate tools like excel packages or SPSS.

Descriptive statistics were used to summarize data from a sample. eg. Mean, Median, Standard deviation, Variance, etc. Bar graphs, tables, pie charts and descriptive narration were the methods of data presentation used to enhance the interpretation and analysis of the data. Research findings were also merged with what is articulated by the theoretical framework to ascertain patterns of resemblance or divergence to derive meaningful and persuasive conclusions. Diagrams used in data presentations portray a clear picture to the readers and enable them to easily interpret and make comparisons of the research findings, which is also supported by Mills (2015).

3.9 Ethical Considerations

Among the significant ethical issues that were considered in the research process included consent, confidentiality, integrity, acknowledging works of previous researchers and objectivity.

Consent - In order to secure consent, permission to carry out research on the organization was sought from senior management first before proceeding and consent was granted as well as from individuals selected as participants in the research.

Integrity - The researcher relayed all the important details of the study, including its aim and purpose to all the participants and assured them that all the information gathered during the research will be used solely for the purpose of the research and nothing else. By explaining these important details, the respondents were able to understand the importance of their role in the completion of the research.

Confidentiality - The confidentiality of the participants was maintained by not disclosing their names or personal information in the questionnaires or interview forms. Only details relevant in

answering the research questions were included. Information gathered during the research was not disclosed to any third party without the permission of the participants.

Acknowledgement of the works of previous researchers - secondary data that was utilised by the researcher was properly acknowledged by use of citations and references.

Objectivity - significant consideration was enhanced to ensure objectivity by not allowing own opinions to influence the information obtained and the conclusions thereto.

3.10 Summary

This chapter detailed out the research methodology which encompasses the research design, the research approach, the target population, the sample, and sampling techniques incorporated by the researcher. It also elaborated on the data sources used, research instruments utilized, validity and reliability of research instruments, data presentation and analysis as well as ethical considerations. Chapter four will focus on data presentation, analysis, and interpretation of findings.

CHAPTER 4

Data Presentation and Analysis

4.0 Introduction

The focuses in this chapter is on the presentation, analysis and discussion of data collected from Makomo Resources, through interviews and questionnaires. The analysis and presentation of data involved the drawing of graphs, tables, pie charts and descriptive summaries. These findings were the basis on which conclusions were made on the investigation of cost reduction initiatives at Makomo Resources and necessary recommendations thereon.

4.1 Questionnaire response rate

A sample size of 30 employees has been selected from 450 employees hence a total of 30 questionnaires was administered. Out of these, 21 questionnaires were received back, representing a 70% response rate.

Table 4.1 shows the distribution of response rate across the departments.

Table 4.1 Tabular Questionnaire response rate

Department	Questionnaires administered	Questionnaires returned	Percentage (%)
Engineering	5	4	80
Finance & Admin	2	1	50
Geology	1	1	100
Mining	10	7	70
Processing	8	5	63
Quality Control	1	1	100
Sales, Marketing & Logistics	2	1	50
Survey	1	1	100
Total	30	21	70

According to Saunders (2015), a response rate of 50% and above warrants validity of findings hence the overall response rate of 70 % obtained is high enough to ensure that the study results are valid and reliable.

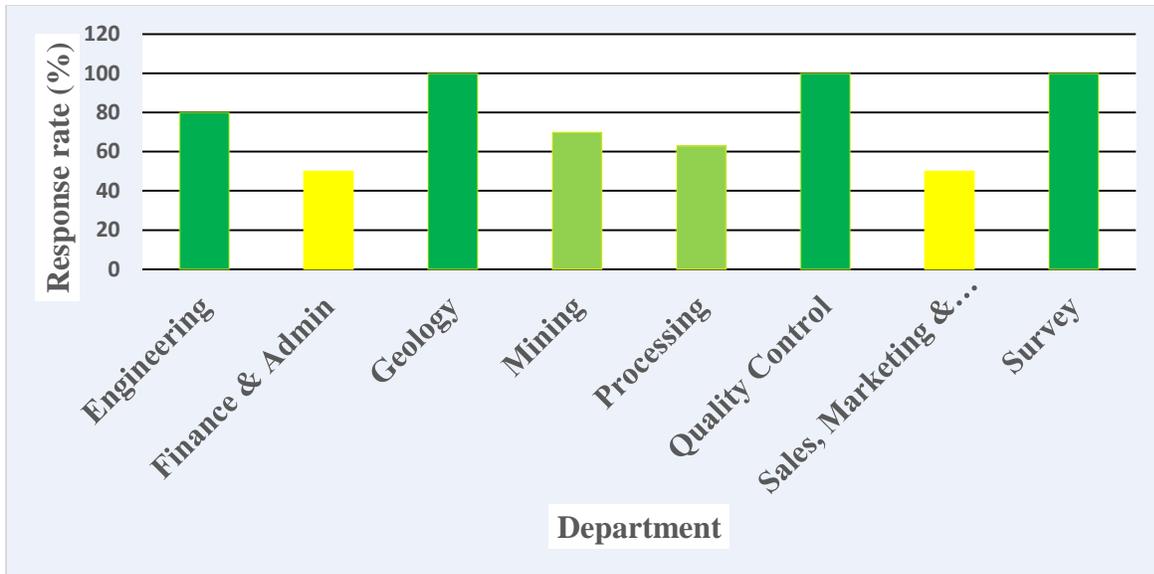


Figure 4.1 Questionnaire response rate by Section

In order to make a presentation of the response rate per department, Figure 4.1 has been used to indicate the spread. The general trend across the sections is satisfactory. Three departments, that is, Geology, Quality Control and Survey recorded a 100% response rate to the questionnaire. It is also important to note that the sample sizes in these departments were low (maximum of 2). The remaining departments had a response rate ranging between 50-80%. These sections also had large sample sizes selected, proportionate to the number of employees in the department. Managers and Supervisors for each section were randomly selected for interviewing as a follow up to the questionnaires. This was done in order to have an in-depth appreciation of the issue under study.

4.2 Interview Response Rate

The responses obtained from interviews will be used in the sections to follow so as to buttress the findings obtained from the questionnaires. The data will be qualitatively and quantitatively presented in the form of tables and graphical trends.

4.2.1 Composition of Respondents

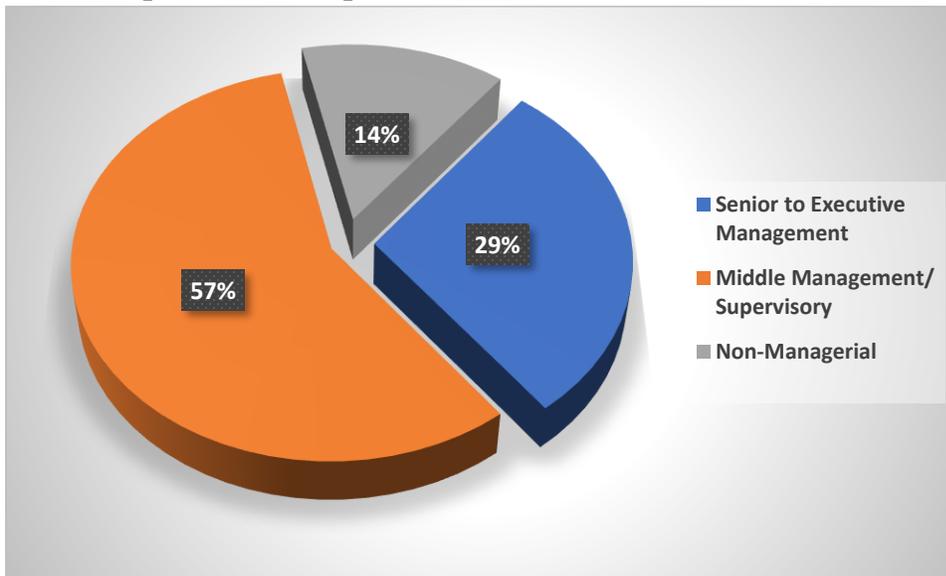


Figure 4.2: Composition of Respondents

Figure 4.2 represents the total number of respondents who completed the questionnaires that were subsequently analysed. There was a deliberate stratification of the data according to company positions. Most of the data related to cost management is obtained from the executive level since these are the employees who can reliably show an understanding of cost management. Their responses are presumably expected to be credible, reliable, and well informed.

As such, 86% of the respondents come from the supervisory and managerial staff while part of the discussion will therefore be biased towards the discussion of responses obtained from 86% of the sample size that represents the supervisory staff upwards. Of the 86%, Senior Managers to Executive level contributed 29% and this is an adequate representation especially factoring their composition in terms of absolute numbers, notwithstanding the fact that this was the major target group in terms of follow up interviews.

4.2.2 Respondents' length of service

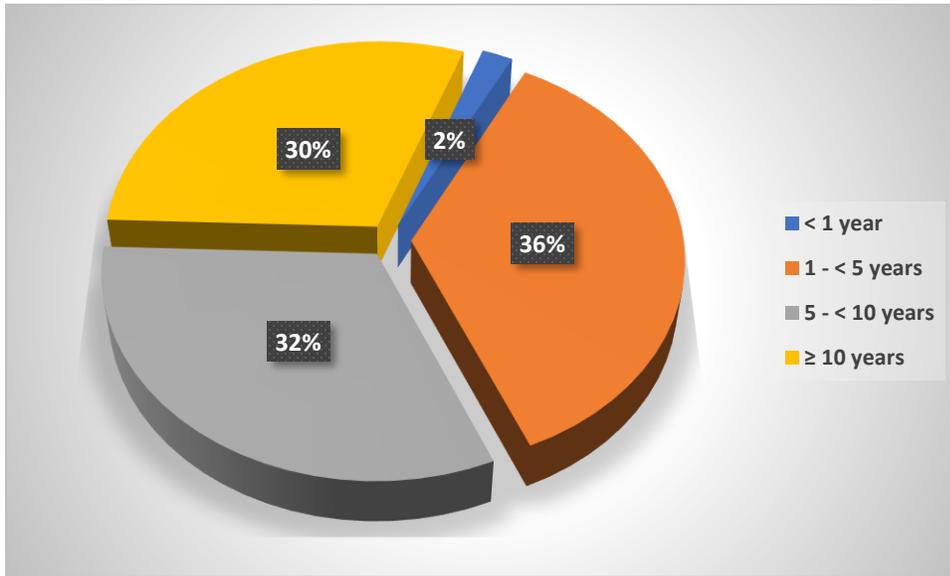


Figure 4.3: Respondents length of service

According to the respondents' demographics, 62% of the respondents have been employed by Makomo Resources for a period of 5 years and above. Only 2% of the respondents have been with the organisation for less than 1 year. The remainder, 36% have been with the organisation for a period of 1- 5 years. Since, majority of the respondents have been employed for more than 5 years, it means that there is a high level of credibility to the findings. The employees obviously show some deeper level of knowledge of the operations and more so an understanding of the major cost drivers and how these can be curbed. It is also important to note that an employee who would have worked for an organisation for a period of more than a year can confidently give credible results in terms of questionnaire responses. Given this background, 98% of the employees fall in that range hence a true reflection of what is happening on the ground. The service period for the respondents is shown in Figure 4.3.

4.2.3 Level of Education

Figure 4.5 shows that 29% of the respondents have attained a Diploma, 44% Degree and 14% a Master's programme. This shows that majority of the respondents were educated enough to understand the needs of the research. The responses obtained are of paramount importance since it becomes apparent that they do understand the questions and their contributions play a key role.

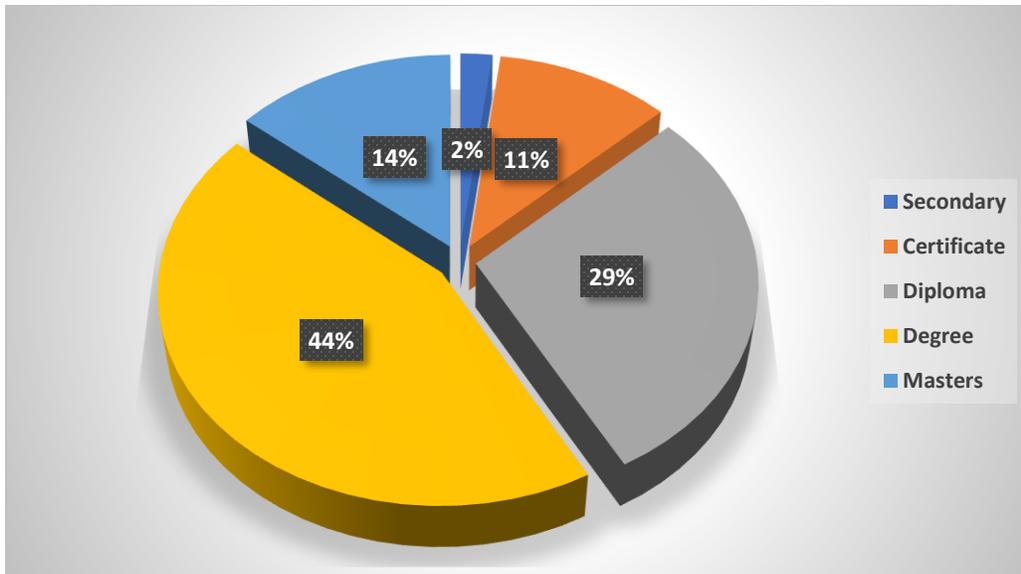


Figure 4.4: Level of Education

4.5 Existence of Cost Control policy at Makomo Resources

(i) Makomo Resources has a cost reduction policy in place.

Table 4.5.1 Responses on existence of cost reduction policy at Makomo Resources

Responses	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Number of Responses	18	3	0	0	0	21
Percentage	86%	14%	0%	0%	0%	100%

The findings on the table above clearly shows that 18/21 (86%) strongly agreed, 3/21 (14%) agreed, 0/21 (0%) uncertain, 0/21 (0%) disagreed and 0/21 (0%) strongly disagreed.

All the respondents i.e 21/21 (100%) of the respondents agreed that Makomo Resources has a cost reduction policy in place.

There was an overwhelming consensus that Makomo Resources has a cost reduction policy in place.

(ii) Formal documentation of the Cost Control policy

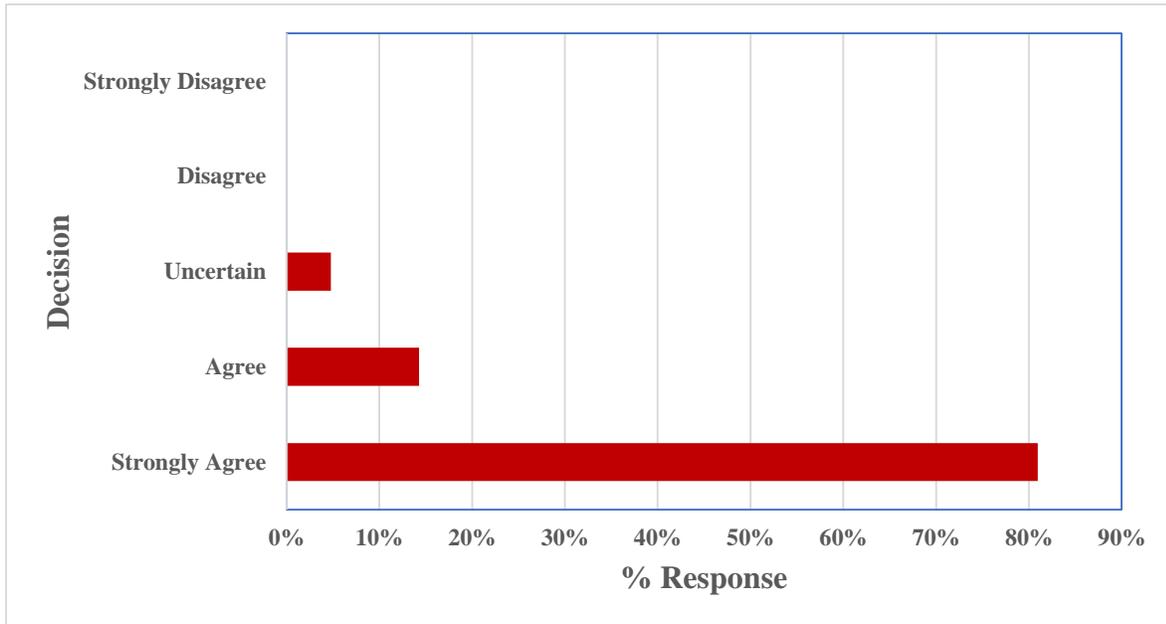


Fig 4.5.2 Responses on the existence of Formal documentation of the Cost Control policy

From the findings above, the researcher concluded that 17/21 (18%) strongly agreed, 3/21 (14%) agreed, 1/21 (5%) uncertain, 0/21 (0%) disagreed and 0/21 (0%) strongly disagreed.

Overall, 20/21 (100%) agreed while 1/21 (0%) was uncertain.

The results clearly show that there is an agreement on the formal documentation of the cost control policy.

(iii) Communication of Cost Control policy to Management

Table 4.5.3 Responses on the Cost Control policy communication to management

Responses	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Number of Responses	18	3	0	0	0	21
Percentage	86%	14%	0%	0%	0%	100%

Table 4.5.3 findings shows that 18/21 (86%) strongly agreed, 3/21 (14%) agreed, 0/21 (0%) uncertain, 0/21 (0%) disagreed and 0/21 (0%) strongly disagreed.

Overall,21/21 (100%) agreed that there is communication to management on the company’s cost reduction policy.

From the results it is evident that cost control policy at Makomo Resources is communicated to management.

(iv) Communication of cost reduction policy to subordinates.

Table 4.5.4: Responses on the cost reduction policy communication to subordinates

Responses	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Number of Responses	14	7	0	0	0	21
Percentage	67%	33%	0%	0%	0%	100%

As shown in Table 4.5.4 above,14/21 (67%) strongly agreed, 7/21 (33%) agreed, 0/21 (0%) uncertain, 0/21 (0%) disagreed and 0/21 (0%) strongly disagreed.

The 100% agreed that there is communication of the company’s cost reduction policy to subordinates.

The information relation to cost reduction is well cascaded down to all subordinates for execution and implementation within their areas of specialisation.

(v) Communication of cost reduction policy to new personnel.

Table 4.5.5: Responses on the cost reduction policy communication to new personnel.

Responses	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Number of Responses	11	6	4	0	0	21
Percentage	52%	29%	19%	0%	0%	100%

From Table 4.6.5, it can be concluded that 52% strongly agreed, 29% agreed, and 4% remained uncertain as to whether there is information dissemination of the company's cost reduction policy to new employees.

Overall, 81% are all in agreement to information being passed on to new employees and 19% are uncertain.

(vi) Clarification of the cost reduction policy for better understanding

Table 4.5.6 Responses on the clarification of the cost reduction policy for better understanding to employees

Responses	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Number of Responses	10	4	2	3	2	21
Percentage	48%	19%	10%	14%	10%	100%

As shown in Table 4.5.6, 18% agreed on cost reduction clarification, while, 48% strongly agreed. A significant 24% disagree while only 10% maintained neutrality.

Overall, 67% agree that the cost reduction policy is clarified for better understanding, mainly through their safety talks before and after start of shifts, 24% disagree and 10% are neutral.

4.6 Cost reduction policy implementation guidelines

(i) Presence of cost reduction policy implementation guidelines

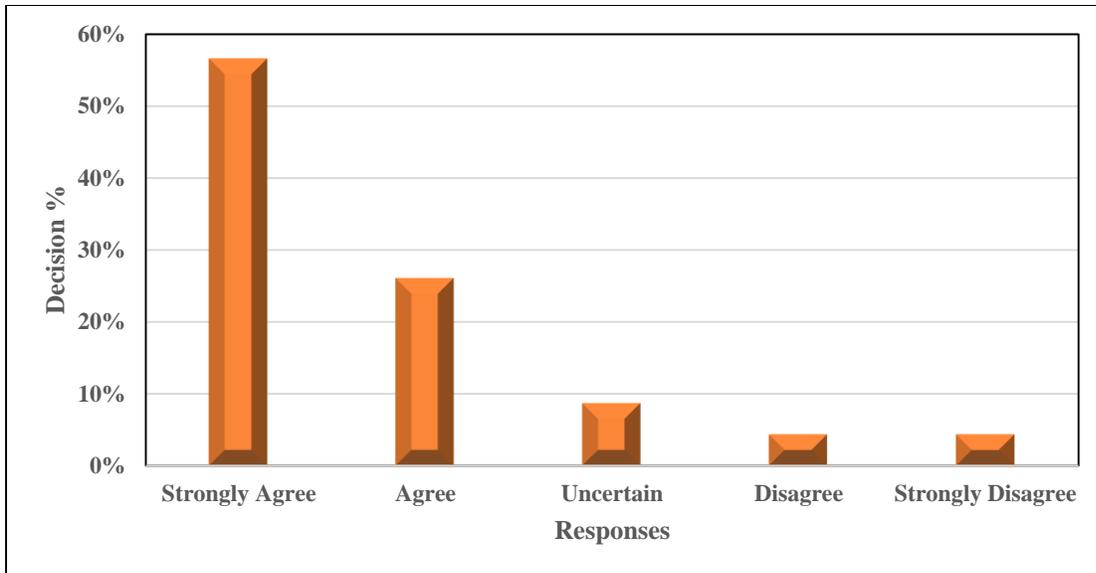


Fig 4.6.1: Responses on the existence of cost control policy implementation guidelines

From Fig 4.6.1, it is apparent that cost reduction policy implementation guidelines exist within Makomo Resources. This is so because 83% of the respondents indicated that a cost reduction implementation guideline is in place. The remaining 17% is equally divided between neutrality and disagreement.

Overall, the results show that there is a consensus on the presence of the cost reduction policy implementation guidelines at Makomo Resources.

(ii) Documentation of policy implementation guidelines

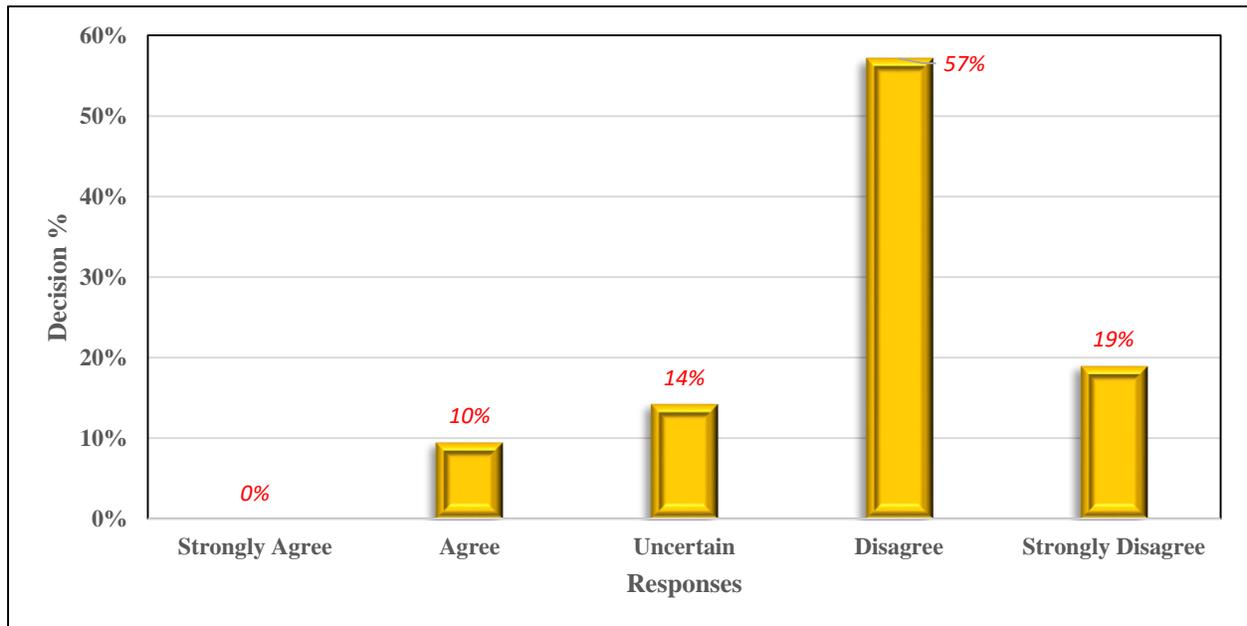


Fig 4.6.2 Responses on documentation of policy implementation guidelines

The responses clearly demonstrate the lack of documentation for the guidelines for cost reduction. This is shown by a significant 76% who disagreed and 14% remained neutral. Only 10% agreeing to the existence of documentation for the guidelines.

The results prove that there is a discourse on the documentation of policy implementation guidelines at Makomo Resources.

(iii) Availability of financial usage guidelines on cost reduction policies

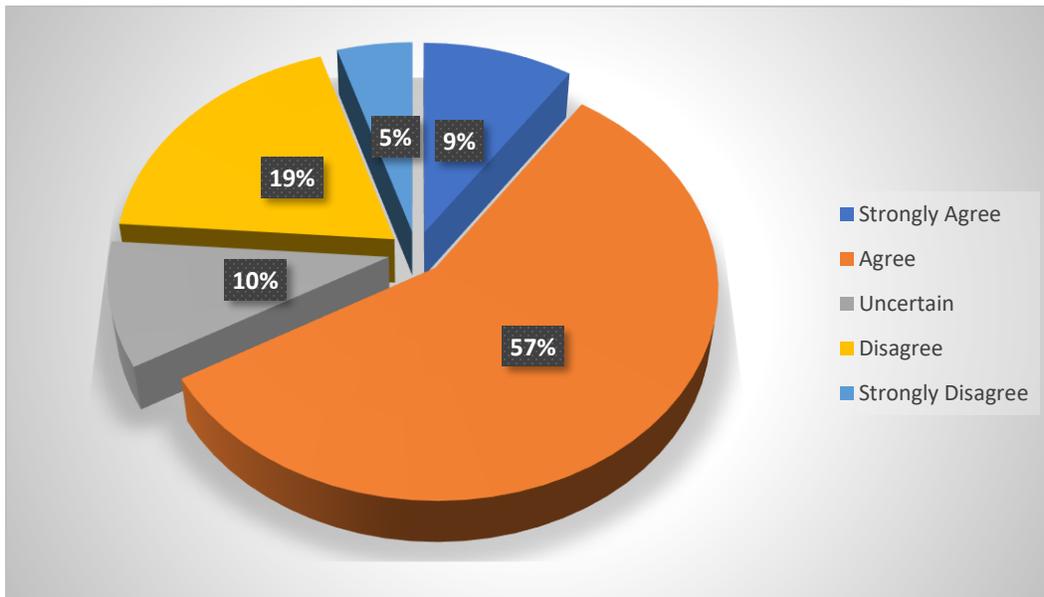


Fig 4.6.3 Availability of financial guidelines on cost reduction policy implementation

From the findings above, the researcher found that 9% agreed whilst 9% strongly agreed as to the availability of financial guidelines on cost reduction. 19% and 5% disagreed and strongly disagreed respectively, whilst 10% remained neutral.

Overall, 67% agreed, 24% disagreed whilst 10% neither agreed nor disagreed.

The results show that there is a discord on the availability of financial guidelines on cost reduction policy implementation at Makomo Resources.

4.7 Adequacy of resources to implement cost reduction

(i) Existence of a cost control committee for cost reduction

Table 4.7.1 Responses to the existence of a cost control committee

Responses	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Number of Responses	0	2	4	12	3	21
Percentage	0%	10%	19%	57%	14%	100%

From the findings only 10% agreed to the existence of a cost control committee and none strongly agreed. Only 19% maintained neutrality whilst 57% and 14%, disagreed and strongly disagreed, respectively. The unavailability of a cost control committee therefore makes it's difficult to supervise and coordinate the implementation of the cost reduction policy at Makomo Resources.

Overall, 71% disagreed, only 10% agreed and 19% neither agreed nor disagreed.

The results show a discourse on the presence of a cost control committee to implement the cost control policy at Makomo Resources.

(iv) Cost reduction workshops and refresher programs

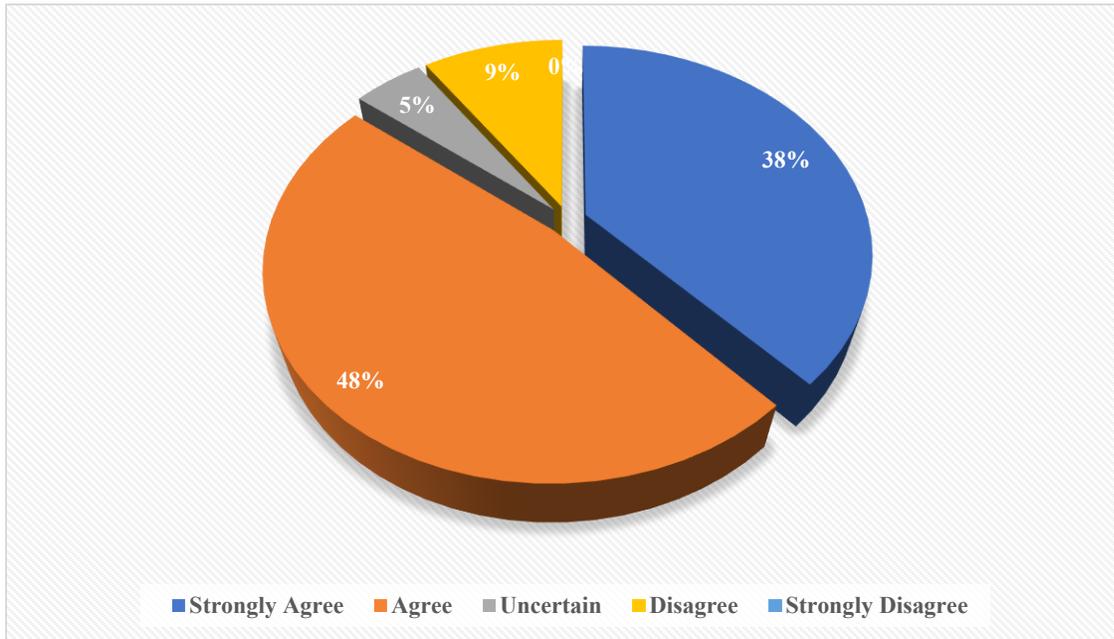


Fig 4.7.2 Responses on the existence of cost reduction workshops and reorientation programs.

The responses clearly show that employees are not aware of cost reduction programs that are in place to conscientise employees on cost control. This is shown by only 1/21 (5%) strongly agreeing, 5/21 (24%) agreeing, 10/21 (48%) and 2/21 (10%) disagreeing and strongly disagreeing respectively, whilst 3/21 (14%) remained neutral.

Overall, 76% agree, 19% disagree and 5% maintained their neutrality.

Therefore, the results show that cost control and reduction programs are in place at Makomo Resources.

Cost control reorientation programs are important to constantly remind employees of the need to manage costs within acceptable limits and minimize unnecessary activities that drive costs. The non-existence of these programs renders the managements' initiatives useless.

4.8 Controls over cost reduction policy implementation
(i) Presence of controls on cost reduction policy implementation

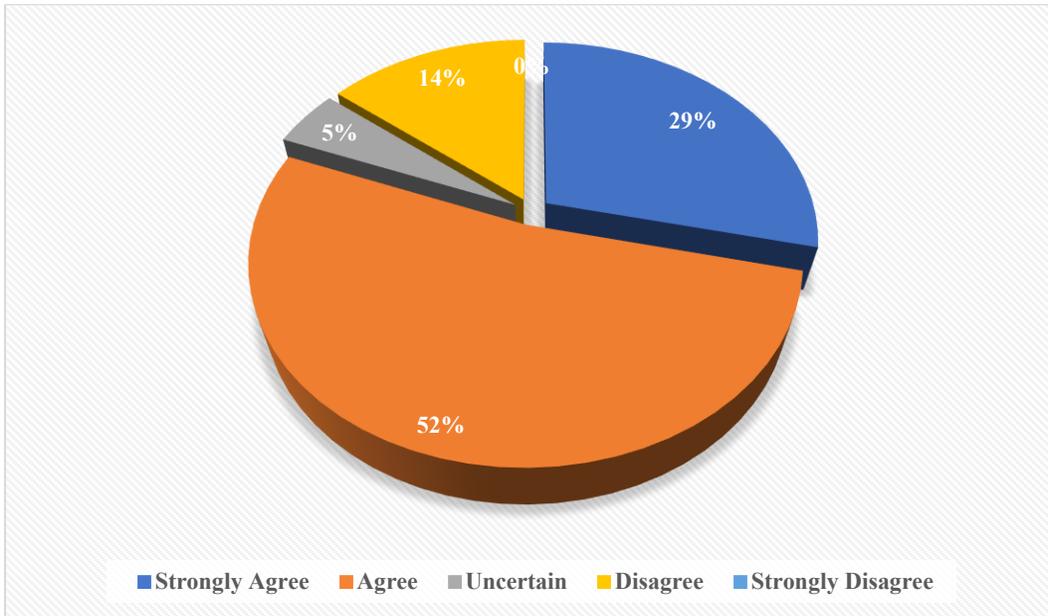


Fig 8.1 Responses to the existence of controls to cost reduction policy implementation

The research revealed that indeed controls are in place to manage the implementation of the policy. This is evidence by 6/21 (29%) who strongly agreeing, 11/21 (52%) agree, 3/21 (14%) and 1/21 (5%) remained neutral.

Controls in cost reduction are particularly important to safeguard against overspending and usage of consumables. This is normally in the form of authorization at the appropriate level for expenditure and consumables issues. Respondents who were interviewed reiterated that HODs are responsible for authorizing expenditure and physicals controls in the form of security is in place to limit pilferage of consumables.

Overall, 81% agree whilst 19% disagree. Thus, the results exhibit the existence of controls for cost reduction implementation at Makomo Resources.

(ii) Cost reduction reports are prepared, reviewed and analysed regularly by responsible personnel.

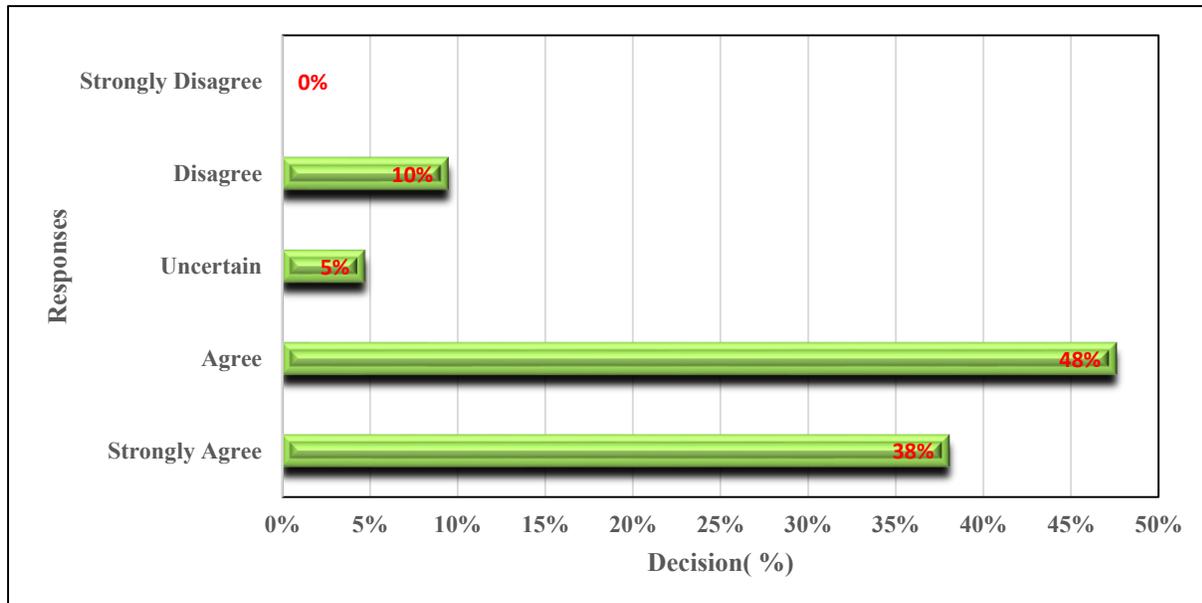


Fig 8.2 Responses on preparation and regular review of cost reduction reports

The findings show that 8/21 (38%) strongly agree, 10/21 (48%) agree, 2/21 (10%) disagree and 1/21 (5%) neutral. Most of the employees agreed that reports are prepared every month of the actual results and compared against the budget. Any deviations are analysed in the form of variance reports. Most of the variances that arise from the operation emanate from poor production planning, use of poor-quality consumables from non-reputable suppliers, aggravated by poor standard setting, used as benchmarks in the operation.

The results show that reports are indeed available and are prepared and reviewed all the time. However, no proper action is taken to address the findings from the reports. This was alluded mostly to lack of adequate resources.

4.9 Challenges faced on cost reduction policy implementation

Engaging in cost reduction without a clearly defined growth strategy, however, is like driving into a car wash with the convertible top down: you may clean up some problems, but you will create

more. Some of the difficulties faced by organization in cost reduction implementing include, staff resistance, unavailability of resources, communication, inconsistency.

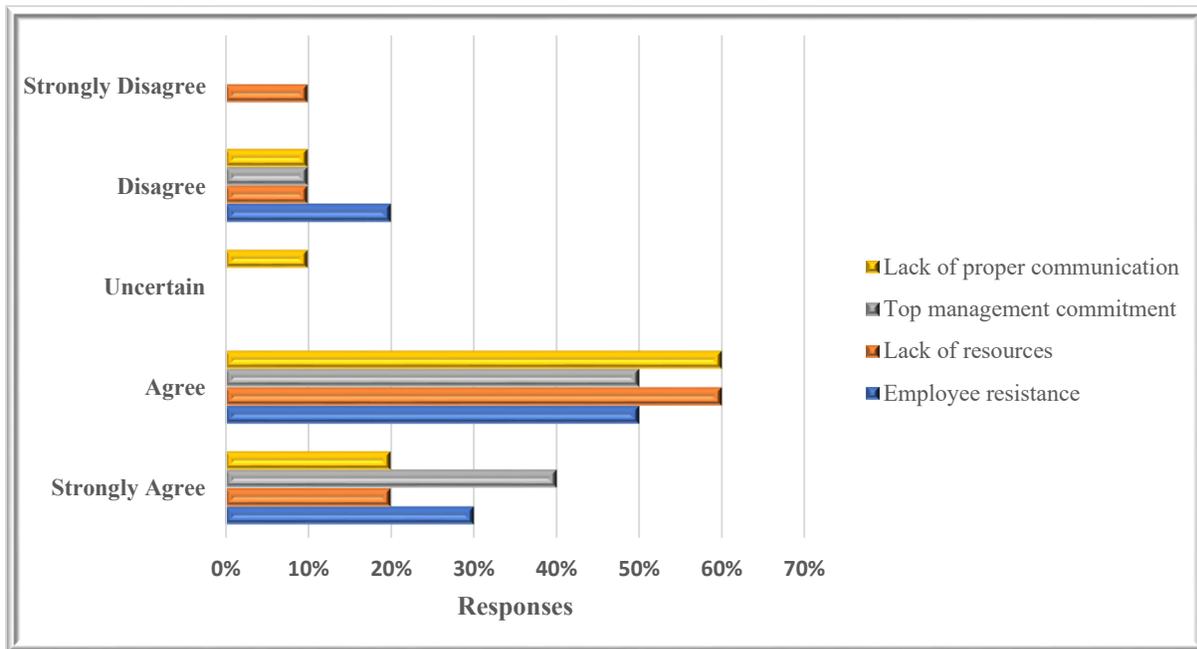


Fig 4.9.1 Responses on cost reduction policy implementation challenges

The process of changing a formulated policy into reality is termed policy implementation. In the execution of public policy, the combination of human, material, machine, and money is highly necessary (Ajulor, 2016). A great deal of responses was all in agreement that employee resistance, lack of resources and commitment from top management played a significant role on the success of the initiative.

80% agreed that employee’s resistance affected cost reduction implementation, whilst only 10% disagreed. The norm to cost reduction is the cutting down of salaries and ultimately jobs for employees. Hence, the stiff resistance from the employees.

Efficient and effective cost reduction policy implementation would require inputs of sound managerial and administrative capabilities to avoid the policy implementation gap. A lack of these critical resources renders the whole initiative useless. Management should have the expertise to execute the policy backed by financial resources for the provision of the required consumables.

This was agreed by 90% of the respondents whilst the 10% that disagreed cited poor planning and organizational politics as the main cause.

Commitment and top management by in is very critical not only on cost reduction but in any policy implementation exercise. As the famous quote says, “a fish rots from the head”. If top management do not pull their full weight on the initiative, it will not succeed. Top management are linked to hefty packages, allowances and travel and subsistence. Management is also measured on divisional performance. Thus, they may be motivated to pursue objectives that are good for their divisions but not aligning to the company as whole. This is shown by the 90% of responses agreeing and only 10% disagreeing.

4.10 Overtime Management

Makomo Resources’ operations are around 60% of capacity utilization and the organisation endeavors so much to meet customer demand in terms of quality and availability. Under such circumstances, overtime normally becomes a burden to the organisation if not managed. In worst case scenarios, it does contribute much to the overheads such that benefits accrued from increased productivity might be wiped out.

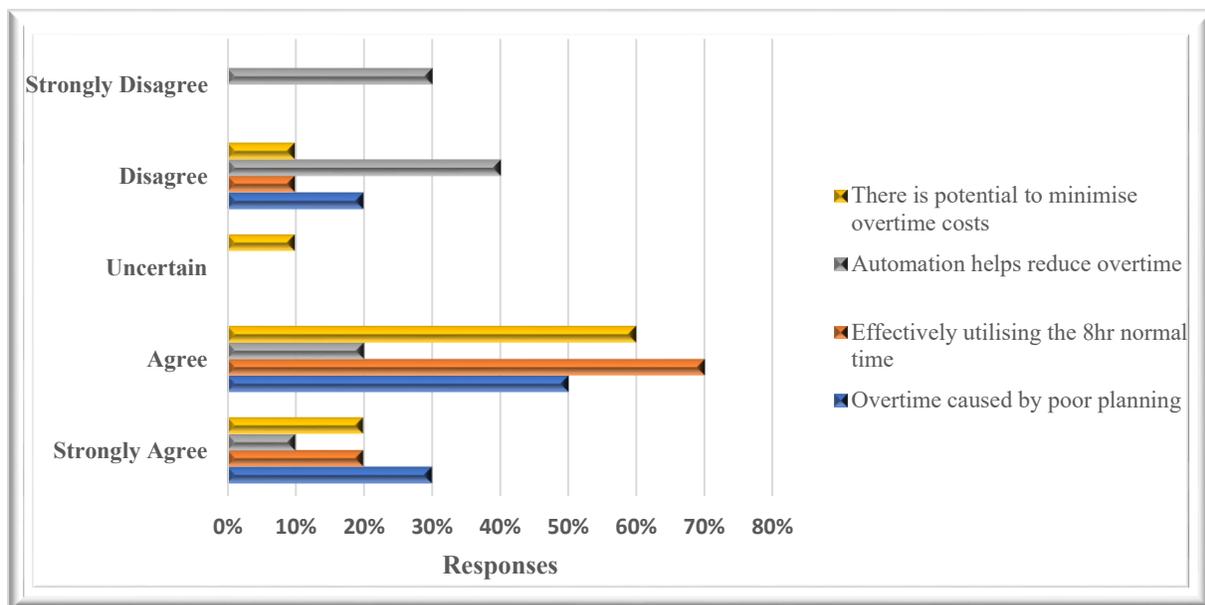


Fig 4.10.1 Overtime Management

The respondents indicated that there is a great opportunity to cut down on the current overtime levels at Makomo Resources. This was echoed by 80% of the respondents, with only 10% being neutral and 10% disagreeing. The major factor attributed to overtime exceeding limits can also be attributed to poor planning as shown in figure 4.10.1. This as shown by 80% agreeing whilst 20% disagree. There is an opportunity to reduce it by proper planning.

Effective maintenance procedures will also result in overtime reduction since the operations will move from breakdown mode to scheduled well planned maintenance that is more focused and organised. Proper production planning with and mining scheduling will help reduce idle time during the shift and enhances effective capacity utilization.

Survey has indicated that some of the jobs that have been done as overtime could be done during normal operating hours. Therefore, 90% of the respondents have indicated that overtime can be greatly reduced if employees effectively utilise their 8hour normal operating hours. This calls for enforcement in supervision and implementing monitoring techniques such as time sheets to ascertain artisan utilisation.

4.11 Procurement

Responses	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Total
Number of responses	5	11	2	3	-	21
Percentage of responses	24%	52%	10%	14%	0%	100%

Fig 4.11.1 Responses to procurement as a cost driver

The procurement function plays a very critical role in the cost reduction initiative. The results in figure 4.11.11 clearly show that 11/21 (52%) agreed whilst 5/21 (24%) strongly agreed. 2/21 (10%) were uncertain mainly because they are from admin department whole have no direct effect in production and 3/21 (14%) disagree.

If procurement does not get materials of the right quality, quantity and at the right time, production stoppages and wastages are bound to happen. A significant number of responses pointed out biases

in procurement due to kickbacks offered by other suppliers for the awarding of tenders regardless of their products being expensive and of poor quality.

4.12 Maintenance Costs

These are the costs related to overhauls, repairs, and service of equipment in the production areas mainly mining. Therefore, the major contributor of this is spares usages and withdrawals. These costs have a direct relationship with the level of Asset Management practices in place. The higher the breakdowns the greater the spares replacement and consequently the bigger the maintenance costs. The researcher drilled into the trend of these costs for the mine in the year 2016-2017. Figure 4.12.1 shows the trend in the maintenance cost/ton for the two financial years, Y16 and Y17.

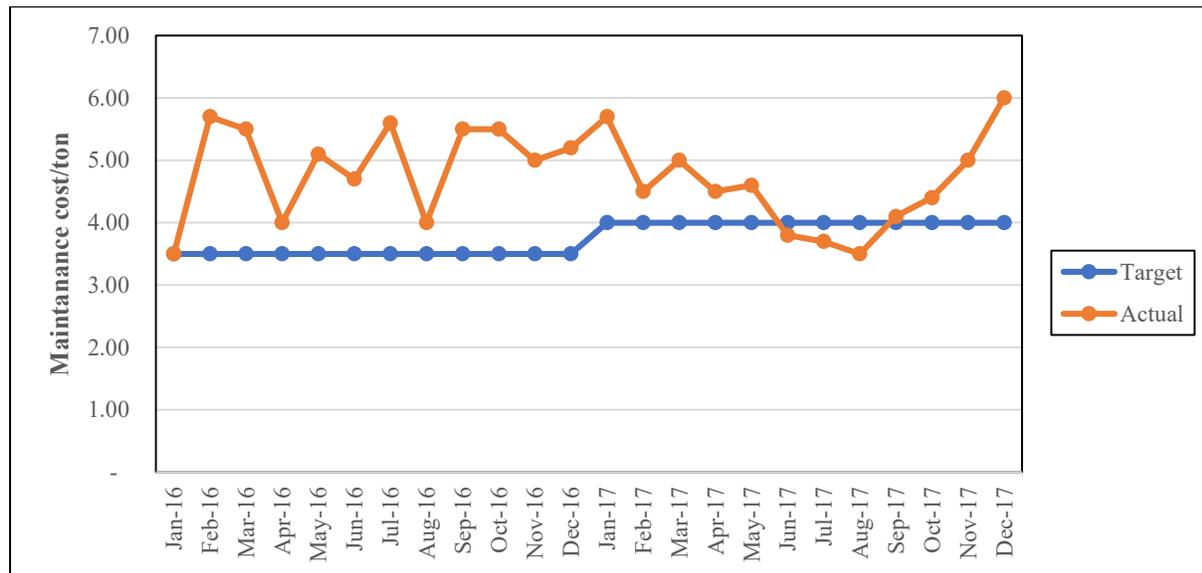


Fig 4.12.1 Maintenance cost/ton form 2016-2017

As the results show maintenance have been on an increasing trend. The major driver for this upward trend is the constant breakdown of equipment mainly due to ageing and wrong application in the production process. Most of the production have not been purchased new and no one on the ground had the history of the machines. Excavators' prime function is to extract ore from the ground but many at times has been used to load hauling equipment and wheel loaders used to extract ore all-encompassing wrong application, not because of ignorance but lack of resources. This was aggravated by cashflow challenges and shortages of foreign currency to procure spares,

as a result a lot of modifications was being done so that production does not stop, obviously this was an expensive option.

Overall, the cost/ton was always above the target of \$3,5 and \$4,5 for the 2 years, respectively. The highest recorded was \$6/ton.

4.13 Fuels and Oils

Mining companies are “big energy consumers and to the extent their costs are lower, that helps their margins and Makomo Resources is no exception.

Diesel is the major fuel used for powering machines at Makomo Resources, hence stands out as a major cost driver in the operation. From the research carried out the average normal consumption of diesel is 55litres/hr and 65litres/hr for hauling and loading equipment, respectively. However, this is not the case as actual consumption is higher than normal expected. This is caused mainly by wrong application as highlighted in 4.12 above. Mining equipment are not supposed to move long distances, oils leaks have not been properly addressed die to lack of spares, mining roads have not been well attended due to lack of grading equipment.

Over and above machine deficiencies there has been rampant pilferage of diesel by machine operators. Diesel is drained into containers and sold to external parties.

4.14 Contracted Work Management

Makomo Resources finds itself in several situations whereby it requires the services of external Contractors to carry out repairs, projects, or installations. From a survey in the most affected areas, that include, drilling, blasting, haulage and survey services, the researcher discovered that there is a huge opportunity in cost saving. This also tallies with what most respondents alluded to when the respondents felt that contracted charges are overpriced. The middle management have the mandate to represent company interests and negotiate for favourable prices on behalf of the organisation. The Supervision of major works also should intensify to promote best quality work and eliminate reworks. However, this does not only apply to external contractors but even the work that is done internally.

4.15 Best practices

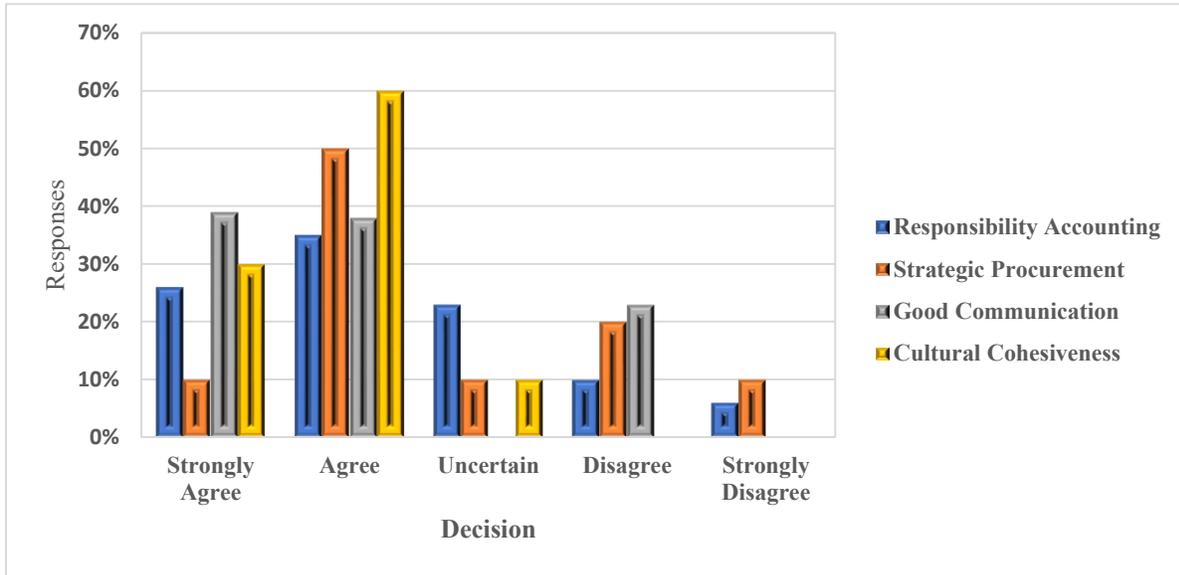


Fig 4.15.1 Responses to cost reduction best practices

Cultural cohesiveness are shared values that, with the right level of engagement, will lead to the development of productive and efficient outcomes, but diversity in values can lead to a company's downfall. This is shown by the responses were, 60% agreed whilst 10% strongly agreed and only 10% chose to remain neutral as they did not understand the concept of culture.

Good communication forms the backbone of any successful imitative. For cost reduction to be successful clear and correct information should be disseminated to all interested parties for action. This was echoed by 39% strongly agree, 38% agree and 23% disagree.

As explained in 4.11 above procurements needs to be managed to minimize losses through downtime, wastages, and poor-quality material. The results from the survey showed that 10% strongly agree, 50% agree, 10% uncertain, 20% disagree and 10% strongly disagree.

The concept of responsibility accounting allows the organisation to check not only actual costs against budget but committed costs as well. This promotes variance analysis and recommends for improvement as well as ensuring expenditure is within budget. The results show that 26% strongly agree, 35% agree, 23% uncertain, 10% disagree and 6% strongly disagree.

Below table reveals the descriptive statistics of the study variables.

	N	Mean	SD	Max	Min	Range
Makomo Resources has a cost reduction policy in place	21	4.20	0.83	21	1	20
The policy is formally documented	21	4.00	0.87	21	1	20
The cost reduction policy is communicated to management.	21	4.20	0.94	21	1	20
Cost reduction policy implementation guidelines are in place.	21	3.40	0.92	21	1	20
The policy implementation guidelines are well documented.	21	2.00	0.96	21	1	20
Financial usage guidelines are available for this cost reduction policy	21	3.50	0.64	21	1	20
Clarification is made available to employees for better understanding on the cost reduction policy	21	4.40	0.87	21	1	20
SD - Standard Deviation						

Fig 4.15.2 table shows the descriptive statistics of the study variables

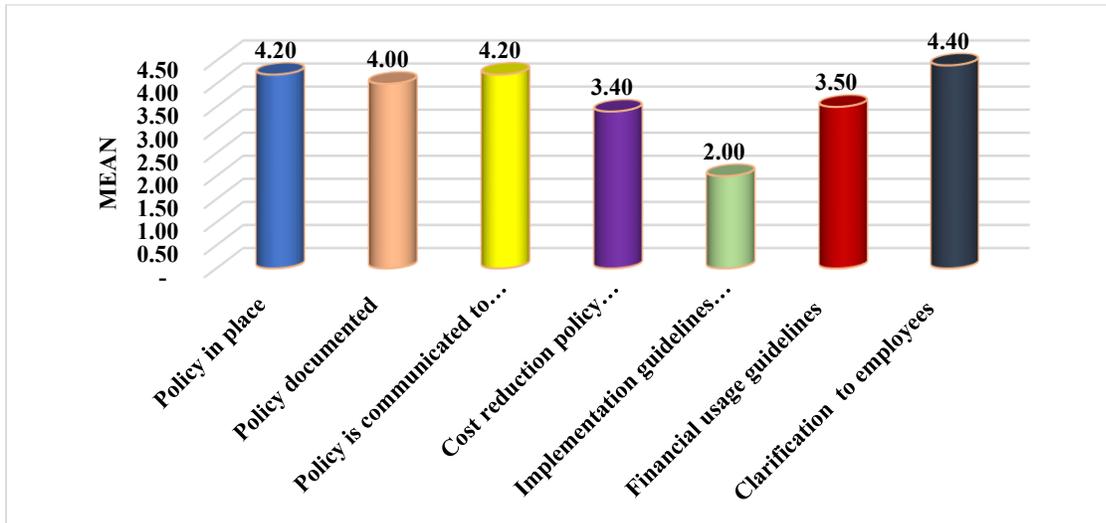


Fig 4.15.3 chart shows the descriptive statistics of the study variables

4.16 Chapter Summary

Research findings' discussion and analysis from questionnaire, survey, and interviews were presented in this chapter of in the form of tables, pie charts and column graphs, which are the main instruments used to gather data in the study. Both primary and secondary data were used to make the decision clear. The findings analysed point to several gaps, which if addressed can address the subject of effective cost reduction for Makomo Resources. The proceeding chapter concentrates on chapter summary conclusions, major research findings, recommendations, and suggestions for future study.

CHAPTER 5

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter is a presentation of the conclusions that were drawn from questionnaire, survey, and interview results. It also dwells on recommendations, which if adopted would allow Makomo Resources, Entuba Coal project to effectively manage its costs throughout the value chain. These recommendations were drawn both from the findings on the case study of Makomo Resources and from theoretical concepts derived from literature review, as covered in chapter two. Also, to be outlined towards the end of this chapter are areas for further research.

5.1 Chapter Summaries

The background of the study was outlined in chapter 1, where the study was driven by the increase in operational costs during the period 2014 to 2018 at Makomo Resources. The research was then developed to analyse the success of the cost management practices as tools for cost reduction. The background to the problem, statement of the problem, main research questions, sub research questions, research objectives, significance of the study, delimitations of the study, limitations of the study, assumptions, abbreviations, definition of terms and the chapter summary, were also covered in the chapter.

In chapter 2, literature review was carried out to align the research to related literature from various authors and scholars to get an in depth acquaintance and understanding of the effectiveness of the cost control measures as a cost reduction technique. The chapter presented the cost reduction implementation guidelines, adequacy of personnel to implement cost reduction guidelines, challenges faced in implementing cost reduction policies, controls in place over cost reduction policy implementation and the best practice in cost reduction at Makomo Resources.

Chapter three presented the research methodology used in gathering research data. The sample was selected from Makomo Resources staff. In addition to primary data, secondary data was also gathered as the research examined the intensifying costs between the periods under study. In an effort to lobby this information, the researcher conducted selected interviews, employed questionnaires and analysed the company's financial and management reports. A sample size of 30 was used for both questionnaires and interviews.

In the last chapter i.e chapter 4 the findings on the data were presented, interpreted and analysed. A response rate of 70% was attained from the questionnaires while interviews were 100% successful. The findings from the data were presented in question form on the basis in which the expansive headings in the sub-research questions were given. Tables, pie charts and graphs were used to present research findings.

5.2 Major Findings

- i. There is existence of a cost reduction policy at Makomo Resources. However, the policy document is not formally documented.
- ii. Guidelines for cost reduction policy implementation are present at Makomo Resources; however, the policy implementation guidelines are not documented.
- iii. Adequate personnel is available for the implementation of the cost reduction policy at Makomo Resources. However, there is no presence of a cost reduction committee to spear head and implement the cost reduction policy. Financial resources have to a larger extent been an inhibiting factor for cost reduction implementation. This is mainly seen on unavailability of spares.
- iv. Controls over cost reduction policy implementation are present at Makomo Resources. These include the preparation and review of cost control expenditure budgets by responsible personnel. Nevertheless, there are no authorization limits on certain levels of expenditure. Different expenditure types with different costs are all treated the same. Forecast cost control expenditure budgets for both operational and capex are not prepared in prior periods for management analysis.
- v. Most of the Managers are knowledgeable of the role they play in the value chain as far as cost management is concerned. There was however an observed gap in terms of the real implementation where in some instance's costs are not monitored daily. This explains why there were mixed feelings in the respondents when they answered on employee's awareness on cost management.
- vi. The production equipment used in mining is not purchased new and as result their efficiency has decreased, and some of them are in their second life hence increased maintenance costs, also other factors that can contribute to high maintenance costs have

been discovered as in adherence to systems especially maintenance procedures and schedules.

- vii. Outbound logistics can be nightmarish if not planned well and before even noticing, can result in higher costs in managing the transportation system.
- viii. There lies an opportunity in finding best ways to optimise this stage to avoid unnecessary costs.
- ix. There was an overwhelming consensus on the need to minimise overtime costs since it is heavily increasing the overheads for the organisation. Poor planning within sections and the ineffective utilisation of the 8hr working period has been believed to be the main contributing factors to overtime costs. Though there has been introduced a time and attendance logging system, there were mixed views on the extent to which it is believed to manage overtime costs.
- x. There is a lot of double handling of coal and coal products because of poor planning and turn compromising the quality of coal delivered to the customers which has quite often caused rejections of the product.
- xi. In pit mine processes have a lot of shortcoming as far as haul roads, ramps and blasting patterns are concerned. This has led to a lot of contamination of products. Low ash coal being mixed with high ash coal and coking coal. This increases the cost per ton of the final product.
- xii. Excessive pilferage of used spare parts, diesel, and other consumables due to employee disgruntlement in turn increasing the cost of replacing them.

5.3 Conclusion

The study carried at Makomo Resources provided overwhelming evidence that there is a great potential to implement effective cost reduction. This can be achieved through addressing gaps that were identified from the questionnaire responses and follow up interviews that were conducted.

5.4 Recommendations

The following series of recommendations are presented based on the results of the research, questionnaire and interview responses and the researcher's intuition to the circumstances presented. The recommendations are also in line with the conclusions profiled above.

- i. A different committee must be established by the organizations will give further details and assist on with the requirements of the policy on cost reduction, clarifying to all the employees what the policy intends to accomplish and the expected benefits that come to the organisation from compliance. This notion was supported by Machin S (2012) when he said a cost reduction committee should be established in organisations.
- ii. Policy implementation guidelines must be documented as well as combining the policy financial usage guidelines with other policies on cost implementation frameworks so that users will operate within limits on the resources to be used according to the cost reduction policy. Cost reduction should be prioritised and should be in congruent with their cost effectiveness as well as their risk levels.
- iii. Segregation of duties should be in place in respect of authorization levels on cost reduction policy expenditures. Managers from different levels should be mandated to authorize different values of expenditures. Cost reduction expenditure forecasts should be prepared in prior periods for management interpretation.
- iv. According to this researcher resistance and fear of job losses from employees is a result of poor communication. Makomo Resources must introduce many ways of communicating cost reduction related information to enable every employee regardless of their hierarchy levels to promptly get the information. Results from departmental reviews should be displayed on notice boards or send emails as well as request for action on reviews done on all costs incurred.
- v. From the findings, it is recommended that to ensure availability of good quality spares in stores, all purchases should be fully specified as per manufacturer's part number and serial numbers. When the spares are delivered, a standard operating procedure for inspection by the technical team should always been place and adhered to. The issue of approved suppliers list and supplier partnering should be thoroughly revisited. A committee that comprise all facets, that is procurement, finance and technical team should be in place to carry out a thorough vetting on the prospective suppliers. This ensures that the organisation

deals with reputable organisation that supplies best quality products. supplier partnering increase the bargaining power of Makomo Resources in negotiating prices for the spares and raw materials. Supplier performance should always be periodically reviewed in terms of on time delivery such that those that fail to perform are phased out of the system. It is also prudent for procurement to purchase in bulk to bargain for discounts.

- vi. Maintenance scheduling of production equipment should be strictly adhered to. No machine should be allowed to go beyond its scheduled maintenance and should be pulled out of production if it has reached its service interval.
- vii. There should proper bench marking, drilling patters and blasting schedules. This will help reduce the level of coal contamination and enhance product quality.

5.5 Area(s) of further study

Opportunities for further study would be to arrange for benchmarking with other well performing mining companies in the region like ZIMPLATS in Ngezi, GLENCORE in South Africa as well as Unki in Shurugwi. The benchmarking visit will be to drill into their operations and understand why their maintenance cost per ton is below \$2.50.

Another area of study will be opportunities for power generation. Rather than supplying coal to ZPC Hwange, Makomo Resources can explore possibilities of building it's power generation units and also supply power into the national grid. Thus, exploiting opportunities brought about through forward integration.

5.6 Summary

This chapter presented major findings from the research study and well as the conclusions drawn from the findings on their impact on Makomo Resources' performance. The findings highlighted the existence of the policy; however, lacking implementation focus for its success. Recommendations to the shortcomings of the policy and findings were also detailed, and if these are adopted can be a trigger in the success of the policy initiative as well performance of Makomo Resources. The chapter also indicated areas of further study that research can undergo to gain more understating of the subject as it relates to the performance of the company.

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APPENDIX 1



Established 2000

Midlands State University



Our Hands, Our Minds, Our Destiny

Faculty of Commerce
Department of Accounting
P Bag 9055
Gweru

27 February 2020

The General Manager
Makomo Resources
13 Sinamatela Road
Hwange

Dear Mr. K Nyabonda

RE: APPLICATION FOR PERMISSION TO CARRY OUT AN ACADEMIC RESEARCH

My name is Raymond Muzavazi. I do hereby apply for permission to carry out an academic research on a topic “**An analysis of the cost reduction initiatives at Makomo Resources**”. The research is a requirement in fulfilling the Bachelor of Commerce Degree in Accounting that I am currently doing at the Midlands State University.

I promise that information obtained in the study will be kept confidential and will be used for academic purposes only.

Your consideration of this request will be greatly appreciated.

Yours faithfully

Raymond Muzavazi R178283G

APPENDIX 2



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Our Hands, Our Minds, Our Destiny



My name is Raymond Muzavazi and I am a final year student at the Midland State University studying for the Bcom Honours Degree in Accounting. As part of the programme requirements, I am conducting a research entitled '**Effectiveness of cost reduction initiatives**'. The case of Makomo Resources. You are one of the few people that have been sampled to give your opinion on the matter. This is a purely academic research and all information received will be strictly confidential. You will notice that your name will not appear on the questionnaire hence it is also strictly anonymous. Participation is voluntary though the researcher will appreciate a positive response from you. If you have questions, please do not hesitate to contact the researcher on mobile-0772443261. Please return completed questionnaires by 19 April 2020, either hand delivered or emailed to muzavaziray@gmail.com

Yours faithfully

Raymond Muzavazi

Research ID No. R178283G

A. DEMOGRAPHICS

1. Gender:

Male Female

2. Department of operation

Engineering Processing
 Finance & Admin Quality Control
 Geology Sales & Marketing
 Mining Survey

3. What is your current level in the organization?

Management	Supervisory	Staff
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. For how long have you been with Makomo Resources?

< 1	1-<5years	5-<10years	≥10years
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. What is your highest level of education?

Secondary
 Certificate
 Diploma
 Degree
 Masters

Other (Specify).....

For the questions to follow, may you rank your opinion on a Likert scale of 1-5 as guided below:

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
1	2	3	4	5

B. COST REDUCTION POLICY INFORMATION

	1	2	3	4	5
1. Makomo Resources has a cost reduction policy in place					
2. The policy is formally documented					
3. The cost reduction policy is communicated to management.					
4. The cost reduction policy is communicated to subordinates.					
5. The cost reduction policy is communicated to new personnel.					
6. Clarification is given to employees for better understanding on the cost reduction policy					

C. COST REDUCTION POLICY IMPLEMENTATION GUIDELINES

	1	2	3	4	5
7. Cost reduction policy implementation guidelines are in place.					
8. The policy implementation guidelines are well documented.					
9. Financial usage guidelines are also available for these cost reduction policies					
10. A comprehensive and satisfactory induction process has been done to entrench cost reduction in all departments					
11. Awareness of cost reduction has reached all departments at all levels for Makomo, Entuba Coal Project					
12. If any shop floor employee is randomly selected to explain Cost reduction, the individual can confidently explain the concept					

**C. AVAILABILITY AND ADEQUACY COST REDUCTION RESOURCES AT
MAKOMO RESOURCES**

	1	2	3	4	5
13. A cost control committee is in place to implement and review costs					
14. Financial resources are available to help the committee implement the the cost reduction policy					
15. Replenishment of stock in the stores is tightly monitored to maintain adequate stock levels					
16. An effective computer software exists to manage stock levels in the organisation					
17. The mine is striving to produce more coal with less inputs					

D. VARIABLE COSTS REDUCTION

	1	2	3	4	5
18. Pricing of raw materials is justified and fall within the generally accepted standards					
19. Contracted works for the mining and mining related services are fairly priced					
20. Rate of spares and component replacement on equipment is normal					
21. Maintenance procedures being implemented allow for optimal utilization of spares and consumables					
22. A strong negotiating team is set up to query prices charged by suppliers					
23. All employees are conscientised about the importance of cost management					

E. COST REDUCTION POLICY IMPLEMENTATION INCLUDES THE FOLLOWING INFORMATION WITH REGARD TO EXISTENCE OF CONTROLS

	1	2	3	4	5
24. Cost reduction policy implementation controls are in place					
25. Cost reports for cost control policies are prepared and reviewed regularly.					
26. There are different levels of authorization limits on certain levels of expenditure					
27. Forecast cost control expenditure budgets are prepared in the prior period					
28. Cost reduction policies are authorized by responsible personnel before they are implemented.					

F. CHALLENGES FACED BY THE ORGABISATION IN COST REDUCTION IMPLEMENTATION

	1	2	3	4	5
29. Resistance from employees					
30. Lack of resources for policy implementation					
31. Lack of management commitment on cost reduction policies.					
32. Lack of qualified personnel to implement the policy					
33. Cost reduction policies are authorized by responsible personnel before they are implemented.					

Other (specify).....

G. MANAGING OVERTIME COSTS

	1	2	3	4	5
34. There is great potential to minimize overtime costs at the organisation					
35. Overtime is mainly caused by poor planning within the organisation					
36. If employees effectively utilize the 8hr working period, overtime will be significantly reduced					
37. Access control system helps to significantly reduce costs associated with overtime					

H. THE FOLLOWING BEST PRACTICES CAN ENHANCE COST CONTROL

	1	2	3	4	5
38. Responsibility Accounting					
39. Target costing					
40. Centralised procurement					
41. Improved communication e.g. E-commerce					

42. List effective cost management practices that you propose in your section

.....

.....

43 Other (specify).....

.....

APPENDIX 3

SEMI-STRUCTURED GUIDE TO INTERVIEW QUESTIONS



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What is the firm's cost control policy?
What is your understanding of cost management in your section?
What cost reduction implementation guidelines are in place?
What are the benefits to Makomo of cost reduction in your section?
How is cost reduction practiced in your department?
What are the challenges faced in implementing cost reduction policy?
What are the measures that can be put in place to mitigate the associated challenges?
To what levels do individuals take accountability to cost management?
Are there adequate cost management controls in place?
Is effective cost reduction at the mine influenced by any external factors? If so, what are they?
To what extent has technology influenced effective cost reduction?
How are you managing contracted services in terms of outsourcing, pricing, and supervision
What is the split between fixed costs and variable costs? How are each managed?
How does the organisation's culture influence cost management?
To what extent is overtime overall contributing to TCM for the plant
When managing costs, are there any sensitive issues that must be taken into consideration?

