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ACCOUNTING DEPARTMENT

**AN INVESTIGATION ON THE EFFECTIVENESS OF COST CUTTING TECHNIQUES
ON FINANCIAL PERFORMANCE OF AN ORGANISATION: A CASE OF ZINARA.**

BY

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DECLARATION

I Loveness Mukwani R145640X, a student at Midlands State University do hereby declare that this document is an original piece of work done by me

DEDICATION

This report is dedicated to my family and friends.

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Above all, to God be all the glory for His faithfulness. His love and mercies endures forevermore.

ABSTRACT

The current study was carried out to investigate on the efficacy of the cost cutting measures implemented at ZINARA in an attempt to enhance the financial performance of the organisation. The researcher opted for a descriptive research design which was effectively coalesced with a qualitative research approach. A systematic sampling technique was employed to identify the 45 respondents to questionnaires and 5 interviewees from the management and employees of ZINARA. Results indicated that if carefully crafted and implemented, the measures which were employed by the organisation, particularly optimization of business processes and service outsourcing can go a long way in reducing the escalating expenses and improve their cash flow and financial position. Evidence gathered persuaded the researcher to recommend that management should move away from retrenchment where they risk losing experienced personnel. The research was successfully carried out with an originality value of 10%.

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CHAPTER 1: INTRODUCTION TO THE STUDY

1.0 Introduction

Cost reduction and control is supposed to be in an integral part of business strategy in either favorable or tough economic conditions. According to O'Hearn (2015) the main reasons why organizations embarking on cost reduction strategies is to improve or maintain profitability, remain competitive, increasing productivity and thrive. This is supported by Nadon (2014) and Brown (2011) who state that cutting costs immediately results in the improvement of financial results and allows an organization to support investment on other growth areas. Briault (2010), Meekings (2013) and Bond (2011) further suggest that organizations with a strong cost cutting culture gain competitive advantage and are not easily affected by harsh economic conditions. However the following authors Jensen (2012), Conner (2013) and Neal et al (2013) highlighted that cost cutting measures may not capture long-term benefits as many of the short term strategies target the symptoms and not the causes of huge costs. Synergee Chartered Accountants report (2014) agreed that non-financial measures prove to impact financial performance in the long run compared to cost cutting strategies. Hutchings (2014) and Maeder (2015) also highlighted that there are barriers and resistance to the implementation of cost cutting strategies such that when not properly planned they may yield negative results for the organization. These parallel lines of thought have motivated the research on the effectiveness of cost cutting strategies. The above researches were done in European countries in private sector companies thus this researcher intends to investigate whether these cost cutting measures are effective in a government organization ZINARA operating in the harsh Zimbabwean economy

1.1 Background

ZINARA is a government organization focusing on road construction and maintenance. The company has performed reasonably since it was established but the organization's expenditure continues to escalate before and even after the implementation of cost reductions strategies, according to ZINARA Annual Reports (2015). The cost cutting measures implemented include reduction in employees' allowance and benefits and use of computerized techniques.

Table 1.1 below shows an extract from the organization Management reports highlighting the continuous increase in costs in the reports before and after the cost reduction strategies were implemented.

Table 1.1 Statistics of ZINARA before and after implementation cost reduction techniques.

Years	2012 (US \$Million)	2013 (US \$Million)	2014 (US \$Million)	2015 (US \$Million)
Revenue	15.7	15.6	15.3	15.2
Operating expenses	5.6	6.5	7.3	8.2
Employee Benefits	4.0	3.5	2.9	2.3
Total Expenditure	(9.6)	(10)	(10.2)	(10.5)
Profit	6.1	5.6	5.1	4.7

Source: An extract from ZINARA Management Accounting Reports for the period 2012 to 2015.

The statistics in table 1.1 shows that employee benefits were indeed reduced by 10% or more since 2013 when the cost cutting strategies were implemented. The costs descalated from US\$4million in 2012 to US\$3.5million in 2013 then US\$2.9million in 2014 and US\$2.3million in 2015. However total expenditure which was US\$9.6million in 2012 before the cost cutting strategies were implemented continued to increase to US\$10million in 2013 then US\$10.2million

in 2014 and US \$10.5million in 2015 after implementation of cost reduction strategies. This is a reflection of the argument made by Hutchings (2014) who pointed out that implementation of cost cutting strategies does not guarantee improvement of an organization's financial performance.

This has overallly affected the profits of the organization which have decreased by an average of 8% yearly after the strategies were implemented. In 2012 profits were US\$6.1million then US\$5.6million in 2013 (US\$0.5million decrease) then US\$5.1million in 2014 (US\$0.5million decrease) and US\$4.7million in 2015 (US\$0.4million decrease).

1.2. Statement of the problem

High organizational costs prompted the organization to implement cost reduction techniques in 2013. The organization expenditure has however continued escalating even after the implementation of the cost reduction strategies as follows; US\$9.6m in 2012 to US\$10m in 2013, US\$10.2m in 2014 and US\$10.5m in 2015. An investigation is being carried out to evaluate the effectiveness of the cost reduction techniques implemented by ZINARA.

1.3 Main Research Question

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

1.4 Research Objectives

- To identify and analyze cost reduction techniques implemented.
- To determine factors to be considered when cutting down costs.
- To assess the effects of implementing cost reduction techniques on personnel performance.
- To establish the measures to be adopted to ensure effective implementation of cost reduction techniques.

- To establish the relationship between successful implementation of cost reduction techniques and financial performance of a company.

1.5 Research Questions

- What are the cost reduction techniques employed by ZINARA?
- What are the factors to be considered when cutting down costs?
- What are the effects of implementing cost reduction techniques on personnel performance?
- What measures can be adopted to ensure effective implementation of the techniques?
- What is the relationship between the successful implementation of cost reduction techniques and financial performance of a company?

1.6. Justification of the study

The research provided new evidence and up-to-date findings on the effectiveness of costs cutting techniques implemented at ZINARA with the aim of improving financial performance. Suggestions and options were also given for consideration to those charged with governance on how to choose the most effective techniques and also how best to implement them to ensure reduced costs and improved financial performance. The study is also a provision of literature for review in future by other students and other interested researchers who may wish to commence a research on the topic. Lastly, the university will also profit from increased research evidence for reference and further reviews

1.7. Delimitation of the study

The research was focused on establishing the effectiveness of cost reduction techniques employed on the financial performance of ZINARA Gweru Province.

The research covered the period 2012 to 2015 and employees and management of ZINARA were the respondents.

1.8. Limitations to the study

The information, statistics and conclusions made with regards to this research may not a be true reflection of the whole organization as the research was case specific and data was limited to ZINARA Gweru Province period due to time and feasibility concerns.

1.9 Definition of terms

Cost control techniques- methods or strategies implemented within an organization to maintain costs relative to business activities and set budgets. Hadulla (2011)

Performance- the attainment of a certain specified task with focus on the level of completeness, time taken, costs and other standards be it comparison with past results or other organization. According to Elger (2012).

1.10 Chapter Summary

The chapter gives an overview of the effectiveness of cost control techniques implemented on the performance of ZINARA. Areas covered include the background of the study, statement of the problem, research objectives, significance of the study, delimitations and limitations of the study, and definition of critical terms. The following chapter focuses on literature review.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the analysis of theories from literature already published relating to the effectiveness of implementing cost cutting measures on the financial performance of organizations. Section 2.1 identifies and reviews cost reduction techniques implemented by the organization. Section 2.2 establishes factors to be considered when considering implementing cost reduction techniques while section 2.3 analyses the effects of implementing the cost reduction techniques. Section 2.4 then establishes the measures that can be taken by organizations to ensure cost cutting measures are implemented effectively while the final section 2.5 establishes the relationship between the effective implementation of cost reduction techniques and the financial performance of the organization.

2.1 ANALYSIS OF COST REDUCTION TECHNIQUES IMPLEMENTED

2.1.1 Staff Retrenchment

According to Kitching (2011) retrenchment takes many forms of job losses but mainly a reduction in staff often referred to as redundancy or down-sizing mainly for possible efficiency gains or falling demand for the company's products or services. Morrow et al (2016) supports that retrenchment is a necessary cost cutting technique since the wage bill is one of the major costs of many entities in the world thus regular analysis of the workforce size and downsizing it will lead to more efficient practices. Kesner and Dalton (2014) add that the retrenchment process ensures a better liquidity for the organization as salaries and other pension and medical contributions are significantly reduced. The authors Holley et al (2015) and Basu (2015) also alluded that retrenchment allows the firm to retain or minimize cash outflows in form of salaries especially those of top management which will be huge and ballooning the wage bill.

However Boyne and Meier (2012) argue that retrenchment comes with huge costs that include the severance packages, gratuity payments, outstanding leave balances and other costs including bonuses and pensions. Mudely and Raphulu (2015) supports that the major reason of carrying out the retrenchment exercise is to reduce costs such that the incurring of any cost may lead to the organization incurring losses because of the retrenchment exercise making it ineffective. Hofer (2011) and Aral (2015) also highlighted that in addition to the costs retrenching other employees may lead to the demotivation of the remaining employees and disruption of the production process which will negatively affect productivity and profits.

Cameron (2014) took a neutral position asserting that retrenching does improve the fluidity of the organization but it also has negative effects especially in the long term thus it has to be handled with great caution. This was supported by Gandolfi (2013) who supported that staff retrenchment reduce costs but it is normally a long process and costs more than the benefits of retrenching. Most of the benefits of retrenchments are for the immediate or short term otherwise it has negative long-term effects on the workforce, performance and image of the organization added Rother and Shook (2011). The researches above focused on cases in developed countries and in private sector companies thus this research intends to figure out if staff retrenchment has effectively contributed to the financial performance of ZINARA.

2.1.2 Reduction of employee benefits and allowances

Sudarsanam and Lai (2011) asserts that employee benefits and allowances are a huge portion of organization expenditure thus their reduction may improve financial performance. This was supported by Bruton and Wan (2013) who stated that most companies incur huge costs especially in medical contributions such that their reduction would actually help improve their financial position. The authors Schoenberg et al (2015) and Hofer (2011) also alluded that the reduction of employee benefits and allowances not only improves the liquidity position of the organization but unlike retrenchment it also maintains a certain level of motivation

within the workforce as all workers are retained. The reduction of a certain percentage in each employee's allowances and benefits will significantly reduce the total costs of the business when aggregated and this method gives immediate and long-term gains as well to the organization, according to Aral (2015) and Mercer (2013).

On the other hand, Flynn and Staw (2014) argued that the reduction of employee benefits may encourage employee demotivation especially if critical benefits like health are reduced. This was supported by Cameron (2014) who also stated that it is also detrimental to the organization if it reduces other benefits that may hurt morale, productivity and in the end profits. Cheinhall (2011) and Hair et al (2012) also supported that health related benefits among other benefits should never be reduced or cut because they affect the workforce and the working environment. The reduction of allowances and benefits many times may not yield a significant change as intended by employees and that is why many times they end up opting for retrenchments, Barolsky (2011) and George (2013).

Kitching (2011) took a neutral stance and alluded that the reduction of employee allowances and benefits can only be a noble technique when benefits are cut for top management as it can bring significant changes to the financial performance of the organization. Berk (2010) also supported that the technique is effective but it is mainly used on lower staff such that it may not make a significant difference or change to the financial performance of an entity.

These authors above focused their researches on organizations in developed countries where organizations contribute heavily towards medical and other employee benefits and in some private and other public sector organizations. This research therefore intends to find out if the reduction of employee benefits and allowances is an effective cost reduction technique in the Zimbabwean economy and if it can result in the improvement of the financial performance of ZINARA.

2.1.3 Asset retrenchment

According to Hair et al (2012) an asset retrenchment strategy is when an organization disposes off redundant assets. The author further explains that this allows the organization to get cash inflows and at the same time do away with the non-performing assets. Himme (2012) and Basu (2015) also supported that the disposal of assets makes available tied up capital in the value of the assets for the business to invest in other causes so that they expand and plough back to gain more profits. Unnecessary costs of depreciation, maintenance and storing the idle assets are also reduced or lessened thereby resulting in the organization having a more favorable liquidity position, according to Mudely and Raphulu (2015). Gandolfi (2013) also supports that the asset retrenchment strategy is the first strategy that has to be employed by any organization as it focuses on idle and unnecessary machinery in the organization.

On the other hand, Flynn and Staw (2014) argued that asset retrenchment strategy may not result in the sought reduction as many organizations usually need to buy back assets disposed when they begin to grow and expand and many times at a higher cost. This was supported by Berk (2010) and Hofer (2011) who alluded that organizations normally loose out when they dispose their idle assets because many times the choice of which assets to dispose is not made rationally and the disposed assets may be needed in the future. The disposal of assets also results in a once of gain in cash flows in the form of proceeds from sale and the reduction in costs only affects profit figures and not actual cash flow improvements in the long term as depreciation costs are but non-cash items, according to Warren et al (2011).

Habib (2015) and Cameron (2014) took a neutral position and asserted that there is always an equal chance of losing or gaining when employing the asset retrenchment technique in cost cutting. The authors explained that cash flows are immediately gained when disposal is made but the value of the asset is realized once it is sold creating the need for that very machine to be bought back. Kitching (2011) highlights that it is better for organizations to consider leasing the assets than selling as they may need them in the future. The sentiments shared by these authors were deduced from organizations in developed countries with stable

economic conditions only and 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 ZINARA.

2.1.4 Service Outsourcing

According to Zhou and Ren (2010) to keep costs down there are practical and cost effective reasons to outsource part or all of your business. Outsourcing is described as the transfer, delegation or allocation of responsibilities and risk of performing a function to a third party can do it cheaper, faster and better, Tayauova (2015). Kremic (2014) asserts that the process of outsourcing other business processes leads to the reduction of costs especially because the organisation will not incur the cost of recruiting, providing work space, training, costs related to employee welfare and paying of the employees but a fraction only. Rother and Shook (2011) and Harrington et al (2010) also supported that when other business services are outsourced the business can then concentrate on its core responsibilities and work efficiently thus reduce even wastage costs over and above other personnel related costs savings. According to Hofer (2011) outsourcing comes with many benefits to the organisation namely focus on core activities, cost savings, access to experience and highly skilled personnel, improving performance, and flexibility.

On the other hand Troaca (2011) argues that outsourcing normally comes with the firing of employees which leads to costs of laying off and also loss of morale among the workforce which affects productivity. In addition there may also be huge costs on tendering to select the companies to outsource. The provision of services 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) also highlighted that by outsourcing a certain function the organisation or management loses control of this may compromise on their effectiveness or efficiency. The authors added that in the end it may actually more costly for the organisation to source especially in the long as they would have relinquished control over the services or the quality to be delivered.

Boyne and Meier (2012) took an impartial stance and highlighted that outsourcing may result in the reduction of costs but that is not guaranteed. This was supported by Thompson (2012) who alluded that the fact that the management have no control over the quality of the services to be delivered makes the organisation vulnerable to possible quality compromises which cost the organisation its market share unless if the outsourced company delivers. The ideas above were derived from researches done in European countries and large conglomerates and not in the Zimbabwe economic environment. This research therefore seeks to find out if outsourcing can lead to costs reduction for ZNARA ad to what extent.

2.1.5 Business Process optimization

Meyer and Serima (2013) asserted that the optimization of business processes focuses on improvement and perfection of business processes with the goal of meeting customer requirements. Vergidis (2015) added that the optimization of business processes reduces costs, processing time and also enhances product and service quality. When processes have been improved, there are also reduced wastages as unnecessary processes and costs are cut and possible alternatives are analysed to come up with the best and most competitive way of production or service delivery, Flynn and Staw (2014). Morrow et al (2016) and Dahl (2012) also alluded that evaluation of business processes is the first and most important route to cost cutting as it allows management to identify flaws of the production system and ensure the new or improved design does not only effectively produce quality goods but does so efficiently and at the minimum cost possible.

However, Hoyer (2015) argued that business process optimization may not lead to cost reduction especially in the short run as it is a long process. George (2013) and Osak (2011) also highlighted that business process optimization involves evaluation of the processes, planning and developing alternatives or best methods to ensure process optimization then implementation which means that it takes a long time to implement the process which may not lead to cost reduction. Kitching

(2011) also highlighted that there are also costs involved with trying to improve or optimize the business process especially through wastages or disruptions to the production processes thus the method may not work efficiently to get the desired results both in the short and long run.

In a neutral view, Rother and Shook (2011) argued that optimization of business processes may or may not lead to the reduction of costs as the modifying of the process may result in increased spending but shorter processes and better quality goods and services. The ideas above were mainly derived from researches done on the manufacturing sector of USA thus the need for this research to find out how business processes optimization may reduce costs and to what extent.

It is the author's view that the techniques discussed above may all lead to significant cost reduction if they are implemented successfully by experts and a committed workforce and also with serious considerations to the possible negative effects and costs each technique may have.

2.2 FACTORS TO BE CONSIDERED WHEN CUTTING DOWN COSTS.

2.2.1 Management expertise

According to Aranda and Arellano (2010) the complex process of cost cutting works successfully with everyone's involvement from the initial planning and brainstorming of techniques to be adopted such that management expertise concerning the process is a major factor that can lead to the effectiveness of the process or otherwise. This was supported by Berk (2010) and Morrow (2014) who alluded that it is management who drive the implementation of the cost cutting techniques in the organizations thus there is need for expert personnel to plan and execute these strategies to ensure success. Brutin and Wan (2013) also highlighted that in most cases where the implementation of cost cutting strategies has not improved the organizational performance studies have shown that it is

management who would have failed to plan and execute effectively the implementation of the strategies.

However, Mudely and Raphulu (2015) argued that the effectiveness of the implementation process and its yielding of better financial performance results does not lie on management expertise. The authors explained that it is the employees who have a bigger role to play thus can influence the level of success of the process and not management or their expertise. Kitching (2011) and Basu (2015) also added that instead of management expertise the key component that makes or breaks the implementation process is communication otherwise even non-expert management with frequent and accurate communication can effectively implement the cost cutting techniques.

An impartial author Himme (2012) alluded that for the cost cutting techniques implementation process to work out a number of factors contribute, not only management expertise but also employee commitment, planning process and the mere implementation of these strategies often lead to the loss of skilled personnel as well. Hofer (2011) supported that management expertise has to be used in conjunction with proper planning, employee participation and frequent communication to ensure effective implementation otherwise expert management alone may not be able to pull off the exercise. The sentiments above are from researches done in developed countries' organizations and private sector companies and not on government companies like ZINARA. This research therefore intends to find out how management expertise affect the effectiveness of the implementation of cost cutting strategies at ZINARA.

2.2.2 Loss of skilled and experienced personnel

Falkenberg (2012) asserts that the implementation of cost reduction techniques has most impact on employees especially since it revolves around the retrenchment of personnel or the assets being used for production by the personnel. The author further highlighted that it is therefore critical for management to consider the possible loss of experienced, skilled and loyal personnel when trying to implement

cost cutting techniques. Wegner (2013) and Marrow (2014) also supported that the negative effects of staff turnover are mainly visible in the long run but in the short run the cost cutting exercises do free up liquidity and may help improve the organization profitability. Boyne and Meier (2012) also asserted that it is management's duty to consider the personnel employed and strategize on downsizing duplicated skills and experience to ensure that invaluable workers are not lost during the implementation of cost cutting techniques.

On the other hand Cameron (2014) argued that management may not have to consider the possible loss of employees as it is an inevitable avenue in any cost cutting exercise. The following authors Aranda and Arellando (2010) and Schoenberg et al (2013) also supported that management has to focus on other issues that are more detrimental to the success of the implementation process than loss of employees as the art of downsizing not only reduces costs but increases efficiency of the organization. Kesner and Dalton (2014) also alluded that management should consider possible negative effects of employing cost measures before implementation and not on the employees who will be let off. The authors also noted that the majority of organizations that implemented employee layoffs experience diminishing profits because of loss of experienced personnel and also increased competition resulting from the retrenched employees joining rival organizations and leaving with them very critical insider information about their previous employers.

Sudarsanam and Lai (2011) gave a neutral view alluding that management does have to give consideration to the possible loss of skilled and experienced people but together with other factors that may hinder the success of the implementation process. There generally is a wider pool of experienced and skilled workforce in the market such that management will not have the need to worry about that, according to Hofer (2011). The theories above were derived from researches done in BRIC countries that are developed thus this research intends to find out if the loss of skilled personnel is one of the factors to be considered before

implementation to ensure the process is a success in developing countries such as Zimbabwe and in the flooded labor market today.

2.2.3 Implementation costs

Hunt and Phillips (2013) explained that there is also the need for management to consider the cost of implementation especially when considering staff retrenchments. This was supported by Rother and Shook (2011) who asserted that there are huge costs that are related to the retrenchment of staff such that management have to consider them and weigh if the benefits of retrenchment outweigh the direct costs of implementation. Dahl (2012) and George (2013) identified the following as examples of direct costs of the retrenchment process to the organization; severance packages, gratuity and leave days balances among others. Warren et al (2011) added that these direct costs together with indirect costs such as reduced employee morale and interruptions of the production process can negatively affect the performance of the organization and should be seriously considered.

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 the costs to be incurred are only immediate and cannot be compared to the gains that will accrue to the organization in the long term. The fact that cost reduction techniques have been implemented in businesses for ages mean that they improve the performance and competitiveness of the business thus the costs cannot take away the benefits to be gained from the successful implementation added Thompson (2016).

Davis (2012) took an impartial stance suggesting that it is management's duty to carry out the cost benefit analysis of the chosen techniques before implementing them. Reimink (2015) also added that management should also consider the net benefit both in the short and long term and seriously considered which methods will work well and will be more effective specifically to their industry. The

authors above did their researches on other organizations in the world and not on ZINARA. This research intends to find out if the costs of implementation are worth considering when implementing cost cutting techniques at ZINARA.

2.2.4 Effects on quality

According to Kesner and Dalton (2014) the major consideration management has to make before embarking on cost cutting processes is the impact that will have on product or service quality. Hofer (2011) and Lewis (2015) asserted that the normal thing for businesses employing cost cutting is the possible compromise on quality. Management have to consider this as it will affect their livelihood and survival both in the short and long run added Bruton and Wan (2013). Osak (2011) also posited that it is the organization's core business to ensure products and services delivered meet customer requirements thus the possibility of any cost reduction has to be with the aim of at least maintain product quality. It is of paramount importance that management keep in mind product quality when choosing cost reduction methods and when considering which costs to cut. Basu (2015) highlighted that management should consider cutting costs that do not yield revenue first.

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

Mudely and Raphulu (2015) took a neutral stance and stated that although cost cutting can compromise on quality of products and services it is not a huge fact to be considered as there are ways of cutting costs while maintaining quality. The researchers above concentrated on considering quality in the manufacturing

industry thus the researcher intends to find out if there is a need to consider quality in the service industry in Zimbabwe when cutting down costs at ZINARA.

The researcher is of the view that management has a lot of factors to consider especially the factors discussed above and many more when choosing cost reduction techniques to implement bearing in mind the effect on product quality, employee performance and productivity of the organisation especially in the long run.

2.3 EFFECTS OF IMPLEMENTING COST REDUCTION TECHNIQUES ON PERSONNEL PERFORMANCE.

2.3.1 Reduced morale

Osak (2011) highlights that when job cuts are done bluntly this may result in reduced morale and capabilities of the remaining workforce. This was supported by Dahl (2012) and Wegner (2013) who asserted that the retrenchment of staff from the workforce and any other cost reduction techniques often lead to reduced motivation in employees as they become uncertain and scared of losing their jobs as well. Employees are prone to mistreat customers when they are demotivated during their normal tasks. Mudely and Raphulu (2015) also noted that workforce reductions tend to be difficult and expensive, and frequently do long-term damage to a company's culture, knowledge base, and morale. Employees often perform worse after a retrenchment exercise has been carried out because they would have lost morale as the security of their jobs would be put on the line, according to Ruch (2015)

According to Hofer (2011) in a parallel line of thought, the one main reason or issue that can lead to reduced morale in workforce is the non-payment or delay in payment of their remuneration and not the employment of cost reduction techniques. Wegner (2013) also suggested that the implementation of cost reduction techniques may not lead to reduced morale but rather encourage 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 can actually

be a powerful motivator for remaining workforce. Personnel also get the idea of how important it is to engage on cost cutting activities even on the production floor when cost reduction techniques are implemented according to Hunt and Phillips (2013).

Habib (2015) gave a neutral view and suggested that as much as morale levels may go down after implementation of cost reduction techniques, employees are however made aware of what is at stake and they may be 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 ZINARA.

2.3.2 Disruptions and decrease in Productivity

Zunich (2012) asserts that when companies downsize the first tangible effect of the exercise is the disruption of the production process and ultimately the 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 the decrease in productivity. Workers do not see themselves as a part of the future of the organization such that they do not see the need to work at all or as much as they did added Gitlow et al (2014). Osak (2011) also added that the remaining employees have a lot of responsibilities to do after others are let off and they may find it difficult to cope and carry out all activities as normal.

However, Wegner (2013) and George (2013) argued that when and if properly planned the layoff of workers or general implementation of cost reduction techniques does not result in a decrease in productivity. The authors explained that the responsibilities are reallocated to left employees and they are made aware immediately after the retrenched staff is gone such that there will be an immediate allocation of the pending responsibilities. Hunt and Phillips (2013) also noted that employees are often laid off because of duplicated responsibilities and after serious

considerations are made by management thus if the process is done according to the plan there will be a smooth transition that may not disrupt production or reduce productivity but rather increase it.

Pierce (2014) and Dahl (2012) gave a neutral train of thought suggesting that the implementation of cost reduction techniques may not disrupt or improve productivity as management can still offer other incentives to employees to maintain productivity levels. Berk (2010) also added that employees may also be encouraged to maintain productivity to prove and affirm to management that they were the right pick to remain on the job and take up even more responsibilities.

The above theories and sentiments bordered on researches done on heavy manufacturing companies and not service providers such as ZINARA. The researcher therefore seeks to investigate whether the implementation of cost reduction strategies does have an impact on the productivity of an organization such as ZINARA.

2.3.3 Reduced Profits

Flynn and Staw (2014) asserted that the implementation of cost reduction techniques may lead to reduced profits especially because of an immediate influx in costs related to retrenchment that include severance packages and payment of leave days. This was supported by Himme (2012) and Kitching (2011) who emphasized that the costs that are incurred by companies when laying off employees may actually result in major cash outflows and sometimes lawsuits for the organizations that may leave the organizations broke and with no profits at all. Boyne and Mier (2012) also added that the possible reduction in employee morale and productivity also adds on the issues that negatively affect the organization profits in the short run and sometimes even threatening 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 profits and not reducing them. 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 even if management are to incur retrenchment costs they can be staggered or delayed to allow the organization to get back on its feet and reduce the risk of actually making losses due to the downsizing exercises.

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

The above ideologies were drawn from researches done on the effects of the implementation of cost reduction techniques on profitability of organizations in developed countries with proper systems and standards for employees unlike developing countries with harsh working conditions such as Zimbabwe. This study seeks to investigate the effect of the cost reduction techniques on

2.3.4 Lost business opportunities

According to Rother and Shook (2011) by employing cost cutting techniques such as asset disposal they risk losing business by downsizing their operations and workforce. This is due to their diminished employee capacity and productive capacity and so they may not be able to meet customer demand. Basu (2015) added that the organisation also loses its good image by retrenching employees such that potential investors, creditors and customers may avoid doing business with it as it will be displaying struggles to survive within the market.

However McDemott (2015) argued that cost cutting results in efficiency and better quality which will retain customers, attract investors and creditors as well. The

cost cutting measures do not in all cases encompass reductions in personnel, however in some cases new products are added, new sources of revenue open up or extra work acquired without a proportionate addition of the number of employees Dahl, (2011).

Kitching (2011) took a neutral view arguing that businesses may lose or actually gain business because of cost cutting techniques. All the authors mentioned above shared parallel views and opinions on how the implementation of cost cutting measures impacted the business opportunities of the firm. The researcher therefore intends to establish how cutting costs affects the business opportunities at ZINARA.

The researcher is of the opinion that negative effects such as losing business and disruptions of the production process may result due to implementation of cost cutting techniques but this will be for a good cause as the business will yield positive results in the long run.

2.4 MEASURES TO BE ADOPTED TO ENSURE EFFECTIVE IMPLEMENTATION OF COST REDUCTION TECHNIQUES.

2.4.1 Establishing a vibrant Internal Audit Function

The internal audit function should be an integral part of any strategic cost reduction program because it can ensure the redesigned business processes, activities and structures remain responsive to the risks, and are embedded into the business methods and practices, according to Oates (2013). Cohen and Savag (2010) also highlighted that the internal audit function ensures the safeguarding of business organization assets and ensures that measures are put in place to make sure that the company concerned does not lose its resources by unjust means. Barolsky (2011). McDemott (2011) noted that management alone can come up with strategies to reduce costs but a vibrant IAF establishes and monitors controls on techniques before and after implementation to ensure loopholes are dealt with.

Flynn and Staw (2014) also alluded that a vibrant IAF gives the organization competitive urge as it will become more proactive to risks identified than dealing with the consequences of the risks which would be more costly.

However, Mercer (2010) argued that the running an internal audit function maybe costly for any organization as it includes hiring competent and experienced people who are experts. Lewis (2015) also noted that enhancing the vibrancy of the internal audit function may not be viable if the organization is in dire need to cut costs significantly such that the few members that are there already maybe retrenched as well or the whole department wiped out entirely. Harrington et al (2015) also asserted 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 internal audit function that is not only independent, objective but effective. This was supported by Berk (2010) who alluded 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 researches above were done in powerful countries such as Britain and USA where the internal 82audit function is more appreciated and has been functioning for more than ten years but not in countries such as Zimbabwe where the function is still being absorbed. This research therefore intends to find out the effectiveness of the internal audit function at ZINARA in general and investigate its role in the reduction of costs at the organization.

2.4.2 Earlier and frequent communication

According to Rother and Shook (2011) the best way to ensure the implementation of cost reduction techniques is effective and successful is by communicating to 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 cost reduction better when management communicate with them clearly the reasons for and all possibilities in the process emphasizes Gandolfi (2013). Communicating with employees may also assists management get more ideas from the employees themselves and at the same time encourage employee dedication and commitment to the process alludes Hofer (2011). The author further highlighted that communicating more also helps management strategize with the remaining employees after retrenchment on reallocation of responsibilities and ensuring a smooth transition. Berk (2010) also alludes that it is easier to control the situation when or if management communicate and speak out first unlike if the news reaches employees via informal channels as that will cause panic and make the situation difficult to monitor and control.

On another hand, Kesner and Dalton (2014) argued that communication itself may lead to uprisings of unions that may in the end derail the process or create more confusion. This was supported by Falkenberg (2011) and Morrow (2014) who asserted that sometimes the frequent update of employees' by management on the plans of the cost reduction implementation process may cause more panic and unrest leading resulting in less productivity within the organization. Wegner (2013) also suggested that the use of formal communication may not determine the effectiveness of the implementation process because the effects of implementing the cost reduction strategies will be met with the same reactions whether formal channels of communication are used or even if people would have known via the grapevine.

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' involved and different processes involved that can 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 researches were conducted in other countries other than Zimbabwe with different cultures and labor laws on termination of employment. The researcher therefore intends to research on the effectiveness of the communication process at ZINARA when implementing cost reduction strategies. The researcher also seeks to find out the effects of the use formal communication to informal channels when implementing cost reduction strategies.

2.4.3 Employee awareness and training

According to Harrington et al (2010) it is easier and wiser to first implement all other cost cutting strategies that do not boarder on employee retrenchment but rather motivates and encourages employees to work hard and come up with ways to reduce the costs of the organization. This was supported by Mercer (2013) and Ruch (2015) who highlighted that it is important to maintain a stable employee core to ensure effective cost-cutting and when employees know the culture of the organization, 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 to an organization and have job security the work tirelessly to ensure goals are attained for their benefit and for the benefit of the organization as well. Himme (2012) also highlighted that management may not even need to make a cost cutting awareness drive to committed employees as they can do that voluntarily to keep their jobs, make profits and also encourage the organization to increase their salaries or allowances. Kitching (2011) alluded that training and increasing awareness of employees give results both in the short run and in the long run.

On the other hand, Morrow et al (2014) argued that the major cost of most companies are salaries and wages and the easiest and fastest way to cut the costs is by retrenching non-performing and redundant staff than training them. This was supported by Thompson (2012) and Downes et al (2014) who asserted that the reason why companies retrench employees is because the reduction in salaries figures are more significant than spending years cutting insignificant gradually and not making much difference. Habib (2015) also said that retrenching employees is an inevitable exercise that should be done at least once in a while after regular business evaluations to cut off non-performing or redundant elements and stay competitive within the market.

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 unfavorable for 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 cost cutting techniques to implement. The above researches were focused on other organisations all over the world but not specifically ZINARA thus this research intends to find out if the recommendations given can work to ensure successful implementation of cost cutting techniques.

2.4.4 Continued Research and development

According to Ruch (2015) and Habib (2014) continuous research and development has to be done by the organisation on which techniques to implement and how to effectively implement them. Mercer (2013) also alluded that the economic environment of the twenty first century is very dynamic hence the need for management to keep abreast with the changes happening through research and development so that they know how best to reduce costs and stay 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 actually adds more cost to the organisation than 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 the research and development costs as well.

Lewis (2015) took a neutral stance and suggested that although costs are incurred on the research and development stage the information gathered sets the tone and foundation for guaranteed successful implementation of cost reduction techniques. The ideas above were derived from researches done in rich countries where the research and development stage is more compulsory 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 ZINARA.

The writer is of the opinion that the recommendations given are more effective as they ensure an effective cost cutting culture within the organisations and also comes with other benefits such as an efficient business culture that benefit the organisation more in the long term.

2.5 RELATIONSHIP BETWEEN SUCCESSFUL IMPLEMENTATION OF COST REDUCTION TECHNIQUES AND FINANCIAL PERFORMANCE OF A COMPANY.

2.5.1 Significantly positive relationships

Kepner and Tregoe (2014) asserted that the successful implementation of costs reduction techniques brings measurable positive change to any organisation financially. Reimick (2015) highlighted that reduction in costs ultimately leads to increases in profits and increased cash flows as well. Berk (2010) made the conclusion in a study where a sample of 155 respondents was considered and the qualitative approach used. Hofer (2011) also alluded that the success of the implementation process fosters the review of production processes and activities and the identification of better ways of carrying out the production to produce more quantities. Davis (2012) also supported that cost reduction techniques

ensures that more is produced from just adequate resources and time through reducing wastages or spoilages in the production of goods or delivery of 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.

On the other hand, Falkenberg (2011) argued that some of the reduced costs do not result in tangible change 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 costs associated with the implementation process such that the costs and income offset each other.

Gitlow et al (2014) gave a neutral view and asserted that the successful implementation of cost reduction techniques does not guarantee an increase profits or production as there are possible hiccups that can be caused by the implementation. 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 techniques increases the chances of the organization producing more but this is not guaranteed as there are many factors that affect organization's productivity.

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

2.5.2 Positive relationships

The author Reimink (2015) supports 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 management can save resources and inject them into other projects for expansion and other innovations to remain competitive. This was concluded from a study carried out using closed ended questions in gathering primary data and the data was also interpreted using measures of central tendency. Aral (2015) and Hunt and Phillips (2013) also added that other cost cutting methods such as asset retrenchment be it through disposal of leases not only reduces costs in maintaining and depreciating the assets but also result in cash inflows through the proceeds from sale or lease premiums resulting in the increase in profits of the organization. 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 concluded 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 wastages and spoilages also results in saving or reduction on losses created by the wastage of resources, Morrow (2014).

However Hair et al (2012) argued that the implementation of cost reduction techniques affect employee morale thus may actually impact on the quality produce and result in the increase in wastages. This was supported by Rother and Shook (2011) who asserted that effective implementation results in negative than positive relationships.

Arial (2011) took a neutral stance and asserted that successful implementation does not equal positive changes but rather some drastic negative changes that can haunt the organisation for ever. The ideas above were derived from researches done on positive relationships in manufacturing industries and not service providers such as ZINARA. This has prompted the need for this research into the possible positive relationships of successful implementation of cost cutting strategies and financial performance of ZINARA.

2.5.3 Significantly negative relationships

Kitching (2011) argued that the success of the implementation process means business activities and processes maybe interrupted during the implementation process leading to reduced productivity and ultimately reduced profits or losses. This was seconded by McDemmott (2011) who stated that production processes may be slowed after the implementation process as remaining employees struggle or strive to adapt to the new processes and added to responsibilities such that they may not able to maintain normal production levels. 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 the successful implementation is more likely to increase profits than reduce them as some significant costs for instance on retrenchment, the wage bill is heavily cut thus resulting in profits. McDemmott (2011) also supported this arguing that it is not possible to successfully implement cost cutting strategies then have reducing profits or productivity.

Zunich (2012) took an impartial stance stating that it is possible to get either an increase or decrease in profits even after successful implementation of cost cutting strategies as there are more variables 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 ZINARA.

Negative relationships

Flynn and Staw (2014) argued that the implementation of cost cutting techniques may actually reduce efficiency as the production process is normally disrupted

during and after retrenchments. There are also inconsistencies especially since some responsibilities may not be immediately allocated to the remaining staff or the workload may just become too heavy for the remaining staff, added Cameron (2014). Zunich (2012) also highlighted the relationship between the successful implementation of cost cutting strategies and the efficiency of the production process maybe indeterminable as that more 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 reduction of costs does not result in wastage costs as the processes would have been modified and perfected to actually reduce the costs. . Rother and Shook (2011) also emphasized that when properly planned the production process 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 involves many dynamics that may increase 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 a government organization focusing on provision of good road services such as ZINARA. This research therefore intends to find out the negative relationships between the successful implementation of cost reduction strategies and the profit of an organization.

HO: There is ultimately a significantly positive relationship between the successful implementation of cost reduction techniques and the financial performance of an organisation.

2.6 Chapter Summary

The chapter dealt with the review of literature on the cost cutting techniques employed, the factors considered when implementing cost reduction techniques, the effects of the implementation of costs reduction techniques, possible measures that can be implemented by management to ensure successful implementation and the relationship between successful implementation and the financial performance of the organization. The next chapter focuses on research methodology.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

The chapter elaborates on how the research was carried out. The research design is identified, the approach, target population, sample and sampling techniques are determined. The chapter goes on to explain the methods of data collection to be employed by the researcher, the presentation and analysis techniques and also the validity and reliability of research instruments.

3.1 Research Design

The research design is a detailed plan outlining the techniques to be employed by the researcher in gathering data, according to Clarke (2012). Kumar (2013) explained that it is the research design that determines even the methods of data collection to be used and the sources of data as well. The researcher employed the descriptive research design method for the purposes of this research. According to Langen (2014) the descriptive method allows the researcher to observe, describe or explain a situation or events as they happen in an organisation. 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 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 which will broaden the data to be acquired by the researcher and at the same time enhance the quality of the research findings.

3.2 Research Approach

The researcher used the mixed methodology which uses both the qualitative and quantitative data. The researcher chose the mixed methodology because it allows the researcher to gather both statistical and qualitative data to support and confirm the phenomenon under study. According to Clarke (2012) and Mc-Grath (2011)

qualitative and quantitative data complement each other as quantitative data gives evidence that qualitative data cannot provide. Langen (2011) also supported that qualitative data sets the arguments for the research while quantitative data gives statistical arguments and evidence. The researcher chose the mixed 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 the organisation.

3.3 Target Population

According to Langen (2014) the target population is the group with certain characteristics relevant to the study and is of interest to the researcher. Michael (2013) also highlights that the target population is a group of similar or related cases that have knowledge and can contribute to the research. Lavrakas (2015) also alludes that the target population comprises of all elements to be studied and is also defined by geographic characteristics of the population especially convenient location and ease of accessibility of the respondents. In some instances, the target population is restricted to exclude population members that are difficult or impossible to interview that is why the research considered only ZINARA Gweru province respondents as the target population as they were accessible. The target population of 55 ZINARA employees was considered and 50 were chosen as the sample. These were managers, supervisors and general staff members.

3.3.1 Sample Size

Lasar (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. A sample was used instead of a census as some workers were away on business. 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.

3.3.2 Sampling techniques

Lavrakas (2015) explained that sampling involves the selection of respondents from the target population to get a manageable size of respondents who are knowledgeable about the area under study. Donald (2014) alluded that there are probability and non probability sampling techniques. The researcher chose the judgemental sampling technique to choose the respondents who have knowledge on cost cutting measures implemented by ZINARA and a total of 50 respondents was chosen from supervisors and employees in the finance department.

Table 3.1: Sample

Responde nts	P o p u l a t i o n	S a m p l e s i z e	I n t e r v e w s	Q u e s t i o n n a i r e	P e r c e n t a g e o f t o t a l p o p u l a t i o n

					io n
Managem ent	5	5	5	-	1 0 0 %
Superviso rs	1 7	1 5	-	1 5	8 8 %
General staff	3 3	3 0	-	3 0	9 0 %
Total	5 5	5 0	5	4 5	9 0 %

According to Wegner (2011) a sample size of more than 70% is reasonable, accurate and gives a more average view of the whole population. The researcher used a sample size of 90% of the whole population as it gave more accurate results and an average reflection of the population.

3.4 Sources of Data

There are two sources of data namely; primary and secondary data. The researcher used primary data for the purposes of this research. According to Kumar (2011) primary data is collected for the first time and for the purposes of a certain research. The data is raw, unanalysed and not arranged as it is in its original state after the gathering process, alluded Langen (2014). Primary data is therefore reliable and valid since it is collected for that purpose only and it is also easier and less time consuming to gather and use on the study. The researcher collected data from the use of questionnaires and interviews in this research study.

3.5 Research instruments

3.5.1 Questionnaires

According to Clarke (2012) a questionnaire is a list of research questions designed to collect appropriate data from a number of predetermined respondents. Laser (2011) also defined questionnaires as a set of questions designed to be asked a group of people to extract certain information from them. 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 also 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 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 used the Likert scale reviewed below for structuring questionnaires.

3.5.2 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 or agreement or disagreement for every statement presented as shown by the scale below.

Table 3.2: Likert Scale

I t e m	S t r o n g l y a g r e e	A g r e e	U n c e r t a i n	D i s a g r e e	S t r o n g l y d i s a g r e e
P o i n t s	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. The author added that the questions are also easier to understand and respondents are not forced to take a side. Laser (2011) however states that the scale maybe

subject to distortions as respondents may avoid extreme responses, while others may just agree with statements posed or try to portray a good image for the organisation. The researcher had to affirm that the questionnaires would be nameless and the data used for academic purposes only to encourage respondents to be honest.

3.5.3 Interviews

Donald (2014) states that interviews are a data collection technique through a face to face meeting or over the phone. Interviews allow the researcher to get explanations and clarity whenever it is necessary but with a guide of the main questions to be asked, according to Wegner (2011). Gill et al (2013) explained that there are three types of interviews in research that are structured, semi structured and unstructured. The researcher used semi-structured questions for interviews with management to gather data and understand the effectiveness of the cost-cutting measures implemented at ZINARA. Stuckey (2016) alluded that semi-structured interviews consist of several key questions that help to define the areas to be explored, but also allows the interviewer or interviewee to diverge in order to pursue an idea or response in more detail. The research was not limited to the questions on interview guide thus could ask follow up questions to ensure accurate responses.

The interviews therefore supplemented the information gathered through the questionnaires and allowed the researcher to sit one on one with management since they could not fill out the questionnaires.

3.6 Validity and reliability of research findings

According to Kumar (2013) validity is the ability of the data collection instrument to measure data that is required and expected of the situation and make a meaningful contribution to the phenomenon it purports to measure. Mc-grawth (2011) defines reliability as the degree to which the instrument is able to measure accurately and consistently what is being measured. The researcher used more than one method of collecting data that is interviews and questionnaires to ensure

information gathered was reliable. Closed ended questions were structured to ensure only valid contributions were made by the respondents. Questions were also, short, precise and clear and the researcher assisted the respondents where they did not understand to ensure that objective and reliable information was provided.

3.7 Data Presentation and analysis tools

According to Hungler (2012) data analysis refers to the systematic organization and synthesis of research data. Data gathered was organised, grouped and tabled to ensure clear presentation. In this research frequencies and percentages are the statistical principles which were used in analysing and interpreting the data. Bar graphs, tables, pie charts and descriptive narration were the methods of data presentation used to enhance the interpretation and analysis of the gathered. Microsoft Excel also aided the analysis together with measures of central tendency, that is, mean, mode and median application to ease interpretation and analysis of facts.

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

Where y = dependent variable, financial performance

a = constant

b = sensitive response of financial performance

x = independent variable, effective implementation of cost reduction techniques

3.8 Ethical Considerations

The researcher first wrote a letter to get permission to carry out the research at ZINARA and also to the respondents so that they would know what the

questionnaires were about. Permission was also sought before interviews and also participants did so at will. Participants of the study were also assured information they gave was confidential and would only be used for academic purposes. Other issues considered include that questionnaires were not named to ensure respondents were free to accurately state their views without fear of victimization.

3.10 Summary

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

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.0 Introduction

In this chapter, primary data gathered through questionnaires and interviews was presented using tables, graphs, and pie charts. The data was also analysed and interpreted using percentages and the application of measures of central tendency; the mean, mode and median. Interview responses were also analysed.

4.1 Questionnaire responses rate

The researcher distributed 50 questionnaires to respondents at ZINARA to gather primary data on the effectiveness of cost reduction techniques implemented at the organisation. The table 4.1 below shows the rate of responses from the questionnaires distributed.

Table 4.1- Response rate

Respondents	Target population	Questionnaire administered	Questionnaire responded to	Rate of response
Supervisors	17	15	13	87%
General staff	33	30	27	90%
Total	50	45	40	89%

Source: Primary Data

As shown in table 4.1 above out of the 45 questionnaires which were distributed and administered 40 were responded to which is 89% response rate. Gordon (2012) stated that a higher response rate is better, 60% would be marginal but 80% is good as it reflects a wider range of the respondents view. The 5/40(11%) who could not respond to the questionnaires had tight schedules and had travelled out

of town on business. The rate of response in relation to the total population was therefore 80% ($40/50 \times 100$) which is also reasonable and enough to give an accurate reflection of the whole population.

4.2 Responses to questionnaires

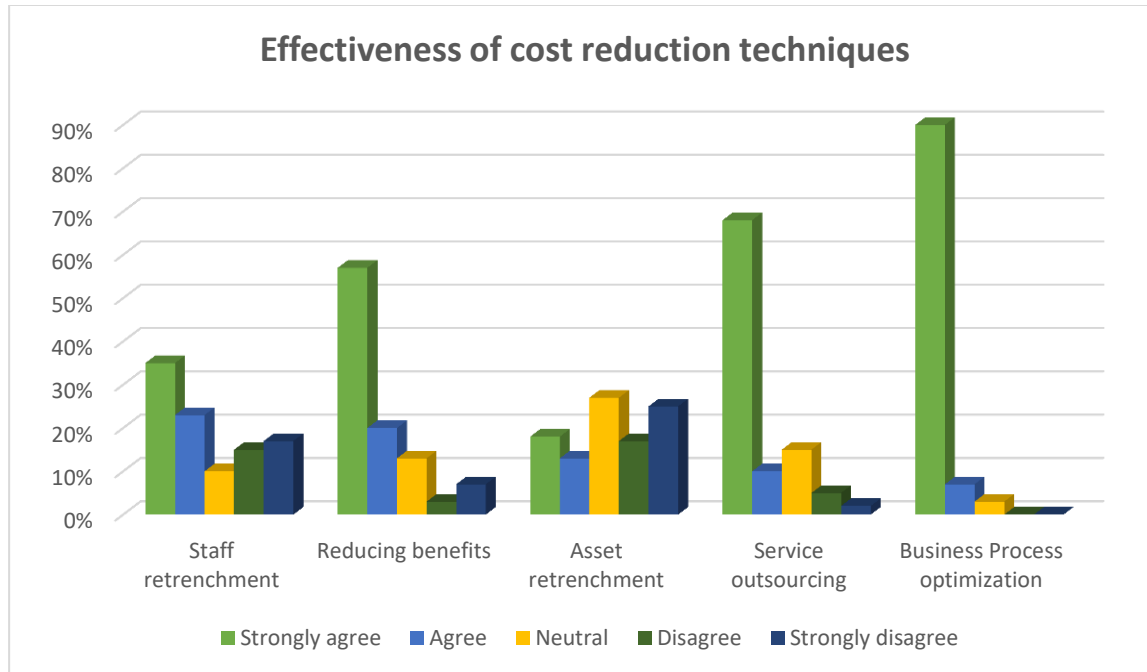
4.2.1 Effectiveness of Cost cutting techniques implemented by ZINARA on financial performance

Table 4.2 Cost cutting strategies implemented.

Strategies implemented	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Staff retrenchment	14	9	4	6	7
Reduction of employee benefits	23	8	5	1	3
Asset retrenchment	7	5	11	7	10
Service outsourcing	27	4	6	2	1
Business process optimization	36	3	1	0	0

Primary data

Fig 4.1:



4.2.2.1 Staff retrenchment

Figure 4.1 above shows that 14/40(35%) of the respondents at ZINARA strongly agreed that the implementation of staff retrenchments as a cost cutting measure is effective while 9/40(23%) only agreed. 4/40(10%) of the respondents took a neutral position, 6/40(15%) of the respondents disagreed and 7/40(17%) strongly disagreed.

An aggregate of 23/40(58%) of the respondents agreed that employee retrenchment has positively affected the financial performance of ZINARA and yielded results in cost reduction and thus improved financial performance. This was in line with Kesner and Dalton (2014) who alluded that staff retrenchment reduces cash outflows and ensures a better liquidity position for the organisation. There was a strong contention of 13/40(32%) of the respondents who disagreed with the idea that staff retrenchments are effective in cost reduction. Their position

was supported by Boyne and Meyer who asserted that the process of retrenchment comes with a lot of costs including severance packages and gratuity payments which result in severe cash outflows. An insignificant number of 4/40(10%) of the respondents were neutral suggesting possible gains and losses can be incurred when applying cost cutting techniques. Their arguments were backed by Cameron (2014) who asserted that although retrenching staff may result in reduced wage bills but there are also costs that will be incurred in the retrenchment process that may actually result in more cash outflows.

A conclusion can therefore be made that staff retrenchments are an effective strategy of cost reduction and improve financial performance, from the mode of 23/40 of the respondents from the data gathered at ZINARA. This is in line with Kesner and Dalton (2014).

4.2.1.2 Reduction of employee benefits and allowances

Table 4.1 shows that 23/40(57%) of the respondents strongly agreed that the reduction of employee benefits and allowances is an effective way of reducing costs resulting in better financial performance while 8/40(20%) only agreed. 5/40(13%) of the respondents were neutral, 1/40(3%) disagreed and the remaining 3/40(7%) strongly disagreed.

A staggering 31/40(77%) agreed that the implementation of benefits and allowances reduction results in better financial performance of ZINARA. This concurred with Sudarsanam and Lai (2011) who asserted that employee related costs such as benefits and allowance form a huge portion of organizations' expense hence their reduction results in increased profits and it will benefit the organisation within the short and long run. A small portion of 4/40(10%) of the

respondents disagreed that reduction of the allowances is not effective which is in line with what Flynn and Staw (2014) stated, that reduction of employee benefits and allowances may reduce employee motivation and morale hence negatively affect productivity. Another 5/40(13%) of the respondents were neutral as in line with the sentiments of Berk (2010) who posited that cutting benefits reduce costs but may reduce personnel morale thereby result reduced productivity.

The mode of 31/40 clearly shows that the reduction of employee benefits and allowances does result in the reduction of costs and enhance financial performance of ZINARA as also emphasized by Sudarsanam and Lai (2011).

4.2.1.3 Asset retrenchment

As shown in table 4.2 above, 7/40(18%) of the respondents strongly agreed that asset retrenchments are an effective method of costs reduction in organisations while 5/40(13%) only agreed. 11/40(27%) of the respondents were neutral while 7/40(18%) only disagreed and 10/40(25%) strongly disagreed.

This means that 12/40(31%) agreed that the process of asset retrenchment results in increased cash flows and better profits as asserted by Himme (2012) that disposal of idle non-currents releases tied up funds to be invested in the business for other purposes. A significant proportion of 17/40(43%) of respondents disagreed arguing that asset retrenchment may not be an effective cost cutting technique. This was in line with Hofer (2011) who alluded that asset retrenchments do not result in the reduction of costs for the long run of the organisation. A good number of 11/40(27%) of the respondents were neutral and not certain about the effectiveness of asset retrenchment which is in line with the idea asserted by Cameron (2014) that organisations may gain in the disposal of idle assets but will

still need to implement other cost cutting strategies as asset retrenchments do not make a significant difference to the costs of the organisation.

The conclusion can be made using the mode of 12 out of 40 that asset retrenchment may not be an effective strategy in cost cutting at ZINARA as supported by Hofer (2011).

4.2.1.4 Service Outsourcing

Evidence from figure 4.1 above reveal that 27/40(68%) strongly agreed that service outsourcing is an effective method of cost reduction as it results in reduced costs and efficiency while 4/40(10%) only agreed. 6/40(15%) were neutral while 2/40(5%) disagreed and the remaining 1/40(2%) strongly disagreed.

A staggering (31/40)78% agreed that service outsourcing is effective on financial performance of an organisation and this was in line with the sentiments by Zhou and Ren (2010) who stated that transferring responsibilities and risks of a particular function within the organisation results in cost reduction and efficiency. An insignificant proportion of 3/40(7%) of the respondents disagreed with the idea that service outsourcing is effective in cost reduction and tis was in line with Hunt and Philips (2013) who asserted that the organisation loses control of the outsourced function and this may result in possible compromises to quality and other elements of the production or service delivery. The remaining 6/40(15%) of the respondents were impartial and this was in line with Boyne and Meier (2012) who asserted that it is not guaranteed that outsourcing will equal to significant reduction of costs.

The mode of 31 out of 40 respondents can be used to conclude that service outsourcing is also another effective method of cost reduction at ZINARA as also emphasized by Zhou and Ren (2010).

4.2.1.5 Business Processes optimization

Table 4.2 also shows that 36/40(90%) of the respondents strongly agreed that business process optimization results in cost reduction and efficiency while 3/40(7%) only agreed, the remaining 1/40(3%) of the respondents were neutral and none of the respondents disagreed.

An overall of 39/40(97%) of the respondents agreed that business process optimization is effective in cost reduction and this was in line with the sentiments by Morrow et al (2016) who alluded that evaluation and optimization of business processes is the best way to attain significant and lasting cost reduction and at the same time increase efficiency. The remaining 1/40(3%) only were neutral which is in line with Rother and Shook (2011) who stated that the optimization of business processes may be costly but the implementation will result in cost reduction as processes are enhanced, wastages reduced and efficiency ensured. None of the respondents disagreed as the majority supported that business process optimization is an effective cost reduction technique.

The mode of 97% can lead to the conclusion that business process optimization is a highly effective cost reduction strategy at ZINARA as was cited by Morrow et al (2016).

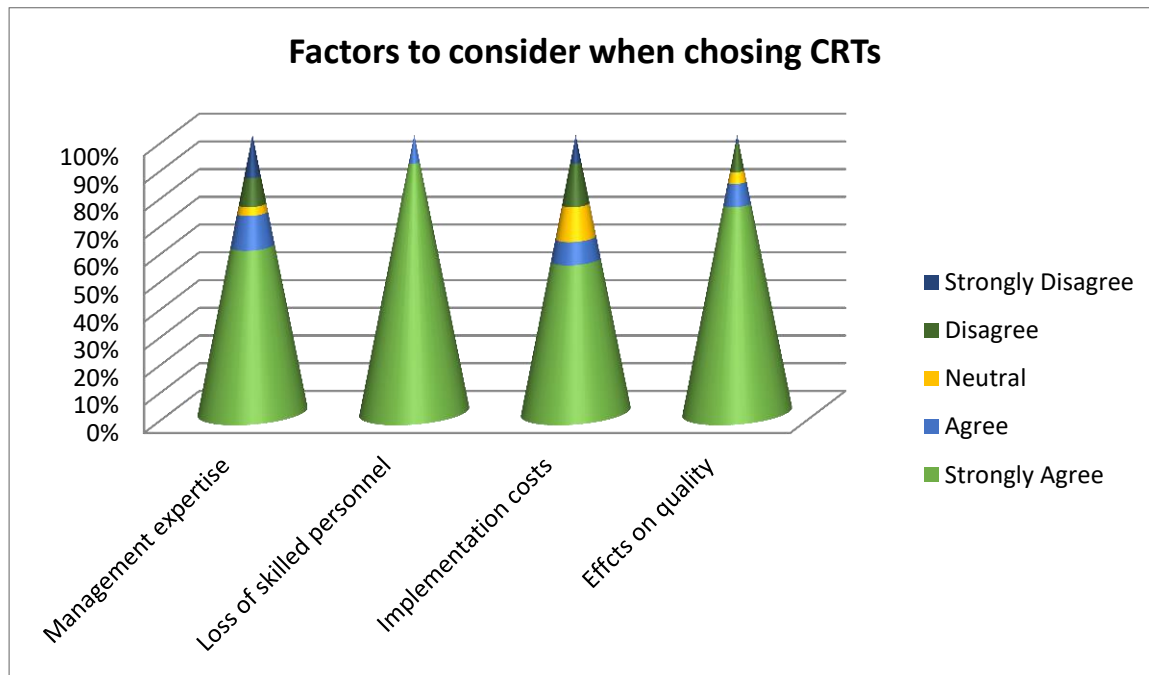
4.2.3 Factors to consider when implementing Cost reduction techniques

Table 4.3: Factors to be considered

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Management expertise	24	5	1	4	6
Loss of skilled personnel	36	4	0	0	0
Implementation costs	22	3	5	6	4
Effects on quality	30	3	2	4	1

Primary data

Fig 4.2



4.2.3.1 Management expertise

As shown in table 4.3 above, 24/40(60%) of the respondents strongly agreed that management has to consider the level of management expertise when choosing cost cutting techniques to implement while 5/40(12%) only agreed. 1/40(3%) of the respondents were neutral while 4/40(10%) disagreed and 6/40(15%) strongly disagreed.

The aggregate of 29/40(72%) of the respondents were in agreement that organisations need to consider the expertise of their management when choosing cost cutting techniques to implement. This falls in line with sentiments made by Brutin and Wan (2013) that the ability to choose the appropriate cost reduction strategies and successfully implement them lies within a certain level and caliber of expert management only. The other 10/40(25%) of the respondents disagreed that management expertise has to be considered and this was in line with Basu (2015) who alluded that communication rather than management is the factor to seriously consider as it makes or breaks the effectiveness of the implementation process.

The mode of 29/40 of the respondents can be used to conclude that the level of management expertise has to be considered when choosing cost cutting techniques implement as was emphasized by Brutin and Wan (2013).

4.2.3.2 Loss of skilled personnel

The figure 4.2 above also shows that 36/40(90%) of the respondent strongly agreed with the fact that management need to consider the possibility of loss of skilled personnel and the remaining 4/40(10%) also agreed. None of the employees disagreed.

The total of 40/40(100%) agreed that the possibility of loss of skilled personnel is a factor to consider when deciding on cost reduction techniques to implement. The

total agreement of all participants is in line with Falkenberg (2012) who alluded that cost reduction techniques mostly affect employee morale and results in high rate of staff turnover thus management has to consider the possibility of losing experienced, skilled and loyal personnel when choosing cost cutting techniques to implement. No employees disagreed that management has to consider the possibility of losing key and skilled personnel when implementing cost reduction strategies.

It can be concluded using a mode of 40 out of 40 respondents that management need to put into consideration the possibility of losing skilled workers when choosing and implementing cost reduction techniques at ZINARA as was stated by Falkenberg (2012).

4.2.3.3 Implementation costs

The table above also shows that 22/40(55%) of the respondents strongly agreed that the costs to be incurred during implementation are to be considered when choosing the technique to use while 3/40(8%) only agreed. 5/40(12%) were neutral while 6/40(15%) disagreed and the remaining 4/40(10%) strongly disagreed.

An overall of 25/40(63%) of the respondents agreed that the amount of costs to be incurred in implementing most reduction techniques has to be put into considerations. This is in line with Dahl (2012) who stated that costs need to be considered especially on staff retrenchments otherwise the costs may compromise the effectiveness of the strategy. A reasonable proportion of 10/40(25%) of the respondents disagreed that costs have to be considered and this is in line with Himme (2012) who stated that the benefits to flow to the business especially in the long run after implementing cost reduction techniques are way more than any costs to be incurred during implementation. The remaining and insignificant proportion of 5/40(12%) were neutral and this is in line with the sentiments made by Davis (2012) that there is need to carry out a cost benefit analysis when choosing cost

cutting techniques to implement as costs will be faced before benefits flow to the organisation.

A mode of 25/40 was used to conclude that costs have to be considered when selecting cost reduction techniques at ZINARA and this is in line with Dahl (2012).

4.2.3.4 Effects on quality

The figure above also shows that 30/40(75%) of the respondents strongly agreed that one of the factors to consider when choosing and implementing cost reduction techniques is the possible effect on quality while 3/40(8%) disagreed. 2/40(4%) were neutral while 4/40(10%) disagreed and 1/40(3%) strongly disagreed.

An aggregate of 33/40(83%) agreed that the effects on quality have to be considered also as is also alluded by Kesner and Dalton (2014) that the major consideration to be made when selecting cost reduction techniques to implement is their possible effects on quality and efficiency. An insignificant proportion of 5/40(13%) of the respondents disagreed and this is in line with Morrow (2014) who stated that the quality of products and services can always be maintained by the use of cheaper alternatives and methods hence it is not a factor to worry about. A small proportion of 2/40(4%) was also impartial on the need to consider the effects on quality of the cost cutting measures to be implemented just as asserted by Mudely and Raphulu (2015) that quality may be compromised when employing cost cutting techniques but there are cheaper ways of maintaining quality.

A mode of 83% was used to conclude that when choosing and implementing cost reduction techniques the possible impact on quality have to be put into consideration as was also alluded by Kesner and Dalton (2014).

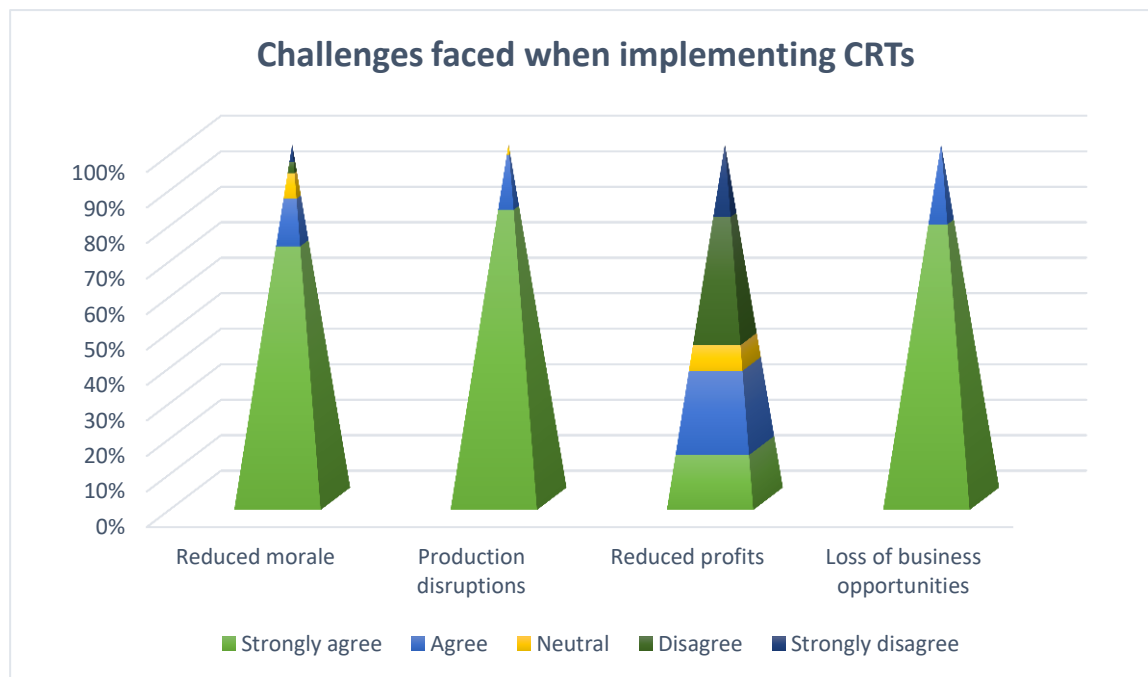
4.2.4 Challenges faced when implementing Cost reduction techniques

Table 4.4: Challenges faced

Challenges faced	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Reduced morale	29	5	3	1	2
Disruptions in production	33	6	1	0	0
Reduced profits	6	9	3	14	8
Lost business opportunities	31	9	0	0	0

Primary data

Fig 4.3:



4.2.4.1 Reduced morale

The table above shows that 29/40(72%) of the respondents strongly agreed that one of the problems brought by implementing cost cutting techniques is reduced morale in employees while 5/40(13%) only agreed. 3/40(7%) were neutral while 1/40(3%) disagreed and the remaining 2/40(5%) strongly disagreed.

The overall result show that a staggering 34/40(85%) of the respondents agreed that the implementation of cost reduction techniques results in reduced morale among personnel in the organisation. This was in line with Osak (2011) who stated that staff retrenchments and other personnel related methods of cost reduction create a hostile and unfavorable working environment that result in reduced productivity and profits. An insignificant 3/40(8%) of the respondents disagreed that morale levels would be affected by implementing cost reduction techniques and this is in line with Wegner (2013) who stated that processes such employee retrenchment may not lead to reduced morale but rather encourage employees to work even harder. The remaining 3/40(7%) were neutral and this sis in line with Habib (2015) who stated that there is a 50% chance employee morale will be reduced and a 50% chance employees will actually feel encouraged to prove themselves, retain and preserve their jobs within the organisation.

The mode of 34 out of 40 of the respondents can be used to conclude that implementation of cost reduction techniques results in reduced morale within the workforce as was also stated Osak (2011).

4.2.4.2 Disruptions in production

Figure 4.3 above also highlights that 36/40(82%) of the respondents strongly agreed while 3/40(15%) only agreed and 1/40(3%) were neutral that the

implementation of cost cutting strategies may result in the disruption of production activities. 0/40 employees disagreed.

A staggering 39/40(97%) respondents agreed that the implementation of cost reduction techniques results in the disruption of production process or service delivery. This is in line with Zunich (2012) who alluded that as a company downsizes production may stop or be severely affected and disrupted. The remaining 1/40(3%) were neutral and this is in line with Pierce (2014) who alluded that remaining employees may actually be encouraged to work harder and produce more to prove their worth at the organisation. None of the respondents disagreed that the implementation of cost cutting techniques results in disruptions productivity.

A mode of 36/40 can be used to conclude that the implementation of cost reduction techniques results in the disruption of production processes as was also stated by Zunich (2010).

4.2.4.3 Reduced profits

It is shown in the table above that 6/40(15%) of the respondents strongly agreed that profits may reduce when cost reduction techniques are implemented and 9/40(23%) only agreed. 3/40(7%) were neutral while 14/40(35%) of the respondents disagreed and the remaining 8/40(20%) strongly disagreed.

An aggregate of 15/40(38%) agreed that the implementation of cost reduction techniques leads to reduction of profits this is in line with Kitching (2011) who stated that costs incurred during staff retrenchments and the implementation of other cost reduction techniques that may result in the reduction of profits. However a staggering 22/40(55%) disagreed that the implementation of cost reduction techniques results in reduced profits but rather the increase of profits. This was in

line with Gandolfi (2013) who stated that even if costs will be incurred during implementation a huge burden of obvious and recurrent costs will be avoided resulting in more inflows to the organisation. An insignificant portion of 3/40(7%) were impartial and this is in line with Cameron (2014) who stated that significant outflows and inflows will be made because of the implementation of cost reduction techniques thus the ultimate result of more or less profits is uncertain.

The mode of 22/40 was used to conclude that profits do not reduce but rather increase when cost cutting techniques are implemented. This was also in line with Gandolfi (2013) who supported that the implementation of cost reduction techniques ultimately results in reduced costs and more profits.

4.2.4.4 Loss of business opportunities

As shown in the figure 4.3 above, 31/40(78%) of the respondents strongly agreed that the implementation of cost reduction techniques result in the loss of business opportunities and 9/40(22%) only agreed. 0/40(0%) of the respondents disagreed.

The overall of 40/40(100%) of the respondents agreed that during the implementation of cost cutting strategies other business opportunities may be lost by the organisation. This is in line with the sentiments by Basu (2015) that an organisation loses its good image by retrenching staff and customers and suppliers may avoid doing business with it as the fear for the survival of the organisation. None of the respondents were neutral or disagreed confirming that another possible drawback of implementing cost reduction techniques is the possible of losing business opportunities.

The mode of 40/40 can be used to conclude that business opportunities are lost during and after implementation of cost reduction techniques as highlighted by Basu (2015).

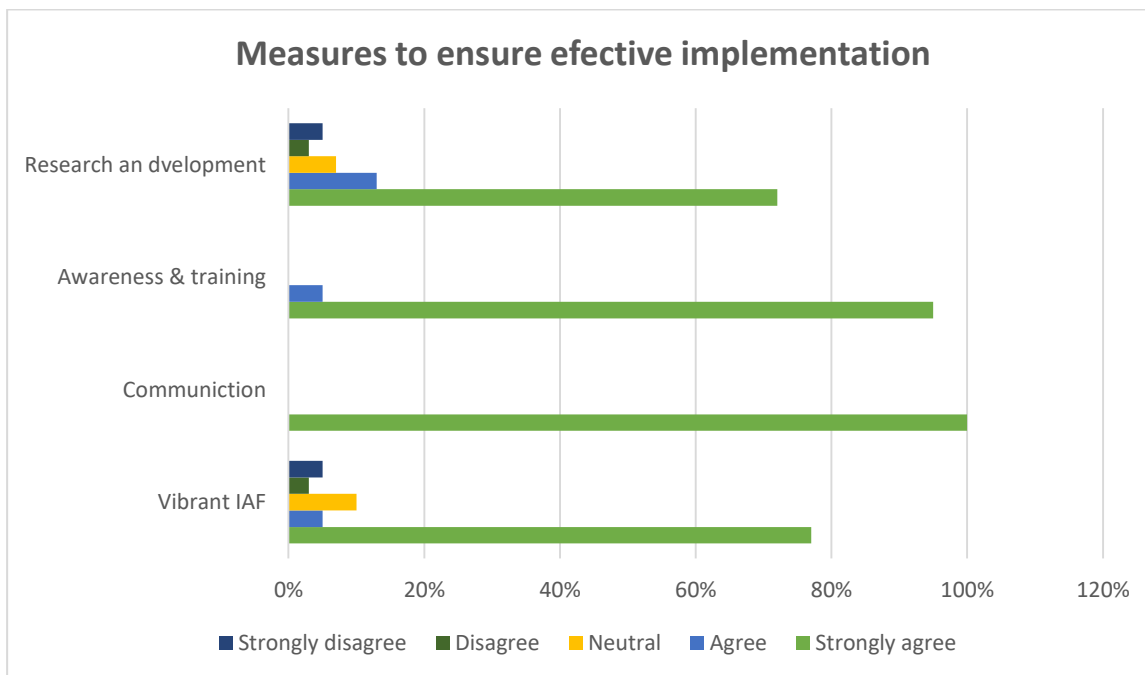
4.2.5 Measures to ensure effective implementation

Table 4.5: Measures

Measures	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Vibrant Internal Audit Function	31	2	4	1	2
Earlier & frequent communication	40	0	0	0	0
Employee awareness and training	38	2	0	0	0
Research and development	29	5	3	1	2

Primary data

Fig 4.4:



4.2.5.1 Vibrant Internal audit function

As shown in the table above, 31/40(77%) of the respondents strongly agreed that having a vibrant IAF can ensure effective implementation of cost cutting strategies and 2/40(5%) only agreed. 4/40(10%) were neutral while 1/40(3%) disagreed and the remaining 2/40(5%) strongly disagreed.

An overall of 33/40(82%) of the respondents agreed that having a vibrant IAF results in the effective implementation of cost cutting strategies and this is in line with Oates (2013) who stated that a vibrant IAF ensures business processes, activities and structures are redesigned and remain responsive to risks thus maximize profits from the lowest costs possible. An insignificant proportion of 3/40(8%) of the respondents disagreed that the vibrancy of the IAF can make a difference on the success of the implementation process just as alluded by Mercer (2010) that the IAF itself is costly to establish, run and adhere to its recommendations. The remaining 4/40(10%) were neutral which is in line with Berk (2010) who alluded that having a vibrant IAF does not guarantee cost reduction, sometimes it actually results in cost increases.

A mode of 33/40 can be used to conclude that the vibrant IAF can assist and ensure effective implementation of cost reduction strategies as was asserted by Oates (2013).

4.2.5.2 Earlier and frequent communication

The table also shows that 40/40(100%) of the respondents strongly agreed that communication does ensure effective implementation of cost reduction strategies. 0/40(0%) of the employees disagreed.

An overall of 40/40(100%) of the respondents agreed that frequent communication does result in reduced costs and increased profits. This is in line with the sentiments by Ruch (2015) that communicating with the employees before, during and after the implementation process ensures a smooth and effective process. No respondents contested with the fact that communication is key of the success of the implementation.

The mode of 100% can be used to conclude that communication is the basic and foundation for effectively implementing cost reduction techniques. This was in line with Ruch (2015) who alluded that communication guarantees effective implementation of cost reduction techniques.

4.2.5.3 Employee awareness and training

The figure above also shows that 38/40(95%) strongly agreed that employee awareness and training results in effective implementation of cost reduction techniques while the remaining 2/40(5%) only agreed. 0/40(0%) of the respondents disagreed.

The overall of 40/40(100%) agreed that employee awareness facilitates effective implementation and none of the respondents disagreed. This was in line with Mercer (2013) who alluded that a culture of training and awareness to employees encourages initiatives, noble ideas and participation of employees in building and growing the organisation hence ensure profits are maximized while costs are minimized.

The mode of 40/40 was used to conclude that training and awareness of employees also guarantees the success of the cost reduction process as was stated by Mercer (2013).

4.2.5.4 Research and development on cost reduction and control techniques

The figure also shows that 29/40(72%) of the respondents strongly agreed that continuous research and development of cost reduction and control techniques results in effective implementation of cost reduction strategies and 5/40(13%) only agreed. 3/40(7%) of the respondents were neutral while 1/40(3%) disagreed and the remaining 2/40(5%) strongly disagreed.

A staggering 34/40(85%) agreed that continuous research and development on reduction and control of costs ensures effective implementations. This is in line with Jung (2012) who stated that through research and development the organisation also develops a culture of continuous cost control which results in improved performance. A proportion of 3/40(8%) of the respondents disagreed and this is in line with Thompson (2012) who alluded 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 the research and development costs as well. 3/40(7%) of the respondents were neutral and this is in line with Lewis (2015) who stated that although a lot of costs can be incurred during research and development, the process itself guarantees successful implementation of cost reduction hence there may be a need to balance the cost with the benefits.

A mode of 34/40 can be used to conclude that continuous research and development is necessary to ensure successful and effective implementation of cost reduction techniques as was also emphasized by Jung (2012).

4.2.4 Relationship between successful implementation of cost reduction techniques and final performance of the organisation.

The researcher used STATA II software to calculate and deduce the relationship between successful implementation of cost reduction techniques and financial performance of ZINARA. Question five on the questionnaire was answered using the coded ratings of response and the literature in chapter two was used as a base as it perceived a positive relationship between successful implementation of cost reduction techniques and financial performance.

Table 4.6: STATA II- Simple linear regression results

P	Coef	Std. Error	T	P > T
Cred	0.168182	0.036415	4.62	0.000
RProd	0.1055793	0.0355757	2.97	0.005
RMoral	-0.0550687	0.0277225	-2.02	0.051
REffic	0.0703668	0.03486161	2.02	0.051
Cons	-0.3203184	0.1655981	1.93	0.061

STATA Output

Number of observations: 40

P >| F= 0.0000

R squared= 0.7799

4.2.4.1 Interpretation of results

The total of 40 observations was used in testing the relationship. R^2 is used in the model to measure the goodness of fit in regression models and in this research the R^2 was 0.7799 which means that the model is 77.99% fit for this relationship test. However, Wegner (2013) states that the actual regression coefficient and significance is of primary importance while the goodness of fit result is secondary.

Productivity

According to the results on STATA, the increase of success of in implementation of cost reduction techniques results in the increase in productivity by 0.1055793 therefore reflecting a positive relationship between the two variables. This concurs with Kepner and Tregoe (2014) who asserted that the successful implementation of costs reduction techniques brings measurable positive change to any organisation in terms of productivity and ultimately financially.

Efficiency

Efficiency also has a positive coefficient showing therefore that there is a positive relationship between the success of cost reduction techniques and organizational efficiency. The P value of 2.02 and the coefficient of 0.0703668 makes the relationship between the two positively significant. This is in line with Habib (2015) who alluded that the review and refinement of the production process through cost reduction techniques increases efficiency and inevitably leads to increased profitability of the organization.

Morale

Morale had a negative coefficient of -0.0550687 showing that there is a negative relationship between the successful implementation of cost reduction techniques and the level of personnel morale within the organisation. Rother and Shook (2011) also argued that implementing cost reduction techniques does not result in reduced moral but encourages employees to work hard and prove their worth in the organisation.

It can be concluded from the table above that there is a positive relationship between the successful implementation of audit recommendations and the profits and overall financial performance of an organisation. The positive coefficient of

variation of 0.168182 means that an increase in successfully implementing cost reduction techniques results in an increase in financial performance by 16% (0.168182×100).

4.3 Interview Responses

4.3.1 How successful are the cost reduction techniques implemented by ZINARA?

The Cost and Management accountant stated that the process of staff retrenchment yielded significant and positive results in reducing costs and boosted the profits at ZINARA gradually from 2013 to 2016. This agreed with the mode of 25 out of 40 of the respondents from questionnaires who believed that staff retrenchments are effective and result in improved financial performance. There was a slightly significant contest by other respondents but the majority were in line with the sentiments by Basu (2015) who asserted that retrenchments ensures reduced personnel related costs hence increased profits.

The Finance manager added that service outsourcing was also cheaper as it passed burden, risk and responsibilities of a complete function in the organisation to another company thereby reducing costs and allowing the organisation to concentrate on its core processes. This was in line with the mode of 31/40 questionnaire respondents who agreed that outsourcing is a successful method of cost cutting. This concurred with Kremic (2014) who asserted that the process of outsourcing other business processes leads to the reduction of costs especially because the organisation will not incur the cost of recruiting, providing work space, training, costs related to employee welfare and paying of the employees.

The Human resources manager however disagreed that personnel targeted strategies such as retrenchments have their demerits thus it may be better to implement other strategies such as optimization of business processes that did not affect personnel negatively and still benefited the organisation in the short and

long term. This was in line with the mode of 39/40 of the respondents who agreed that the optimization of business processes is more effective than employee targeted cost reduction methods. This concurred with Dahl (2012) who alluded that evaluation of business processes is the first and most important route to cost cutting as it allows management to identify flaws of the production system and ensure the new or improved design does not only effectively produce quality goods but does so efficiently and at the minimum cost possible.

Most of the interviewees agreed that the cost cutting techniques implemented by ZINARA were successful although the Human resources manager emphasized on the need to consider strategies that do not have a directly negative impact on employee morale and performance first. This was in line with the mode of 40/40 respondents who agreed that business processes optimization is the best method as also stated by Vergidis (2015) added that the optimization of business processes reduces costs, processing time and also enhances product and service quality.

4.3.2 What factors need to be considered when cutting down costs?

The Human resources manager asserted that the employees play the major role in ensuring effective implementation thus the possibility of losing skilled employees has to be considered especially when retrenching is to be implemented. This was in line with a mode of 40/40 of questionnaire respondents who agreed that through strategies such as staff retrenchments organisations may lose skilled personnel hence organisations need to consider that. This was in line with Boyne and Meier (2012) who asserted that it is management's duty to consider the personnel employed and strategize on downsizing duplicated skills and experience to ensure that invaluable workers are not lost during the implementation of cost cutting techniques.

The Finance manager and Cost accountant also acknowledged that it is important to consider implementation costs as they sometimes result in huge outflows of cash that affect the profits of the organisation. This is in line with the mode of 25/40 of the questionnaire respondents who agreed that costs to be incurred have to be taken into account and this incurred with Dahl (2012) who stated that direct costs of implementation of cost cutting strategies must be considered against the benefits that will be gained after implementation.

The Operations manager alluded that the possible effects on quality have to be considered as well when choosing cost cutting techniques to implement. This was in line with the mode of 33/40 of the questionnaire respondents who agreed that sometimes the strategies to be implemented may negatively affect the quality of product or services delivery. This also concurred with Basu (2015) who alluded that it is of paramount importance that management keep in mind product quality when choosing cost reduction methods and when considering which costs to cut.

All interviewees agreed that management expertise, implementation costs and possible effects on quality are factors to be considered when choosing cost reduction techniques to implement and this agreed with the mode of 25/40 of the questionnaire respondents who agreed that costs have to be taken into account. Rother and Shook (2011) also supported that there are huge costs that are related to the retrenchment of staff such that management have to consider them and weigh if the benefits of retrenchment outweigh the direct costs of implementation.

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4.3.3 What challenges have been faced in implementing the cost reduction techniques?

The Administration manager explained that personnel morale is affected by the implementation of cost reduction techniques as the employees are mainly affected by the exercise. This is in line with the mode of 32/40 of the respondents who asserted that employees are demotivated during staff retrenchments and implementation of other cost reduction techniques. This also concurred with Wegner (2013) who asserted that the retrenchment of staff from the workforce and any other cost reduction techniques often lead to reduced motivation in employees as they become uncertain and scared of losing their jobs as well.

The Operations manager also added that the production process is often disrupted during implementation and profits as well. This is in line 39/40 of the questionnaire respondents who agreed that the production process is interrupted during implementation of cost reduction techniques. Zurich (2012) supported that who asserted that productivity and profits are negatively affected especially when companies downsize.

The Finance manager and Administration manager agreed that the implementation of its reduction techniques does not result in reduce profits but rather increase in profits as unnecessary expenditure is cut. This also agreed with the mode of 22/40 questionnaire respondents who also supported that cost reduction techniques are employed to increase profits and although other costs may be incurred during implementation the benefit will still outweigh the cost. Gandolfi (2013) also supported that even if management are to incur retrenchment costs they can be staggered or delayed to allow the organization to get back on its feet and reduce the risk of actually making losses due to the downsizing exercises.

All interviewees agreed that the problems likely to be faced during implementation are reduced morale and disruptions in productivity but disagreed that implementation of cost reduction techniques results in reduced profits. This agreed with the mode of 22/40 of the questionnaire respondents who also disagreed that

cost reduction techniques lead to profit reduction and as confirmed by Gandolfi (2013).

4.3.4 What measures can be adopted to ensure effective implementation of cost reduction techniques?

The Human resources and Administration managers interviewed agreed that communication with employees within the organisation is key to the successful implementation of any business strategy. This is in line with the mode of 40/40 of the questionnaire respondents who believed that communication breeds the sharing of ideas and clarity within different ranks of the organisation which foster involvement and teamwork resulting in the success of business strategies. This was also supported by George (2013) who supported that communicating to employees before, during and after the implementation process ensures a smooth and efficient process.

The Operations manager also emphasized on the need for continuous research and development on cost control and reduction to ensure organisations stay abreast with the dynamic economic environment and its needs. This is also in line with 34/40 of the questionnaire respondents with Jung (2012) who alluded that through research and development organisations become proactive in minimizing costs and maximizing profits.

The Finance manager also highlighted the need for a vibrant and participative Internal Audit Function that can advise on and monitor the redesigning of processes and organizational risk to ensure effective implementation of cost reduction techniques. The mode of 33/40 of the questionnaire respondents agreed that an active IAF can assist and ensure effective implementation of cost reduction techniques as also highlighted by Flynn and Staw (2014) also alluded that a vibrant IAF gives the organization competitive urge as it will become more proactive to

risks identified than dealing with the consequences of the risks which would be more costly.

All the respondents agreed that communication, research and development and establishing a vibrant Internal audit function are measures that can be adopted to ensure effective implementation of audit recommendations. This concurred with the mode of 33/40 of the questionnaire respondents and the sentiments by Flynn and Staw (2014).

4.4 Chapter summary

The chapter presented the data gathered and arranged it in tables. Data analysis was also done using graphs and percentages. Measures of central particularly the mode were used in interpreting the data and STATA II to calculate the relationship between the successful implementation of cost reduction techniques and financial performance of the organisation. The next chapter summarizes chapters, establish conclusions and recommendations on the study.

CHAPTER 5: SUMMARIES, RECCOMENDTAIONS AND CONCLUSIONS

5.0 Introduction

This chapter gives the summaries of all the chapters in the study from chapter one to four then describes and explains major findings from the data gathered by the researcher in investigating the effectiveness of cost cutting techniques being implemented at ZINARA.

5.1 Chapter Summaries

The initial chapter focused on introducing the problem under study and set the objectives to investigate the effectiveness of implementing cost cutting strategies on the financial performance of ZINARA. The objectives included to determine the effectiveness of cost reduction strategies already established by ZINARA on financial performance and to identify other strategies that can be implemented to ensure better financial performance. The significance of the study, limitations and delimitations of the study were also elaborated in the chapter.

The second chapter reviewed and discussed literature on the effectiveness of cost control techniques implementation on the financial performance of an organisation. Kitching (2011) and Bruton and Wan (2013) were of the view that it is necessary to implement cost cutting strategies such as retrenchments to ensure organisations stay competitive within the market while Flynn and Staw (2014) argued that some cost cutting measures may be costly and ineffective hence the need for organisations to choose carefully on which measures to implement.

Chapter 3 explained the research approach and design to be implemented in carrying out the research. The descriptive research design was chosen as it allows

for the explaining and description of situations and events under study through observation and the qualitative research approach. A sample size of 50 respondents was also chosen from the target population 55 personnel of ZINARA management, supervisors and general staff. Research instruments to be used were also explained and these included interviews and questionnaires. The researcher then gave details of how data gathered was to be presented and analysed and also the ethical considerations in the research.

The fourth chapter presented and arranged data gathered using tables, graphs and pie charts and the data gathered was analysed using measures of central tendency that include the mean, mode and median. This encouraged accuracy and clarity in data presented and analysed.

5.2 Major research findings

5.2.1 Effectiveness of cost reduction techniques implemented

The researcher found that optimization of business processes and service outsourcing were the most effective of all the cost reduction techniques employed at ZINARA. 100% of the respondents vouched for optimization of business processes while 78% vouched for services outsourcing. The Finance manager and Human resources manager agreed that the two were the most successful but also highlighted that staff retrenchments were successful and produced results although employees did not favor the method as it negatively affected them hence only 35% agreed that it was successful.

5.2.2 Factors to consider when choosing cost reduction techniques

The researcher also noted that loss of skilled personnel and effects on quality were the top most factors to be considered at ZINARA when choosing cost reduction

techniques as evidenced by 100% and 83% of the respondents who agreed respectively. The Financial Accountant also agreed adding that implementation costs are also a major consideration when choosing cost cutting techniques to implement as well as management expertise. This was supported by 63% of the respondents who vouched for the consideration of implementation costs and 72% who agreed that management expertise has to be consider as well.

5.2.3 Challenges faced when implementing cost reduction techniques

It was revealed in the research that major challenges faced during implementation of cost reduction techniques are production disruptions, loss of business opportunities and reduced morale. This was seconded by the Production manager who alluded that the production process may be interrupted or delayed sometimes during the process and other business opportunities lost. The Human resources manager also added that employee morale is also reduced especially when personnel related costs are cut through retrenchments and allowances or benefits cuts. The mode of 100% agreed that business processes are lost while 97% agreed that business processes would be disrupted and 85% agreed that personnel morale is reduced within the workplace.

5.2.4 Measures to ensure effective implementation

It was also established during the research that communication and awareness and training are the major measures that can be implemented by ZINARA to ensure effective implementation of cost reduction techniques. A mode of 100% of respondents agreed that both ideas ensures effective implementation. Management interviewed also agreed that communication results in effective processes together with continuous research and development and a vibrant Internal audit function at ZINARA. The mode of 85% agreed that research and development guarantees effective implementation and a mode of 82% of the respondents agreed that a vibrant IAF ensures the effective implementation of cost reduction techniques.

5.2.5 Relationship

The researcher found that there is a positive relationship between the successful implementation of cost reduction techniques and the profits and efficiency of the organisation. This was supported by findings made using the simple linear regression model which gave a positive coefficient of 0.7799 and by the Cost and management accountant that successful implementation of cost reduction techniques allows the organisation to invest in technology and other needs of the organisation to increase profitability and efficiency.

5.3 Recommendations

The researcher has come up with the following recommendations to ensure effective implementation and considering the findings above made at ZINARA:

- i. Management at ZINARA is encouraged to consider the optimization of business processes and service outsourcing more than personnel targeting strategies of cost reduction techniques that result in reduced morale.
- ii. Earlier and frequent communication and dialogue between management and employees at ZINARA is also encouraged to ensure high morale levels are maintained within the workplace.
- iii. Continuous research and development and training of employees on cost control and reduction is also encouraged at ZINARA to ensure the organisation is proactive and can maximize profits and stay competitive.
- iv. ZINARA is also encouraged to invest in their IAF so that it becomes vibrant and can assist in reducing risks and creating strategies to control and maintain costs and at the same time produce above capacity, quality products and service and get maximum profits.

5.4 Conclusion

Choosing and implementing the right and applicable cost reduction techniques in an organisation results in less costs, efficient production and profit maximization. Other costs reduction techniques may affect employee morale and result in production disruption and loss of business opportunities such that there is a need for management expertise and frequent communication to ensure effective implementation. A vibrant IAF and continued research, development and training of employees also guarantees the effective implementation of cost reduction techniques.

5.5 Suggested area of further study

This research concentrated on finding out the effectiveness of cost cutting measures on the financial performance of ZINARA but not operational performance. The researcher therefore suggests the analysis of the impact of implementing cost cutting techniques on the operations of an organisation.

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APPENDIX B:

QUESTIONNAIRE TO SUPERVISORS AND GENERAL STAFF

Instructions

1) please respond by ticking the appropriate box

2) Please answer all questions

1) The following techniques implemented at ZINARA effectively reduced costs and increased financial performance:

	S t r o n g l y A g r e e	A g r e e	N e u t r a l	D i s a g r e e	S t r o n g l y D i s a g r e e
Sta ff ret re nc hm en t					
Re					

duction of employee benefits and allowances					
Asset retirement					
Service Outsourcing					
Business process optimization					

2) The following factors need to be considered when implementing cost reduction techniques.

	S t r o n g l y A g r e e	A g r e e	N e u t r a l	D i s a g r e e	S t r o n g l y D i s a g r e e
Ma nag em ent exp erti se					
Loss of skill ed and exp erie nce d pers onn el					
Impl em ent					

ation n cost s					
Effe cts on qual ity					

3) The implementation of costs reduction techniques results in the following effects.

	S t r o n g l y A g r e e	A g r e e	N e u t r a l	D i s a g r e e	S t r o n g l y D i s a g r e e
Re du ce d m o r a l e					
Dis ru pti on					

s an d de cre as e in pr od uc tivi ty					
Re du ce d pr ofi ts					
Lo st bu sin es s op po rtu nit ies					

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

	S t r o n g	A g r e e	N e u t r a	D i s a g r	S t r o n g
--	----------------------------	-----------------------	----------------------------	----------------------------	----------------------------

	I y A g r e e		I	e e	I y D i s a g r e e
Esta blis hin g a vibr ant Inte rnal aud it fun ctio n					
Earl ier and fre que nt co mm uni cati on					
Em plo yee awa ren ess and trai nin					

g					
Research and development on cost reduction techniques					

5) The implementation of cost reduction techniques results in the following:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
R					

e d uc ti o n of Pr of its					
R e d uc e d le ve ls of Pr o d uc ti vi ty					
R e d uc e d p er so n n el m or al e					
R					

e d uc e d ef fic ie nc y					
--	--	--	--	--	--

Any other comments

.....

The end.....THANK YOU

Stamp

APPENDIX C

INTERVIEW GUIDE

Questions:

1. What cost reduction techniques have been implemented by ZINARA?

2. What factors need to be considered when cutting down costs?
3. What has been the effects of successfully implementing cost reduction techniques on the profits, productivity and efficiency of ZINARA?
4. What challenges have been faced in implementing the cost reduction techniques?
5. What measures can be adopted to ensure effective implementation of cost reduction techniques?

Thank You For your co-operation

. reg rprof cred rprod r morale refffic

Source	SS	df	MS	
Model	7.31141379	4	1.82785345	Number of obs = 40
Residual	2.06358621	35	.058959606	F(4, 35) = 31.00
Total	9.375	39	.240384615	Prob > F = 0.0000
				R-squared = 0.7799
				Adj R-squared = 0.7547
				Root MSE = .24282

rprof	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
cred	.168182	.036415	4.62	0.000	.0942555 .2421085
rprod	.1055793	.0355757	2.97	0.005	.0333568 .1778017
r morale	-.0550687	.027225	-2.02	0.051	-.1103385 .0002011
refffic	.0703668	.0348616	2.02	0.051	-.000406 .1411396
_cons	-.3203184	.1655981	-1.93	0.061	-.6565004 .0158636