

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**ANALYSIS OF THE EFFECTS OF COST CUTTING MEASURES ON FINANCIAL
PERFORMANCE: A CASE OF ZESA NATIONAL TRAINING CENTRE**

BY

THEMBINKOSI CHIKAMBWE

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**A RESEARCH PROJECT SUBMITTED TO THE MIDLANDS STATE
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COMMERCE ACCOUNTING HONOURS DEGREE.**

DECLARATION

I do hereby declare that this dissertation is a product of my own work and research except to the extent indicated in the acknowledgement, references and report in the body of the report and that it has not been submitted in full or partial fulfillment of any other degree or at any other university or institution.

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The undersigned certify that they supervised the dissertation of **CHIKAMBWE THEMBINKOSI** with registration number **R145319R** entitled ‘**ANALYSIS OF THE EFFECTS OF COST CUTTING ON FINANCIAL PERFORMANCE: A CASE OF ZESA NATIONAL TRAINING CENTRE**’. The dissertation was submitted in partial fulfillment of the requirements of the Bachelor in Commerce Accounting Honours Degree (HACC) at Midlands State University.

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SUPERVISOR

.....

DATE

.....

CHAIRPERSON

.....

DATE

RELEASE FORM

Name of author : THEMBINKOSI CHIKAMBWE
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SIGNED

DATE

RESIDENTIAL ADDRESS 1153 Uplands Waterfalls, Harare

CONTACT NUMBER +263779157821

EMAIL ADDRESS thembiechikambwe@gmail.com

DEDICATIONS

I dedicate this dissertation to my family and friends. Your motivation and endless support has seen me this far.

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ABSTRACT

The main objective of the study research was to analyse the effects of cost cutting on financial performance using a case of Zesa National Training Centre. The major issue that gave rise and prompted the researcher to study across this area was the increased levels of recurring losses in the organisation of which no increase in financial performance was being marked. The study employed a mixed approach in answer the research questions which were both quantitative and qualitative. The information and data was gathered from secondary and primary sources which consisted of financial statements and questionnaires as well as interviews. The key findings of the study show that cost cutting was significantly and statistically negatively impacting on financial performance. The study also revealed that the management of Zesa National Training Centre is not regularly reviewing the cost cutting strategies they implement; hence the measures are proving to be ineffective in reducing the costs of the company. From the 3 members of the management at the company, the researcher gathered that there is shortage of procurement personnel in the finance department; hence it is difficult to implement the cost cutting strategies. The researcher distributed 22 questionnaires and 16 of these were returned, from these respondents the researcher could clearly conclude that employees of this firm agreed that the major challenge in cost cutting is high energy consumption. It can be concluded that cost cutting at Zesa National Training is proving to be ineffective since the financial performance of the company has not improved from 2015 to 2017.

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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

This chapter looks at the background of the study, statement of the problem, research objectives, sub-research questions to be answered by the research, limitations of the research and the delimitations. It defines the key terms used in the research and the chapter concludes with the summary.

1.1 BACKGROUND OF THE STUDY

ZESA NTC, as a subsidiary of Zesa Holdings, is a company that provides technical training, non-technical training, accommodation, conferencing, and meals, private and corporate functions to both local and foreign customers. The main objective of any organization is to maximize on profits and reduce on expenditure. For a business to survive, cost cutting is one of the strategies used to ensure that the firm attains its goal of maximizing on profits.

All costs can be controlled at some management level, for example top management of any company has authority to increase or decrease the number of managers employed. However some costs are controllable whilst others are uncontrollable. Companies should analyse their cost items and opportunities for improvement before launching draconian cost reduction measures.

According to Laryea (2016) the subject of financial performance has received significant attention from scholars in the various areas of business and strategic management. Onduso (2013) states that financial performance has also been the major subject of concern in all types of organizations because it has an effect on the survival of a company.

In 2015 the company recorded a loss of \$60 000 because its revenue could not breakeven with its total costs of \$1 550 100. In 2016 the loss increased by \$40 650 (67.75%) as compared to 2015. This was due to the increase in total costs of the company. In 2017 the company recorded a loss of \$194 520, an increase by \$93 870 (93.26%) as compared to the loss incurred in 2016. Despite the cost

cutting measures implemented, the company has been facing an increase in its annual loss as from 2015 because the total costs have been increasing. Table 1.1 illustrates the total revenue earned against the total costs incurred from 2015 to 2017.

Table 1.1 Comparison of revenue earned against total costs incurred at ZESA NTC

Item	2015	2016	2017
Revenue	\$1 490 100	\$1 460 030	\$1 390 800
Total Costs	\$1 550 100	\$1 560 680	\$1 585 320
Loss	(\$60 000)	(\$100 650)	(\$194 520)

(Source: Annual Management Reports 2015-2017)

As a means of doing away with these losses, the company was forced to cut down on expenditure mainly in the hospitality section of the firm. A new department was introduced into the company .This department is the Food and beverages department and it works under the supervision of the Food and beverages manager. The aim is to reduce on the costs to be incurred by the company since the quantities of beverages and food required by the canteen will be monitored and restrictions are made where necessary before issue.

1.2 STATEMENT OF THE PROBLEM

The company has been recording losses as from 2015 to 2017. Losses being incurred at Zesa NTC have been increasing annually as the total costs are increasing and the company has sort to reduce these cost by means of cost control. Cost cutting strategies which are being adopted in this company have proved to be inefficient and for this reason the financial performance of the company is declining. The research will analyse the effects of cost cutting measures on the financial performance of the company.

1.3 RESEARCH QUESTIONS

1.3.1 MAIN RESEARCH QUESTION

How do the cost cutting measures affect the financial performance of ZESA NTC?

1.3.2 SUB- RESEARCH QUESTIONS

- What are the cost drivers giving rise to changes in the costs?
- What are the challenges faced by management at Zesa NTC in coming up with cost cutting measures?
- What are the reasons for recurring losses incurred despite measures put across by management of the company to cut on these costs?
- Which strategies can be implemented by management in cost cutting?

1.4 RESEARCH OBJECTIVES

- To determine the cost drivers which give rise to changes in costs.
- To determine the challenges being faced by management at Zesa NTC as they try to come up with strategic cost cutting measures.
- To identify the reasons why the company has been incurring losses despite measures put across by management to cut on these costs.
- To determine the strategies that can be implemented by management in their quest to cut on costs.

1.5 SIGNIFICANCE OF THE STUDY

1.5.1 TO THE RESEARCHER

The research is in partial fulfilment of the requirements of the degree.

It is also expected to provide a platform to the researcher to apply theory learnt at college. The researcher's analytical and judgmental skills are to be enhanced as a result of this research.

1.5.2 TO THE UNIVERSITY

The information gathered by the researcher will be of importance to the university as fellow students will benefit since they can refer to some of the results obtained in this research.

1.5.3 TO ZESA NTC

The research will provide management of this company with strategies that will enable them to apply effective cost cutting

measures. It will also help management in determining the appropriate costs to focus on as they try to improve on financial performance and eliminate the problem of recurring losses.

1.6 ASSUMPTIONS

This research is to be carried out based on the following assumptions:

- i. The data used in carrying out this research is free from errors.
- ii. The costs for Zesa NTC are to be assumed as operational costs throughout this research period.

1.7 DELIMITATIONS

The study related to the period from January 2015 to December 2017. It focused on Zesa NTC as a subsidiary of Zesa Holdings and it does not include the parent company and all its subsidiaries. The concept to be researched on will only focus on the effects of cost cutting on the financial performance of Zesa NTC.

1.8 LIMITATIONS OF THE STUDY

Data could not be obtained from the whole population as targeted. It was carried on a sample basis and because of this; the results obtained were not based on findings from the targeted population. Despite this, the researcher used a large sample size in order to minimize on sampling errors.

Some data which was relevant for the research could not be obtained on the company's website and annual reports. However, the researcher made use of the management and some employees of the company to gather some of the data needed to yield better results for the research.

1.9 DEFINITION OF KEY TERMS

Cost control is defined as a set of management tools which focus on enhancing the cost efficiency of businesses through reducing costs. (Akenbor ,2015)

Financial performance is defined as the analysis of a company's success compared to its profitability. (Katchova, 2013)

Controllable cost refers to any cost that is subject to the influence of certain responsibility or manager of a company or the head responsible for them (Oluwagbemiga et al 2014). Examples of such costs are advertising costs, bonuses, donations and office supplies.

Non controllable costs are those costs that are not under the control of a specified manager. Such costs cannot be influenced by decisions or actions of the manager (Novak, 2014). Examples of such costs are depreciation and insurance.

1.10 ABBREVIATIONS AND ACCRONYMS

ZESA NTC-Zesa National Training Centre

1.11 SUMMARY

This chapter focused on the background of the research problem. Included in the chapter were the research questions to be answered and the objectives of the research. The next chapter makes a review of related literature.

CHAPTER 2

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter seeks to examine the cost drivers which give rise to changes in costs and determine the challenges being faced by management as they try to come up with strategic cost cutting measures. It seeks to identify the reasons why losses are still incurred despite cost cutting measures implemented and to determine the strategies that can be implemented by management as they implement various cost cutting techniques. According to Maggio et al (2016) literature review is defined as a synthetic review and summary of both the known and unknown pertaining to the topic that is under study, thereby setting up the need for a new investigation to be undertaken.

2.1 ACTIVITY BASED COSTING

ABC is a technique which is useful in managing costs. According to Bazrafshan and Karamshahi (2017) traditional costing systems collect all overheads costs in a pool and these costs are then divided among the units produced on the basis of the production volume measure. Esmalifalak et al (2015) argues that despite research proving that companies benefit from applying the traditional cost system, the same studies show that very few companies have taken this method into operation. This is because of the various problems that companies face as they adopt the activity based costing system.

This method collects overhead costs in various cost pools which are related to activities for production and based on cost drivers, the costs of each pool are allocated to the product. Garrison et al (2014) identified two main elements of this system and these include recurring costs and the time to implement. Majority of firms in various industries agreed that the ABC system produces project costs results that are accurate as compared to traditional costing systems; this is because of the multiple rates of activity it uses to absorb the overheads.

According to Godil et al (2013) cost drivers re defined as reasons behind the occurrence of costs. These cost drivers are in various forms which are unit, product and facility level. The author states that in order to assign the cost of resource to an activity, direct tracing and estimation can be used. Managers can estimate the amount spent or effort by employees as they perform tasks assigned to them. This method should be used when there is need for accuracy since it is more precise as compared to the traditional costing system because it takes into consideration important factors before costs can be assigned to a specific product

(Garrison et al, 2014).However, the authors also pointed out that this method is complicated and time consuming although it is more thorough and takes non-manufacturing costs into account.

According to Bazrafshan and Karamshahi(2017) the ABC system has its shortcomings and the author argued that in this system overheads are regarded as part of the production costs but are also analysed in the production process. When a firm decides to use the ABC system this means that it has not shifted from its previous accounting system but it has only changed its structure(Esmalifalak et al, 2015).According to Esmalifalak et al (2015) the use of the ABC system poses threats to the job security of the staff within a company. The ABC system results in a more accurate final cost figure since there is need to define the different cost pools and cost drivers, thereby making it costly and complex(Godil et al ,2013).Bazrafshan and Karamshahi(2017) postulated that the ABC system has replaced traditional costing systems because it results in improved management decisions and control of overhead costs. The authors stated that as the characteristics of product cost increase, the percentage level of errors also increases.

According to Almeida and Cunha (2017) ABC system techniques can be used to improve the performance of an organisation. This can be done by comparing the prices with the cost of resources that were used in producing the goods and services; however there are certain circumstances where this is not applicable. The authors also highlighted that this system can be used to improve performance when a company has a range of products which vary in the degree of complexity since this system usually reveals the degree of cross- subsidy that occurs. Benefits only accrue to the organisation if the ABC system is used to change practices, either changing prices or cutting the costs (Godil et al, 2013).

2.2 TRADITIONAL COSTING

According to Maheshwari (2015) traditional costing system is much easier when determining the cost of a product because it is based on assigning average overhead rates. Under this system the total costs include the cost of materials, cost of labour and manufacturing overheads. According to Sani and Hashim (2013) the traditional costing technique yields costing results that are not accurate since this method uses one overhead absorption rate. Companies in various industries (94%) agreed to the view that ABC yields accurate project cost results as compared to the traditional system.

However, Evans (2014) postulates that the traditional costing system is much easier when allocating the product cost because it relies on average overhead rates. He also argued that this system is more effective when overheads are low as compared to the costs directly attributable to a certain product and this method works well when a large quantity of similar items is being produced. The author also highlights the challenges which are most likely to arise when a company is choosing between the ABC system and the traditional system.

According to Jain and Narang (2013) the traditional based system allocates fixed costs based on number of units produced, machine hours or direct labour hours. Whittington (2015) argues that the traditional costing technique excludes the fact that certain activities use different amounts and because of this, indirect costs should be allocated to every unit of production basing on the activity based costing approach so as to yield accurate results.

Evans (2014) highlighted that this method is much easier when an organisation seeks to determine the product cost and this is because it relies on assigning the average rates of overheads. The author states that this system is not accurate as compared to the ABC system since it does not take into consideration the non-manufacturing costs. The problem with traditional costing is that factory overheads can be higher than the basis of allocation, such that a minor change in the quantity of resources consumed will result in a major in the amount of overheads applied (Sani and Hashim, 2013). According to Whittington (2015) the ABC system was established to eliminate this problem with traditional costing since it uses a detailed analysis of the relationship between the cost drivers and overheads.

2.3 STANDARD COSTING

According to Maheshwari(2015) standard costing is a technique that compares actual expenditure with the budgeted costs with a n aim of improving the financial performance of a company through reducing variances. The author goes on to say that a standard cost is a planned cost before actual production takes place .This costing techniques helps reduce adverse variances which result in a decline in financial performance since it results in favourable variances ,hence good financial performance. This method is more suitable for entities whose activities consists of repetitive operations (Jain and Narang,2013).The authors highlighted that the standard costing system is relevant in manufacturing companies because the processes there are repetitive in nature.

Bhimani et al (2013) states that financial improvement can be achieved via standard costing through the use of better cost controls. The author postulated that the success of the standard costing system depends on its strategic approach and if the organisation decides to follow the cost leadership strategy, the company should focus on reducing the costs.

Eisenberg (2016) states that if an organisation uses this system, the standard costs for materials, staff and other expenses are determined based on estimated prices by management, production volume and labour usage. The following are the benefits that accrue as a result of using this costing system (Eisenberg, 2016):

1. Suppliers can be changed and better materials can be introduced so as to meet the cost objectives of an organisation.
2. Enhancement of budgeting as a result of using appropriate standards.
3. Increased efficiency since the employees and management are motivated to eliminate the adverse variances.
4. This system saves on time and reduces costs because action is taken only when the variances move beyond the acceptable limits.

However, the author also highlighted that they are limitations that are associated with the standard costing system. The standards of the system may end up being manipulated as the management accountants try to achieve positive variances, for example estimating costs that are too high in order for them to achieve beneficial cost savings.Eisenberg (2016) states that this costing system gives room for wastages and idle time which is ironic to the modern methods of production such as Total Quality Management and Just- In- Time.

According to Shabahang (2015) standard costing procedures cannot be applied in activities that are not relevant in nature because there is no basis for observing the operations. Standard costing does not positively impact the financial performance of a company if there is lack of communication between employees (Maheshwari, 2015). The research also established how standard costing has been effective at Zesa NTC in improving its financial performance.

2.4 KAIZEN COSTING SYSTEM

According to Adeniji(2014) the Kaizen costing system is defined as the application of continuous improvement during the production process at the lowest cost. The author highlighted that the principle behind this approach is to eliminate all other processes that are likely to increase the product without increasing in value. Athalye(2015) postulated that this technique is for managing profits since the main aim is to reduce costs of manufacturing. Shabahang(2015) highlighted that firms which are implementing the kaizen approach believe that the workers carrying out the jobs in organisations, either manufacturing or sales, have adequate knowledge on how the task or job can be done.

2.5 Cost cutting strategies

According to Upadhyay et al (2014) energy consumption is regarded as the second largest spending category in the tourism sector. The author describes energy consumption as influenced by various factors including technical, architectural, and local and management factors. The bigger the building, the more the energy will be used. Houdre (2016) states that better isolation, lowering cooling , windows allowing natural light to stream in and solar panels installation are actions that can be used in energy consumption reduction in this industry. However the author argued that implementing sustainability measures in the hospitality industry is a difficult task because of the many stakeholders involved with different interests.

Medeiros et al (2017) states that cost cutting is not the only strategy for profit growth. The problem with cost cutting strategies is that they limit and at times destroy value. According to Heywood et al (2013) companies should mainly focus on their financial viability. However, most companies tend to reduce their costs without focusing on their strategic needs. The author highlighted that management should ensure that the cost cutting strategies they implement should reflect the strategy of the company.

Heywood et al (2013) expressed emphasis on the three sources of value. Firstly it involves restructuring so as to determine the future of the company; this means that the company has to focus on the appropriate structure given the strategy to achieve in the probable future. The second value which the author focused on involves “cutting the fat”. This helps in reducing costs since some organisational layers are removed and the span of control is expanded. Cutting the fat also involves enforcing high productivity standards, eliminating irrelevant functions within the organisation and application of lean techniques to repeatable activities within the company. The last source of value which the author highlighted involves building capabilities; this means that for a company to determine the appropriate capabilities which it must focus on there should be an assessment on the effectiveness of the organisation. If the company is now weak probably due to complexity which results in slow action or maybe because the managers have no time to focus on the critical tasks affecting the performance of the company this means that the cost cutting strategies implemented will prove to be inefficient.

According to Ellram and Stanely (2013) companies must explore both traditional tactics and radical approaches for cost cutting to be efficient within the organisation. The author highlighted that government funded environmental organisation spend most of its time assessing individual species and campaigning against their extinction instead of focusing on other factors which the managers of the company regarded as more crucial.

Kerr and Pauwels(2014) states that for a company to ensure a successful cost cutting strategy ,the cost program must be launched before its needed because some firms apply cost reduction measures proactively so as to gain and maintain a lead in the industry. By dominating their industries cost curve, the company yields higher returns and these returns are reinvested so as to build a competitive advantage for the company. The author argued that time is a precious currency since it takes approximately 12 to 18 months for a company to identify and build initiatives that come along with no regrets. He also highlighted that

companies should carefully analyse the impact on effectiveness if they seek to launch a successful cost cutting strategy since most firms apply rigor to quantifying efficiency other than focusing on increasing effectiveness. Kerr and Pauwels (2014) argued that anyone can reduce 10% of costs for a department but in order to make sustainable cuts, managers must understand the activities that have an impact on the health of the business and those that are expendable since they do not add value to the organisation. The author identified a five step program that generates the no-regrets cost opportunities and the stages include:

1) Assembling the right team

This should be done at the department level or function level. Usually its made-up of midlevel managers who know that the firm can be more effective and cross-functional teams who then create breakthrough ideas for the firm.

2) Get all ideas on the table

For a big company, any given unit is worth generating 200 and 1000 idea fragments to consider. This can be done by the means of using the brainstorming software.

3) Cluster and evaluate the ideas

Involves winnowing the large group into 20 to 40 ideas. This is a manageable number for the purposes of evaluation.

4) Rank and order the ideas using the effectiveness curve

This process as highlighted by the author takes several half-day working sessions to complete and research is conducted in sessions.

5) Decide which initiatives to launch

A business that seeks to hit earnings targets needs to dip into the “last resort” category. Pick initiatives which consist of the largest savings potential to ensure the least damage to effectiveness.

2.5.1 Organising and training of the project team

Success of cost cutting strategies is determined by the dedication and commitment of all the employees in the various departments within the firm (Sanni and Hashim, 2013).The authors postulated that a project must be initiated and guided by a project team. This team must

include representatives from all the various departments of an organisation in order to diversify the ideas for the implementation process (Adeniji,2014).Training of the project team can be done in various forms including group training, online training and workshop training (Hafez et al ,2015).The implementation team must include the following people: marketing personnel, human resources personnel, IT personnel, management accountant and internal audit personnel(Sanni and Hashim,2013).For the cost cutting system to be effective, one or more of the team members should remain in control in control of the whole team up until the cost cutting system is fully operational(Adeniji,2014).Management must review the cost cutting system regularly and analyse if it is relevant to the organisation and if it is considered as irrelevant the system is dropped .

2.5.2 Cut down on meetings

According to Athalye et al (2015) meetings are necessary so as to ensure coordination but however no work is usually accomplished in these meetings since they are meant to bring multiple facets of the project .The authors highlighted that before calling for a meeting, you should decide if the objectives can be achieved by other means because it can be cost effective for one to walk around get status updates from all the members of the team. Cutting down on these meetings is a strategy for cost cutting because it will help in increasing productivity and at the same time saving money.

2.5.3 Reduce spending on brand new furniture

According to Kerr and Pauwels (2014) used furniture can be an alternative when purchasing office furniture and it is available at prices that are slightly lower than that of brand new furniture. The authors states that furniture dealers refurbish each and every piece and because of this it is not easy to detect the fact that it is not brand new when its moved into the offices. Large companies often purchase expensive new furniture when they remodel their offices or change their scheme colour (Kerr and Pauwels, 2014).The furniture dealers who buy this old furniture which the company auctions at low prices is repaired, painted and sold to small companies that do not afford brand new furniture. The authors states that office furniture is not the same as home furniture and the aesthetic appeal is more important to also consider but the major factor that should be assessed is function instead of purchasing new furniture. Kerr and Pauwels (2014) concluded that business money is saved when an organisation reduces its spending on furniture by purchasing gently used office furniture and the financial performance of the company is also improved.

2.5.4 Asking for referrals

Marketing a business is expensive but if there is no marketing no one is aware of the products and services offered by that particular company (Athalye et al, 2015).The authors also highlighted that it is more expensive to market a business to new customers than it does to get repeat from those same customers and because of this it is important to maintain the relationship with existing customers so as to save money. Marketing a business involves hunting down on the targeted demographic and this is costly to the organisation(Kerr and Pauwels,(2014).When a company markets its products by asking for referrals money is saved and the message also gets directly to the targeted audience.

2.5.5 Use of efficient time strategies

According to Ellram et al (2013) optimising productivity will lower the costs incurred in doing business since wasted time is equal to wasted dollars. The authors also stated that business activities must be scheduled and employees must be encouraged to adhere to their daily schedules. Management must set expectations for a reasonable time to complete certain tasks and they can offer incentives to employees who meet or exceed these expectations (Kerr and Pauwels, 2014).

2.5.6 Harness virtual technology

Business costs can be reduced by operating in a virtual manner and this can be through virtual meetings and if such meetings are conducted, travel expenses are minimised, hence enhancing the financial performance of an organisation (Watkins, 2015).The author also pointed out that personal contact must not be eliminated but it must be used for situations that are most beneficial and technologies such as Google Drive centralize the documents of a company.

2.6 Challenges faced in implementing successful cost cutting strategies

According to Slocumb(2015) despite focus on traditional methods of cost cutting, cost reduction does not always guarantee a positive change in the financial performance of a company. These cost cutting strategies tend to limit and destroy the value of a company. Mitchell (2015) highlighted that management find it difficult to manage the short-term bottom line impacts for the sake of benefits that are likely to accrue in the long term. The author also postulated that failure to budget for the normal costs that a company incurs limits efforts of moving from a one-time leadership driven effort.

2.6.1 Insufficient knowledge of the cost cutting techniques

Hafez et al (2015) highlighted that resistance to cost reduction is due to lack of knowledge on cost cutting by management within an organisation. The author emphasised on the need for employees in an organisation to gain adequate knowledge on cost cutting issues so that they will not perceive this strategy as an enemy but rather view it as an opportunity for progress within the firm. Non-existence of knowledge that is adequate on cost reduction is a huge barrier since the measures which the company adopts in trying to cut on costs will prove to be inefficient. Chigara(2013) also stated that employees should be trained and must attend seminars on cost cutting to enhance their knowledge so that they can be able to properly determine the appropriate strategies for cost cutting. Maiga et al (2013) highlighted that most employees lack an appreciation of cost control techniques and they do not know the merits of cost cutting to enhance the financial performance of a company. Cost control systems prove to be effective if they are implemented with adequate information technology and employees are not acquainted with the changes in technology and because of this ignorance will always be the major drawback of cost control that hinders the performance of a company (Maiga et al, 2013).

However, lack of adequate knowledge is also not the major reason why cost reduction techniques prove to be inefficient but rather if the organisation does not provide awareness to its employees pertaining to this issue of cost cutting this means that any strategies which the organisation puts across will prove to be inefficient(Watkins ,2014).The author further discussed on cost control and concluded that if the company seeks to achieve successful cost cutting strategies it must separate the responsibilities, duties and segregation of duties must

be done since it becomes clear and easier for every employee to gather relevant information on their specific jobs.

2.6.2 Lack of support from the firm's top management

According to Akenbor and Agwor (2015) the major drawback which prevents cost cutting from improving the financial performance of a company is lack of support from the top management. The authors pointed out that top managers are not mainly concerned in ensuring that cost cutting management strategies have been successfully implemented. The departmental heads within an organisation view cost control as a barrier to their set goals and for this reason they do not adopt cost control techniques to the fullest (Sani and Allahverdizadeh, 2013). Top managers in most cases are afraid of implementing cost control strategies because they are afraid that it can result in them losing their fringe benefits. For this reason they become reluctant to this means of enhancing the financial performance of an entity.

The problem with managers in most organisations is that they tend to be reluctant and forget that they have this responsibility of studying these factors so as to ensure that they effectively use cost control measures to improve the financial performance of the company (Akenbor and Agwor 2015). Most managers are ignorant of the external factors that hinder the success of cost control measures to enhance profitability of a company and these factors include inflation, government policies, political instability and changes in technology (Akenbor and Agwor 2015).

Sanni and Hashim (2013) argued that lack of support from the top managers does not hinder or prevent cost cutting strategies from enhancing the financial performance of an organisation. The authors highlighted that the use of inexperienced personnel in implementing cost cutting strategies results in failure of cost cutting measures on the financial performance of a company. They argued that these inexperienced workers are bound to make a lot of errors and poor decisions and this is pervasive to the objectives of cost control when a company seeks to improve its financial performance. Chigara et al (2013) is in support of the fact that top managers are not in any way responsible for the failure of cost cutting measures, rather the authors highlighted that ineffective communication amongst managers and their subordinates is the reason why cost control techniques tend to be ineffective.

2.6.3 Heavy costs associated with cost cutting

They are huge costs which are related to the process of cost reduction and because of this improving the financial performance of a company can be a challenge (Akenbor and Agwor, 2015). The author stated that cost cutting does not mean reducing costs but rather it means minimising wastages. According to Watkins (2014) cost cutting reduces the costs when it is applied effectively and if they are heavy costs associated with cost cutting this means that financial performance of the company is reduced. The author highlighted that integration of the cost cutting system with latest technology must be done so as to improve the financial performance of the company. However, Akenbor and Agwor (2015) states that heavy costs which are associated with cost cutting are as a result of failure to determine the cost cutting techniques that are suitable for the particular needs of a business. For every organisation, the management must always study ways in which the costs differ with a certain level of production (Watkins, 2015).

2.6.4 Delays by debtors in paying outstanding amounts

Customers usually delay in paying their outstanding amounts although they will have received quotations based on current market prices of the product or service required (Akenbor and Agwor, 2015). The standard costs are calculated on the basis of current prices for materials and the assumption made is that prices will remain constant and when the customers delay payment, financial performance of the company declines (Drunken, 2013). According to Athalye et al (2015) prices are always changing and because of this when customers delay to settle their debts, budgeted costs will fail to reflect the current market situation. This is a disadvantage because cost cutting strategies will prove to be inefficient in enhancing the financial performance of the organisation. Chigara (2013) stated that delay by debtors to pay outstanding amounts is not a challenge if the personnel responsible for cost management in an organisation works on producing estimates of the costs that are accurate. Akenbor and Agwor (2015) criticised the fact that delay by debtors to pay debts is a drawback for cost control to improve financial performance of a company.

2.6.5 Improper cost management strategies

According to Drunken (2013) formulation of budgets enables cost control committee to make an analysis of whether any variances exist or not and if such variances exist then decisions can be made and appropriate action is made. Management should take action if there are any

negative variances on the annual budgets of the company. The author also highlighted that variances assist managers in determining areas that are in need of cost control measures.

2.7 SUMMARY

The purpose of this chapter was to highlight on both theoretical and empirical literature of the research focusing on the effects of cost cutting and its impact on financial performance. The research focused on the challenges faced by management in coming up with cost cutting strategies and the cost drivers which give rise to costs. It also highlighted on the reasons why cost cutting strategies prove to be ineffective and the strategies that can be implemented in ensuring successful cost cutting measures. The next chapter will focus on the research methodology

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.0 INTRODUCTION

This chapter focused on the research methodology and it is made up of the research design and the research techniques that were used in the collection of data relating to the study of the effects of cost cutting measures on the financial performance of Zesa NTC. This chapter concludes with the presentation and analysis of data plan.

3.1 Research design

Rajaseker et al (2013) defined research design as methods that are applied by the researcher so as to carry out the research successfully in order to yield results that are reliable when solving research problems. Cresswell (2013) highlighted on the characteristics of a complete research design and stated that it should be able to provide remedy to the problem statement. This means that the approach which must be considered by the researcher should be properly chosen since it has major impact on the results of the research. The types of research designs that can be used include descriptive study, exploratory study and explanatory study (Cresswell, 2013). Descriptive research focuses on giving accurate presentation of data which consists of details of variables under the study for example reasons as to why the variables are not in any way related as compared to what is expected. Explanatory research refers to the discovery of data that is new when little research of the data required is available (Cresswell, 2013). According to the author this form of research seeks to identify reasons behind any relationship of all the variables which are under study, for example why some variables relate. This research was carried out using the descriptive research since it's the most appropriate method and it is further explained in the paragraph below.

3.1.1 Descriptive research

According to Farthing (2015) descriptive design is a tool for obtaining data for the status of a phenomenon so as to gather valid explanations for the variables in question. The research was carried out based on this method since it enables interpretation of the relationships that exist

between all the variables in question. However, this method gave the researcher certain problems because it does not give room for statistical testing (Creswell, 2013). Despite the shortcomings of this method, its advantages outweigh the shortcomings since it encompasses both the quantitative and qualitative methods of collecting data thus providing more room for combining other methods (Creswell, 2013).

3.2 The Case Study Approach

The researcher made use of the case study approach since the researcher had to explore only a single unit for the study. According to Queiros et al (2017) case studies are meant to enhance the knowledge base for a particular field and this method is described as popular in most fields including social sciences, field of applied sciences and in the education and health field. The author also highlighted that case studies provide room for innovation and are perceived as challenging to theoretical assumptions. Queiros et al (2017) also identified the demerits of these case studies and stated that it is difficult for one to determine the cause-effect connection in order to come up with valid conclusions and it can be challenging to generalize especially if a small number is to be considered. The main reason why the researcher made use of this method is because data could be accessed easily from the minutes obtained from the company's management meetings.

3.3 Research population

According to Asiamah et al (2017) research population is defined as the entire group from which data required is to be obtained. The author states that the participants involved should at least share one attribute of interest. For this research, Zesa NTC was used as the research unit particularly focusing on the finance department, Human Resources department, hospitality section and the food and beverages department. Employees at Zesa NTC are the ones with first-hand data relating to how the cost cutting measures implemented in the organization affected its financial performance. A target population of 27 employees was used by the researcher and this is shown in Table 3.1 below.

Table 3.1: Population of participants

Position/Office	Population	Participants	Collection method
Management	5	3	Interview
Accounting Officers	1	1	Questionnaire
Accounts Clerks	4	2	Questionnaire
Human Resources	4	2	Questionnaire
Internal Auditors	5	4	Questionnaire
IT Department	4	3	Questionnaire
Stores Clerk	2	2	Questionnaire
F&B Supervisor	1	1	Questionnaire
Reservations Officer	1	1	Questionnaire
TOTAL	27	19	

According to the data in the above table, research was carried out based on the use of a census. The top management of the organisation was interviewed .The total population is targeted in the collection of data so as to increase accuracy (Rahman, 2017).

3.4 Census

Martin and Baetson(2013) defined a census as an official count of members extracted from a population and these are usually citizens of a certain region. The results are then used to make conclusions on the whole population. To carry out this research, the researcher used a census because the targeted population of Zesa NTC was small.

3.5 Qualitative Approach

According to Clarke and Braunn(2013) qualitative approach refers to any form of research that provides findings which statistical procedures fail to arrive at and also involves any

research pertaining to a person's behaviour, lived experiences, emotions, feelings and organizational functioning. Qualitative approach has both its merits and demerits. According to Rahman (2017) the benefits of this approach are that it produces a detailed description of the participant's opinions and it also interprets meanings of their actions. This method helps the researcher in understanding and analysing the behaviour of the candidates in question. The author also highlighted on the disadvantages of this method and these include the fact that the qualitative approach leaves out contextual sensitivities and it mainly focuses on experiences and meanings. The qualitative approach also makes it difficult to interpret data and analyse it. The employees at Zesa NTC were in a much better position to outline the pros and cons of the cost cutting techniques that were being adapted at the company and because of this the outcome of the research became more dependable.

3.6 Quantitative Approach

According to Roller (2016) the quantitative approach is defined as any form of research that uses statistical techniques and it involves manipulation of some variables. Population specification is major requirement in the documentation of the quantitative approach (Pernecky, 2016). The author highlighted that the concepts of target, general and accessible population apply to this approach. The quantitative approach requires participation from a large number of individuals who are not required to describe the phenomena and experiences in the study (Creswell, 2013). According to Pernecky (2016) the target population for quantitative design is determined based on whether the selection is met by the general population. The author highlighted that this method is determined based on the research objective and assumptions.

3.7 Primary data

The research was carried out using primary data since it provides data that is relevant on how the cost cutting measures implemented at Zesa NTC have affected the company's financial performance. According to Mackey (2013) primary data is defined as first-hand data which is produced by a witness of a particular event. Data obtained through the use of this method is dependable since the data is not diluted because it will not have passed through many channels during the communication process.

3.8 Research instruments

Zohrabi (2013) defines research instruments as the various procedures for collecting data. The author asserts that these various ways of collecting information supplement each other and because of this they boost the validity of this data. The main techniques used in the mixed method of research include questionnaires and interviews. To carry out this research, the researcher made use of interviews and questionnaires.

3.8.1 Questionnaires

Abawi (2013) defines a questionnaire as a data collection instrument which consists of questions for the purpose of collecting information from respondents. The author identified six steps required in designing and administering a questionnaire and these include defining objectives of the study, defining the target respondents and the methods to be used in reaching them, questionnaire design, pilot testing, questionnaire administration and interpretation of the results. However, this method has its advantages and disadvantages. According to Abawi (2013) this method is a good tool when protecting the privacy of its participants but the validity of data will depend on the nature of the respondents. The researcher made use of questionnaires so as to gather relevant and valid data from the targeted population of Zesa NTC.

3.8.2 The Likert Scale

According to Jozsa and Morgan (2017) this technique was established more than eighty years ago by Rensis Likert and he developed this technique so as to measure attitudes of certain groups, concepts and institutions. The term Likert scale is used for the summated scale and for individual items from which summated scale is computed (Hartley, 2013). The summated Likert scale can be constructed by developing various statements about the topic, both favourable and unfavourable. According to Gliner et al (2017) the advantage of including reversed Likert items in scales is that scale validity is improved. The summated scale score is computed by giving numerical values or weighting to each type of answer. Gliner et al (2017) further points out the five categories of a Likert scale and these include: ‘strongly agree’, ‘agree’, ‘uncertain’, ‘disagree’ and ‘strongly disagree’.

Table 3.2: The Likert Scale

Attitude	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
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Points	5	4	3	2	1
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Source:Jozsa and Morgan (2017:18)

Justification of the Likert scale

For data collection purposes, the Likert scale was used to carry out this research as a complementing tool for designing the questionnaires. The Likert scale is easy to manage but it does give room for further probing since the respondents focus on the extent to which they agree to the question.

3.8.3 Interviews

As a way of collecting data from the participants selected, face to face interviews were used by the researcher. Abawi (2013) defines an interview as an objective conversation that occurs between two or more participants whereby the objective is the provision of feedback pertaining to a certain subject. The author identified four types of interviews and these include structured interviews, in-depth interviews, focused group discussions and semi-structured interviews. The researcher took down notes and asked relevant questions in relation to the cost cutting measures at Zesa NTC and how they were affecting the financial performance of the company. Approximately each interview was ten minutes long and this made it possible for the researcher to gain a better understanding of the area of concern.

3.9 Reliability and Validity

3.9.1 Reliability

According to Zohrabi (2013) reliability is defined as the consistency of results obtained after carrying out a research. Information is reliable when the instruments of the research can yield similar results of the same subject after it has been used by various researchers. In carrying out this research, the researcher made use of two data collection tools i.e. questionnaires and interviews. The interviews provided in-depth information and gave room for good interpretative validity (Zohrabi, 2013). The researcher also had one on one interviews with personnel from the departments in the organization. Data that related mainly to cost cutting on the company's financial performance was obtained from the finance department. According to Singh and Masuku(2014) the sample size must be at least 50% of the target population .

3.9.2 Validity

Validity is defined as the extent to which a research instrument will measure what it was supposed to measure (Zohrabi, 2013). Two forms of validity are highlighted by the author and these are content validity and internal validity. Content validity is achieved when different elements and skills are measured adequately and effectively (Zohrabi, 2013). Internal validity focuses on the congruence of the findings with reality. The research objectives and research questions identified in the first chapter were used to enable the researcher in coming up with questionnaires and interview guides. This ensured validity of the instruments in the research since it focused on providing feedback which was in line with the issue that was being researched on. Documents collected from participants were inspected for errors when the researcher collected them.

3.10 Ethical considerations

The data collected at Zesa NTC was only used for research purposes and it was not used for any other purposes. Firstly, the researcher had to seek permission to carry out the research at the company and complied in the confidentiality of the organisation's data. As a way of ensuring this confidentiality, the researcher only shared the data collected with the supervisor and made sure that it was kept safely so as to avoid situations whereby other parties would end up accessing this data.

3.11 Data presentation and analysis

According to Loeb et al (2017) researchers have various options when they are considering how to present data in order to meet the information needs of the audience. The use of diagrams helps in ensuring better understanding of the message being delivered. Bar graphs, tables and pie charts were used as visual aids so as to illustrate the data collected by the researcher. Tables are also preferable on occasions when the researcher has to present vast quantities of data so as to enable the reader to replicate the data to a specific source (Loeb et al (2017)

3.11.1 Data analysis

Rahi (2017) advocated that data analysis ensures that trends are established based on the data collected so as to enable appropriate conclusions to be made. Modal responses were mainly used in this research in order to come up with conclusions that relate to the prevailing situation at Zesa NTC. These modal responses give a true picture of the events that are taking place currently when given a certain scenario.

3.12 SUMMARY

This chapter focused on the approaches that were used by the researcher in collecting data. The researcher provided justification for every research instrument that was used. Raw data was gathered through the use of questionnaires and interviews. To carry out this study, the author made use of descriptive research. Ethical considerations were also made gathering data relating to Zesa NTC.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter serves to highlight the presentation, analysis and interpretation of data that was gathered from interviews and questionnaires at Zesa NTC. The data which was collected by the researcher is analysed in this chapter so as to come up with research findings. The research findings consist of :challenges faced by management in coming up with cost cutting strategies, reasons why the company has been incurring losses despite the cost cutting measures implemented, cost drivers giving rise to costs and the strategies for cost cutting.

4.1 Questionnaire response rate

Data was gathered through the use of questionnaires. The response rate highlights the number of questionnaires distributed and the number of those returned by the respondents to the researcher. The researcher distributed 22 questionnaires and 16 were returned, thus yielding a response rate of 73%. The questionnaires were distributed to the following departments: accounts department, Human resources department, IT department, internal audit department and hospitality department. Table 4.1 illustrates the response rate.

Table 4.1 Questionnaire response rate

Respondents	Number of questionnaires distributed	Number of questionnaires returned	Response rate %
Accounting officer	1	1	100%
Accounts clerks	4	2	50%
Human Resources	4	2	50%
Internal auditors	5	4	80%
IT department	4	3	75%
Stores clerk	2	2	100%
F&B supervisor	1	1	100%
Reservations officer	1	1	100%
Total	22	16	73%

Table 4.1 shows that 7 questionnaires were distributed to the accounts department and 5 questionnaires were returned, thus yielding a response rate of 71% (the accounts department includes the following: stores clerks, accounts clerks, and the accounting officer). To the IT department 4 questionnaires were distributed and 3 were returned, giving a response rate of 75%. The internal auditors returned 4 questionnaires out of the 5 distributed to this department and the response rate was 80%. To the Human Resources department 2 questionnaires were returned out of the 4 questionnaires distributed and the response rate was 50%. The hospitality department, which is made up of the Food and beverages department and the reservations office returned all the 2 questionnaires giving a response rate of 100%. In total 17 questionnaires were returned out of the 22 questionnaires distributed to all the departments, yielding an overall response rate of 74%.

4.2 Demographic details

The research population is classified into two groups, namely females and males. From the questionnaires collected, the researcher gathered that 10 males responded and the remaining 6 respondents were females. Table 4.2 shows the gender analysis from the questionnaires returned.

Table 4.2 Gender Analysis

Gender	Number of respondents	Response rate %
Males	9	56
Females	7	44
Total	16	100

Table 4.2 shows that 56% of the respondents were males and 44% were females. This response rate shows that the data obtained is reliable since there is participation of both men and women. This is supported by Rahman (2017) who postulated that there should be a balance in gender for a sample to be reliable since there is participation from both males and females.

4.3 Background information

The questionnaires also showed the researcher the various departments from which the respondents were from. Table 4.4 shows the respondents and the departments which they are employed.

Table 4.3 Respondents and their respective departments

Department	Respondents
Accounts	5
IT	3
Human Resources	2
Hospitality	2
Internal Audit	4
Total	16

Table 4.4 is clearly shown using the graphs in Fig 4.1

Fig 4.1 Percentage respondents per department

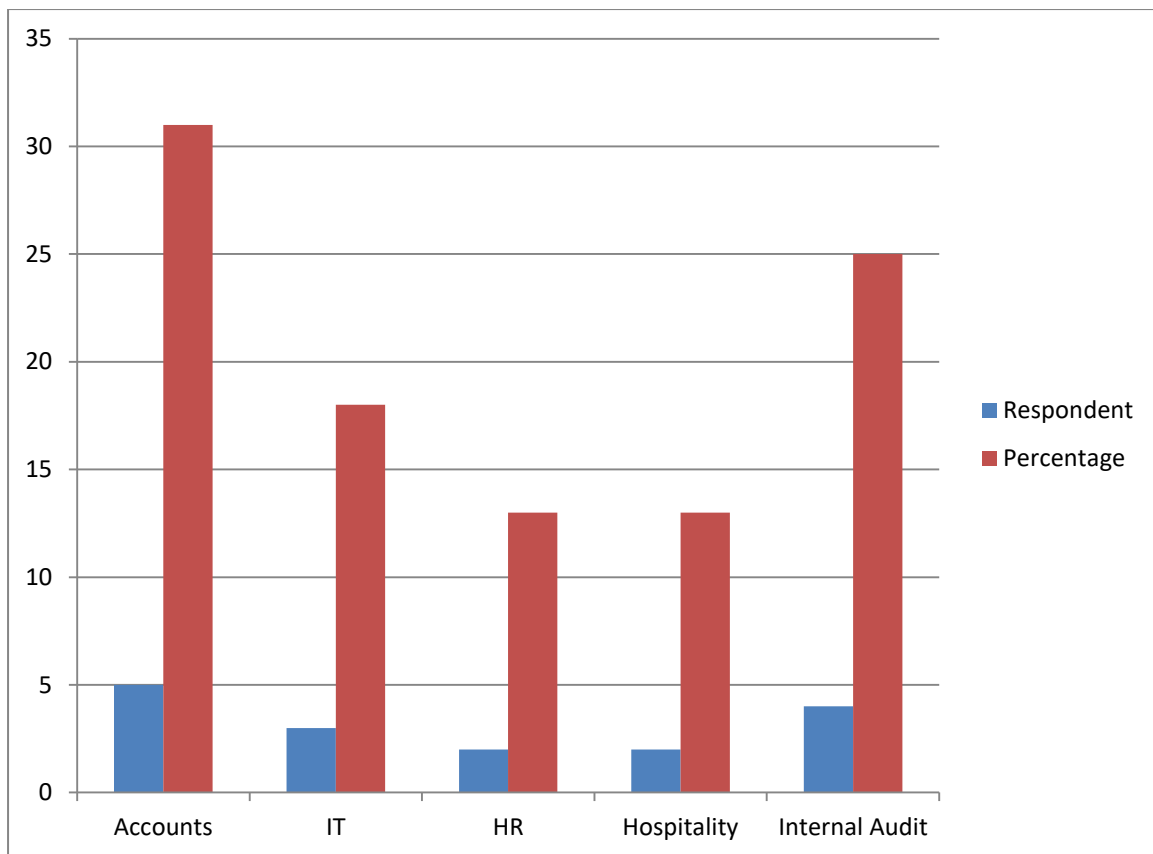


Fig 4.1 and Table 4.3 show that 3/16(19%) were from the IT department, 5 /16(30%) were from the accounts department,2/16(13%) were from the Human resources department,2/16(13%) were from the Hospitality department and 4/16(25%) were from the internal audit department. From the research it can be concluded that results obtained are reliable since the majority of the respondents are from the accounts department. Mackey

(2013) supported this by highlighting that the majority of respondents must possess reasonable knowledge about the research under study.

4.4 Employment duration

The respondents had to indicate the number of years they have been employed at Zesa NTC on the questionnaires. This question was meant to give the researcher more information relating to the knowledge the respondents possess about the organisation. Table 4.4 illustrates the employment duration for all the respondents at Zesa NTC.

Table 4.4 Employment duration at Zesa NTC

Number of years	Below 2 years	2-5 years	5-10 years	Above 10 years	Total
Respondents	4	7	3	2	16
%	25	44	18	13	100

Table 4.4 shows that 4 out of the 16 respondents (25%) have been working for Zesa NTC for a period which is less than 2 years,7 out of the 16(44%) respondents have been working for the organisation for 2 to 5 years,3 out of the 16 respondents(18%) for 5-10 years and 2 out of 16(13%) have been working for the organisation for a period which is above 10 years. Since 75% of the employees have been working for Zesa NTC for a period which is more than 2 years it means that they have adequate knowledge about the organisation and thus data collected by the researcher is reliable. To support this fact Wilson (2015) highlighted that for research findings to be reliable, the respondents must possess adequate knowledge relating to the organisation which is under study.

4.5 Cost drivers and changes in costs

4.5.1 Number of items required by the receiving department

The question sought to identify the cost drivers which give rise to changes in costs and one of the cost driver identified was the number of items required by the receiving department.

Table 4.5 Responses on the number of items required by the receiving department

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	10	5	1	0	0	16

Table 4.5 above shows the responses obtained in respect to the cost driver giving rise to changes in costs, which is the number of items required by the receiving department

Fig 4.2. Percentage respondents on the number of items required by the receiving department

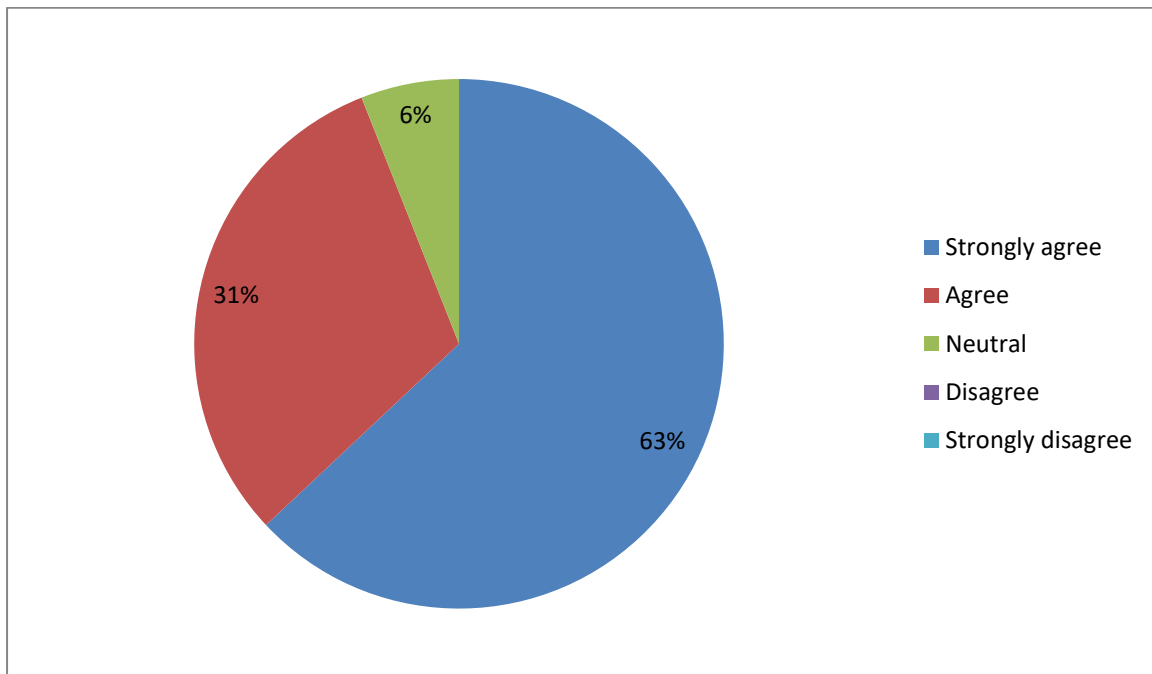


Fig 4.2 shows that 10 out of the 16 respondents (63%) strongly agree that the number of items required by the receiving department is a cost driver which gives rise to changes in costs, 5 out of the 16 (31%) respondents agree to this opinion and 1 out of the 16(6%) respondents is neutral to this opinion. Fig 4.6 shows that no one disagreed to the opinion that the number of items required by the receiving department is a cost driver giving rise to changes in costs within the organisation. In summary 15/16(94%) respondents (10 who strongly agree and 5 who agree) are in support of the opinion that the number of items required by the receiving department is a cost driver giving rise to changes in costs. From the interviews conducted with management at Zesa NTC, it can be highlighted that the number of items required by the receiving department was also identified as a cost driver. This is further reinforced by Godil et al (2013) who highlighted that the cost drivers giving rise to changes in costs can be determined by the number of items required by the receiving department.

4.5.2 Number of inspections for quality control

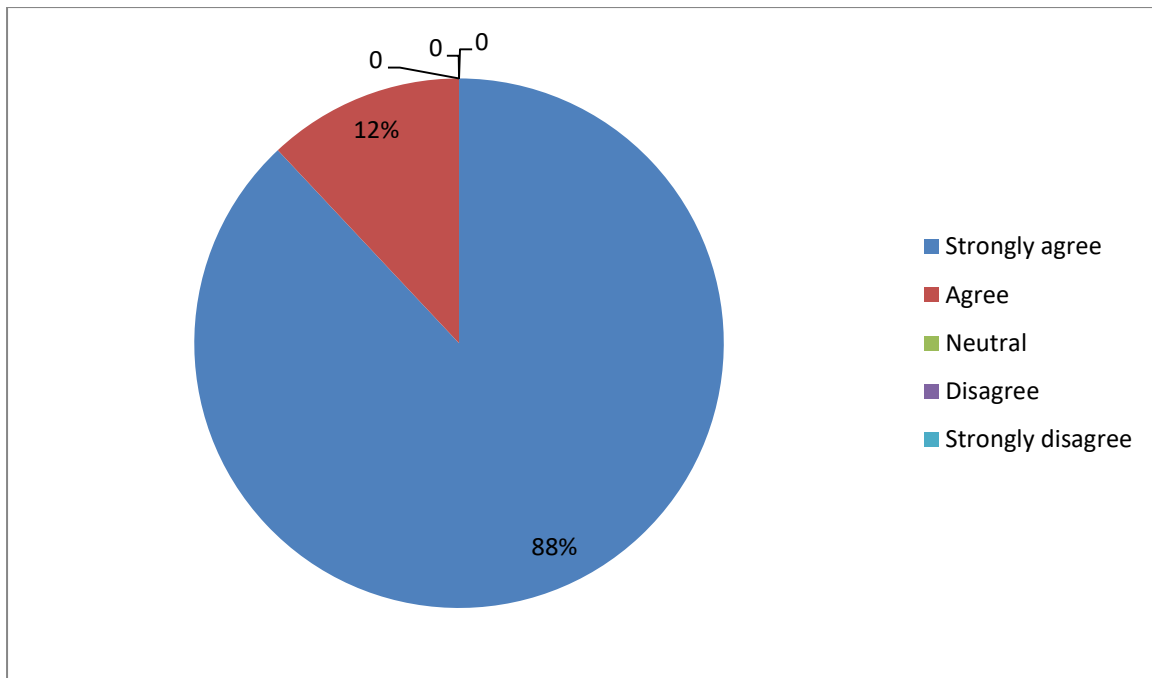
The question investigated the cost drivers giving rise to changes in costs and the number of inspections for quality control was the other cost driver identified.

Table 4.6 Respondents on the number of inspections for quality control

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	14	2	0	0	0	16

The raw data obtained was used by the researcher to extract the pie chart in Fig 4.3

Fig 4.3 Responses on the number of inspections for quality control



The meaning of Table 4.6 can be illustrated by means of a graphical portrayal as shown in Fig 4.3. According to Fig 4.7, 14 out of the 16 respondents (88%) strongly agree that the number of inspections for quality control is a cost driver that gives rise to changes in costs. The remaining respondents (22%) agree that this is a cost driver giving rise to changes in costs. Fig 4.3 also shows that no respondent was uncertain or disagreed to this opinion. However, from the interviews conducted with management it can be noted that the number of inspections for quality control is not a cost driver which gives rise to costs at Zesa NTC because the management highlighted that they rarely conduct inspections for quality control.

4.5.3 Number of machine set ups.

The question was meant to determine the cost drivers giving rise to changes in costs and the number of machine set ups for all new machines purchased within the organisation was one of the cost drivers identified and the researcher had to seek the opinion of the employees at Zesa NTC regarding this cost driver.

Table 4.7 Respondents on the number of machine set ups

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	8	4	4	0	0	16

Table 4.7 illustrates the response rate for the question which was to determine if the number of machine set ups for new machines purchased in the organisation is a cost driver giving rise to changes in costs. The data in Table 4.7 can be illustrated using a graphical presentation as shown in Fig 4.4

Fig 4.4 Respondents on number of machine set ups

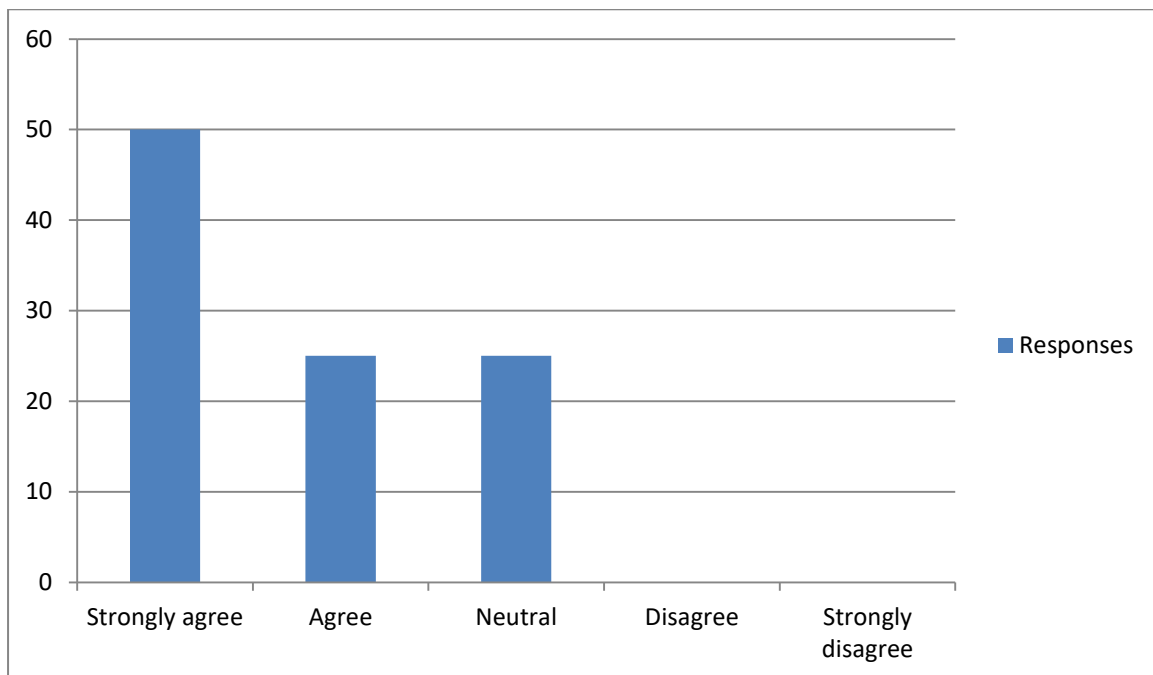


Fig 4.4 indicates that 8 out of the 16 respondents (50%) strongly agree that the number of machine set ups when a new machine is purchased in the organisation is a cost driver which gives rise to changes in costs. According to Fig 4.4 ,4 out of the 16 respondents(25%) agree to this opinion and 4 out of the 16 respondents(25%) were neutral on whether the number of machine set ups for a new machine purchased could be regarded as a cost driver which gives rise to changes in costs. There was no responded who disagreed to this opinion. In summary, 12 out of the 16 respondents (75%) agree to the opinion that the number of machine set ups when a new machine is purchased in the organisation is a cost driver giving rise to changes in costs. From this, it can be concluded that number of machine set ups can be classified as a cost driver which increases the costs incurred within an organisation. This is supported by Garrison et al(2014) who stated that the cost drivers for cost incurred in an organisation include the number of machine set us when a new machine is purchased in that particular organisation. From the interviews with management, the number of machine set ups was identified to be a cost driver giving rise to costs at the company because Zesa NTC regularly purchases machines for use in the hospitality department.

4.5.4 Number of staff within the firm

The question investigated the cost drivers giving rise to changes in costs and the number of employees within the organisation was another cost driver identified. Table 4.8 illustrates the respondents on the number of staff within the firm as a cost driver.

Table 4.8 Respondents on the number of staff within the firm as a cost driver

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	7	6	2	1	0	16

Table 4.8 shows that 7 out of the 16 respondents (44%) strongly agree to the opinion that the number of staff within the organisation is a cost driver giving rise to changes in costs, 6 out of the 16 respondents (37%) agree to this opinion, 2 out of the 16 respondents (13%) are neutral and 1 out of the 16 respondents (6%) disagrees that the number of staff within the firm is a cost driver that gives rise to changes in costs. This is further illustrated on a pie chart in Fig 4.5.

Fig 4.5 Responses on number of staff within the firm

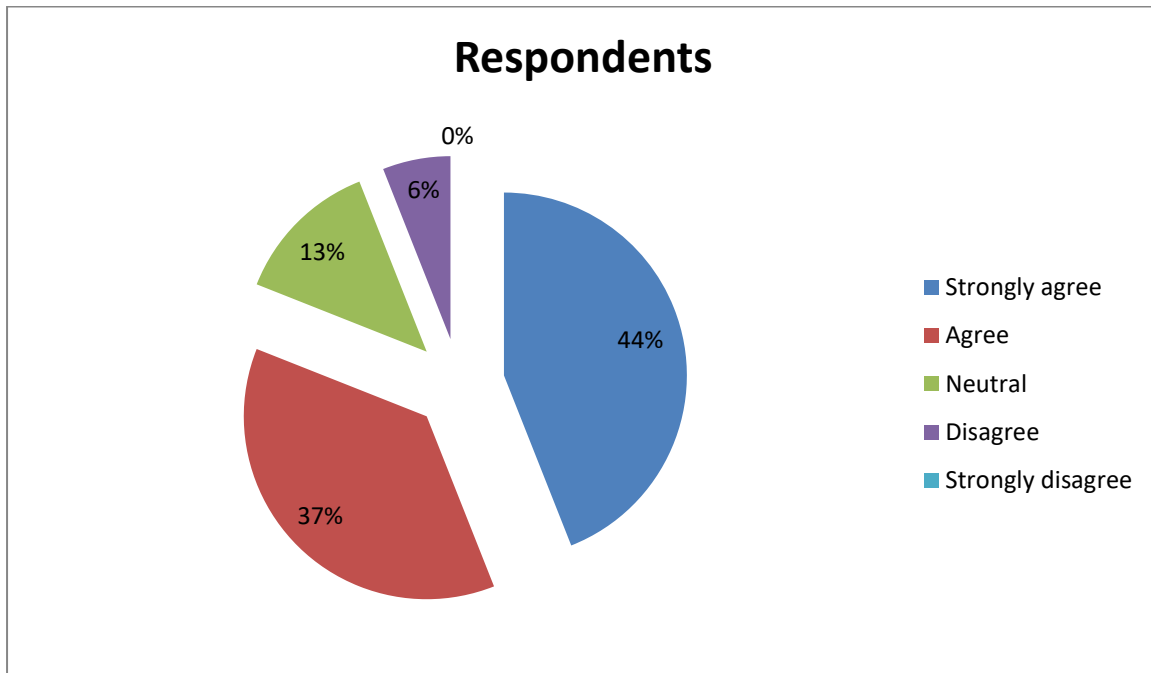


Fig 4.5 shows that 13/16(81%) respondents agree that the number of staff within the firm is a cost driver giving rise to changes in costs.

4.6 CHALLENGES FACED BY MANAGEMENT IN COST CUTTING

4.6.1 Insufficient knowledge of cost control techniques

The purpose of the question was to determine the challenges faced by management at Zesa NTC as they try to implement the cost cutting strategies. The responses from the employees at the organisation are illustrated in Table 4.9 below.

Table 4.9 Insufficient knowledge of cost control techniques

Raw data: Response rate

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	12	4	0	0	0	16

Table 4.9 above reveals that 12 out of 16(75%) respondents strongly agree that insufficient knowledge of the cost control techniques is a challenge that management at Zesa NTC faces as they try to come up with effective cost cutting measures. The table also highlights that 4 out of 16(25%) agree to this opinion and no respondent was either neutral or disagreed to the opinion that lack of knowledge on cost cutting techniques is a challenge faced in determining the cost control measures for the organisation. Fig 4.6 was used to illustrate this data graphically.

Fig 4.6 Responses on insufficient knowledge

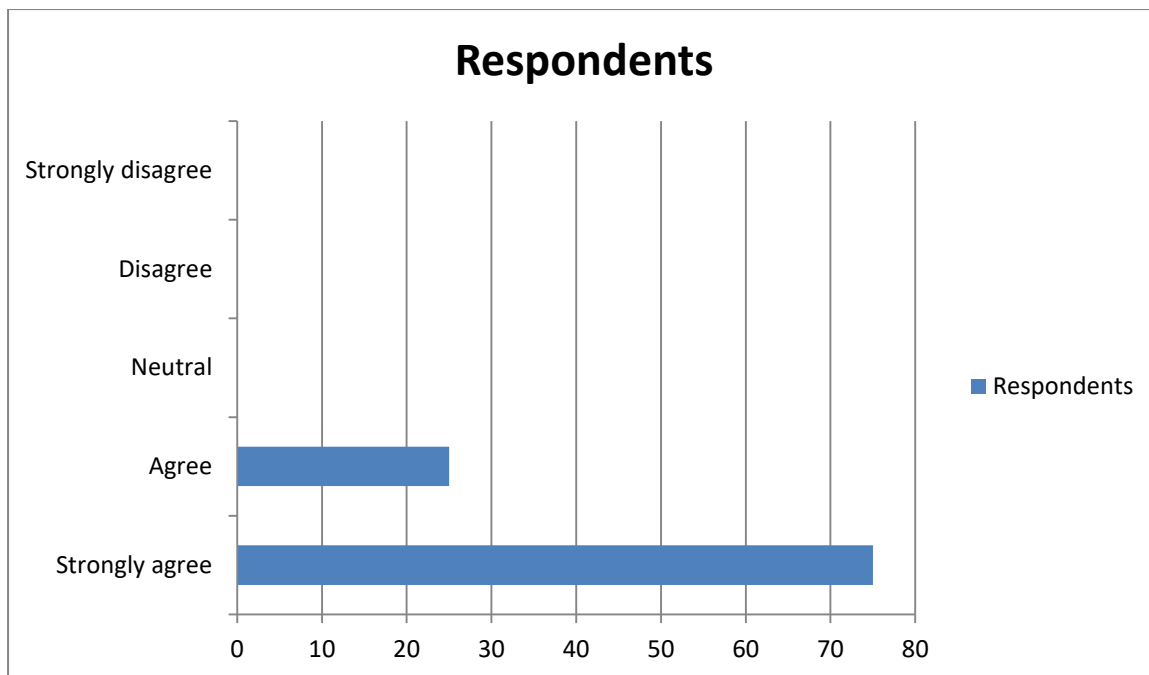


Fig 4.6 shows that all the respondents were in support of the fact that insufficient knowledge of cost control techniques is a challenge faced by management in cost cutting. In aggregate all the respondents (75% strongly agree and 25% who agree) assert that insufficient knowledge is a challenge faced by management as they try to reduce on costs. This means that data collected is reliable because all the respondents agreed to this challenge that management faces as they try to reduce on costs. The responses from interviews conducted with management also revealed that lack of sufficient knowledge by both the management and the employees regarding the cost cutting techniques was a major drawback in cost cutting at the organisation and this is because of inadequate training in regard to cost reduction techniques. This is further supported by Wen (2014) who cited that cost cutting is inefficient if the management of the organisation lacks adequate knowledge of cost control techniques.

4.6.2 Heavy costs associated with cost control

The question investigated on the challenges faced by management as they come up with cost cutting strategies and heavy costs which are associated with cost cutting is a challenge that was determined by the researcher and the respondents agreed to this opinion. The responses can be illustrated using Table 4.10.

Table 4.10 Responses on heavy costs associated with cost cutting

Raw data: Response rate

	Strongly agree	Agree	Neutral	Disagree	Disagree	Total
Respondents	7	4	2	3	0	16

The information which is shown in Table 4.10 can be presented graphically as shown in Fig 4.7 below.

Fig 4.7 Responses on heavy costs associated with cost cutting

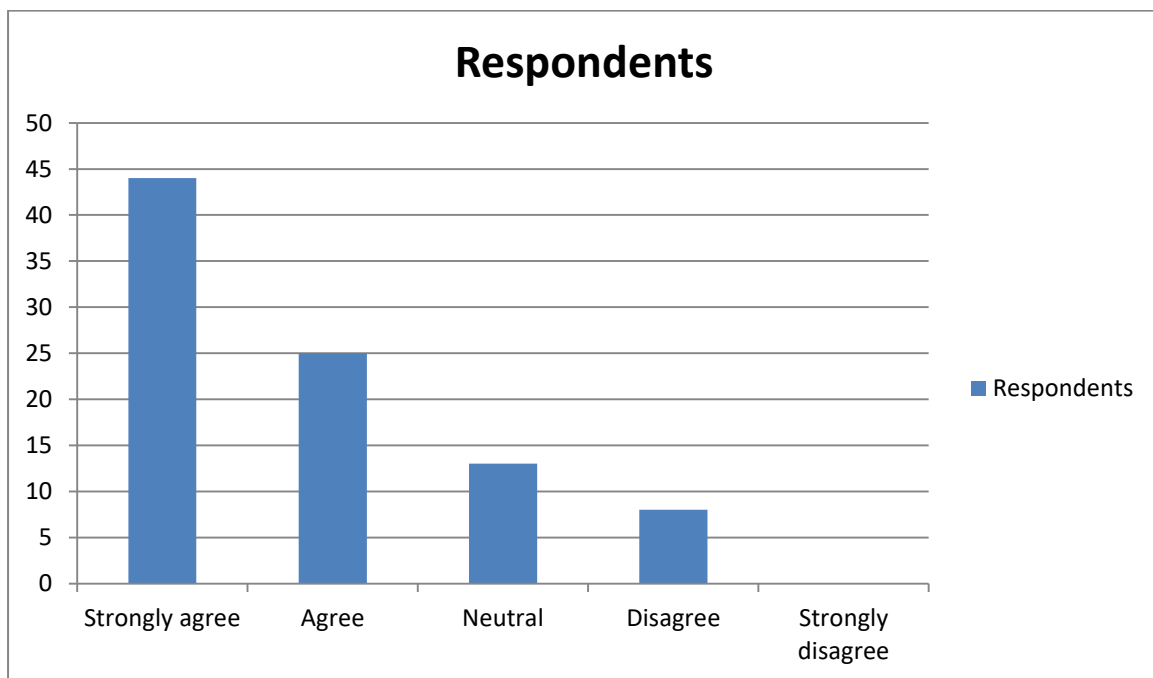


Fig 4.7 shows that 7/16(44%) respondents strongly agree that heavy costs associated with cost cutting is a challenge that management faces as they try to cut on the costs for the organisation. The graph also shows that 4/16(25%) respondents agree to the view that this a challenge faced by management in cost cutting and 2/16(13%) respondents are neutral. Fig 4.7 also shows that 3/16(8%) of the respondents disagreed to the fact that heavy costs associated with cost control is a challenge management faces as they implement cost cutting

techniques. There was no respondent who strongly disagreed with this opinion on the challenges faced in cost cutting. The responses from the interviews with management revealed that Zesa NTC also incurred losses in 2016 because they had introduced various cost cutting techniques to the different departments within the firm in that same year and this increased the costs since they had to train the employees so that these strategies would be effective.

In summary 69%(44% strongly agree and 25% agree) of the respondents agreed that heavy costs associated with cost cutting is a challenge which management encounters at Zesa NTC as determine the appropriate strategies for cost cutting. This is supported by Watkins (2014) who highlighted that heavy costs are associated with cost cutting and this reduces the financial performance of the company.

4.6.3 Lack of adequate knowledge relating to cost cutting techniques

The question was meant to establish if lack of adequate knowledge relating to the cost cutting techniques is a challenge faced by management as they come up with measures to reduce costs for the organisation. The responses obtained from the respondents are illustrated in Table 4.11 below.

Table 4.11 Lack of knowledge relating to cost cutting techniques

Raw data: Response rate

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	8	5	2	1	0	16

The information in Table 4.11 can be illustrated using a graphical presentation as shown in Fig 4.8.

Fig 4.8 Responses on lack of knowledge relating to cost cutting techniques

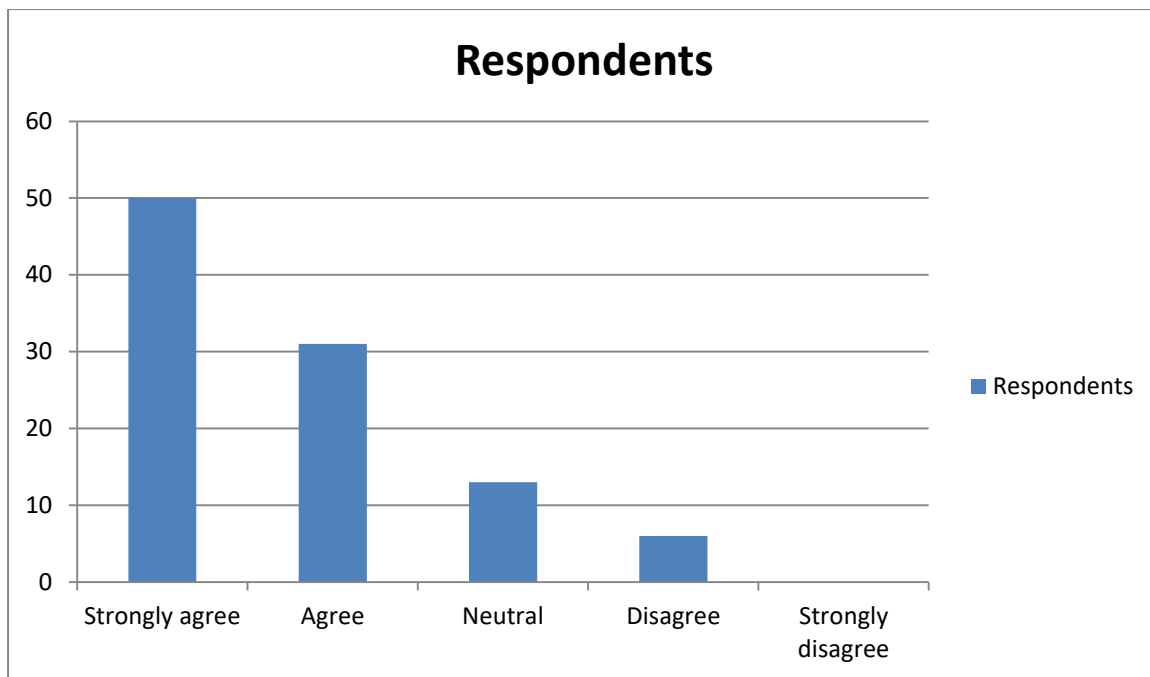


Fig 4.8 shows that 8/16(50%) respondents strongly agree that lack of knowledge relating to the cost cutting techniques is a challenge faced by management in determining efficient cost cutting strategies. Fig 4.8 also shows that 5 out of 16(31%) respondents agree that management lack adequate knowledge regarding cost cutting techniques and this is another challenge in cost cutting. The graph also illustrates that 2 out of the 16 respondents (13%) are neutral about this opinion and one respondent disagreed that lack of adequate knowledge on cost cutting is a challenge faced by management as they implement cost cutting techniques. Fig 4.8 also indicates that no responded strongly disagreed to this challenge faced by management in cost cutting. In summary 81% of the respondents agree that lack of knowledge on cost cutting techniques is a drawback in cost cutting .Management were also in support of the fact that lack of adequate knowledge regarding the cost cutting techniques is a drawback for effective cost cutting and they highlighted that the strategies for cost cutting in the organisation were ineffective because of this fact and this was one of the reasons why the

company yielded losses from 2015 to 2017. Hafez(2013) supports this by emphasising that the employees and management of any organisation must gain adequate knowledge on cost cutting so that they do not perceive this strategy as an enemy but rather as an opportunity for progress.

4.6.4 Resistance from employees

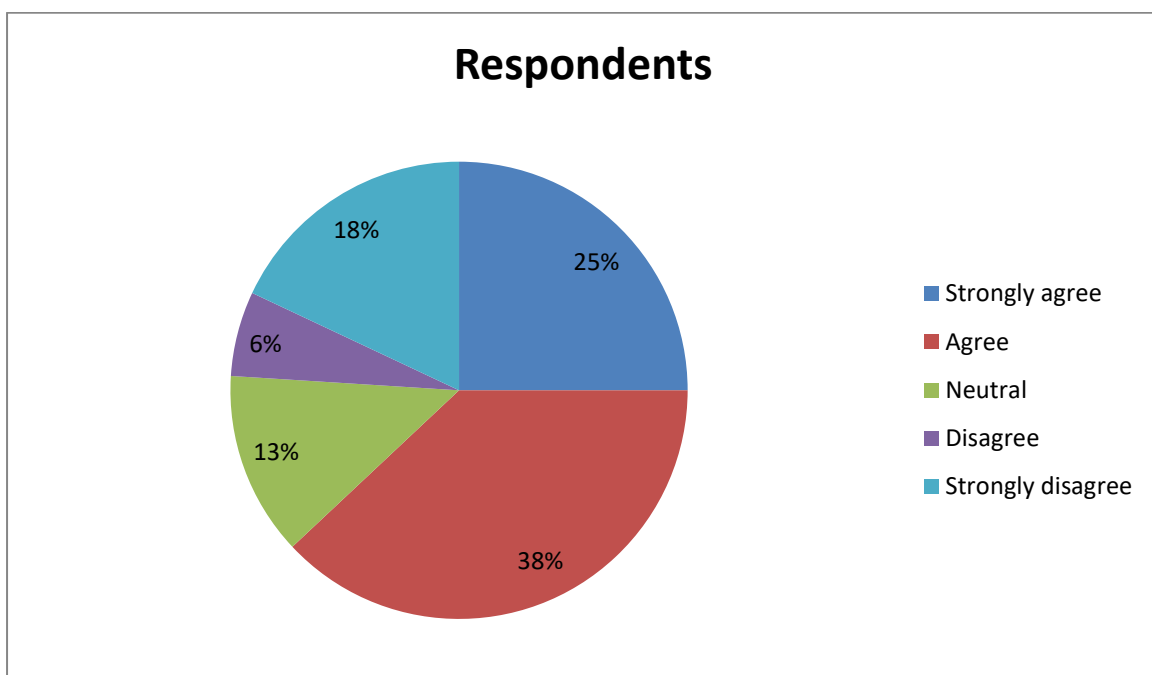
The question was to determine the challenges that management encountered as they try to implement successful cost cutting measures and one of the challenges identified was resistance from the employees within the entity. Table 4.12 shows the responses from the respondents regarding resistance from employees as a challenge faced by management in cost cutting.

Table 4.12 Responses on resistance from some employees

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	4	6	2	1	3	16

The raw data in Table 4.12 was used to extract the pie chart in Fig 4.9. The pie chart enhances the meaning of the data which is given in the table above.

Fig 4.9 Responses on resistance from employees



According to Fig 4.9 the 25 % (4/16) respondents strongly agree and 38 % (6/16) agree that resistance from employees within the firm is a challenge that management at Zesa NTC face as they try to reduce costs. Fig 4.9 shows that 2/16(13%) respondents are neutral about this opinion and 1/16(6%) respondents disagreed to the opinion that resistance from employees is a challenge that management face as they try to determine effective cost cutting strategies. The pie chart also illustrates that 3 out of the 16 respondents (18%) strongly disagree that resistance from the employees is a challenge that management face as they try to reduce the cost incurred by the company. It can be concluded that 63% of the respondents agree to the fact that resistance from the employees has been one of the challenges, managers at Zesa NTC face as they try to reduce costs. However, from the interviews with management at Zesa NTC the researcher gathered that resistance from employees was not a challenge that management of the company encountered as they implemented various cost cutting techniques.

4.7 Reasons why company incurred losses despite cost cutting strategies implemented

4.7.1 Delays by clients in paying debts

The question sort to identify the reasons Zesa NTC has been incurring losses despite the cost cutting measures implemented by management .Delays by clients in repaying their outstanding amounts is one of the reasons why most companies incur losses even after they put across effective cost cutting startegies.Table 4.13 shows the responses from the respondents in regard to delays by clients in paying debts as a reason for losses incurred by Zesa NTC

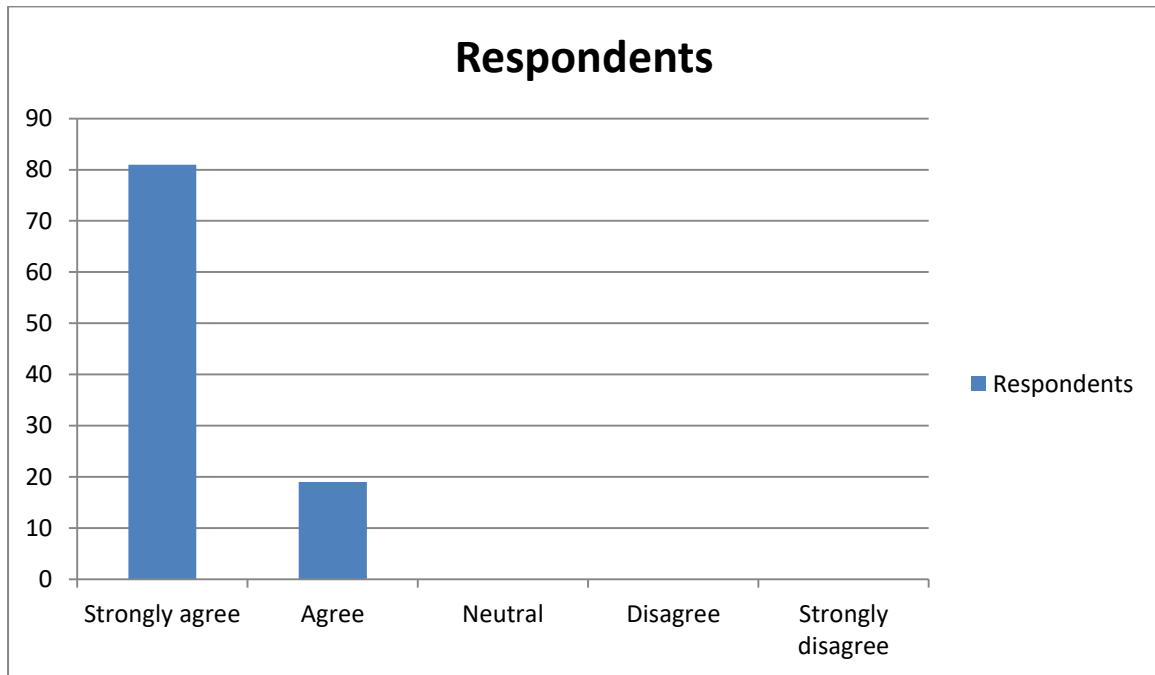
Table 4.13 Responses on delay by clients in paying debts

	Strongly	Agree	Neutral	Disagree	Strongly	Total
--	-----------------	--------------	----------------	-----------------	-----------------	--------------

	agree				disagree	
Respondents	13	3	0	0	0	16

The responses obtained from the employees of Zesa NTC in respect to this question can be illustrated graphically and this is shown in Fig 4.10.

Fig 4.10 Responses on delay by clients in repaying debts



According to Fig 4.10, 13 out of the 16 respondents(81%) strongly agree that the reason why the company has been incurring losses even after the management has put across effective cost cutting strategies is because the clients delay paying their outstanding amounts .The graph also indicates that 3/16(19%) of the respondents agree that delays by clients also result in the company incurring losses even when the management has identified cost cutting strategies that can be implemented to reduce costs. It can be clearly deduced from the graph that they were no respondents who were either neutral or disagreed to this reason for

recurring losses at Zesa NTC. In summary, all the respondents (81 strongly agree and 19 agree) are in support of the opinion that delays by clients in repaying debts is another reason why Zesa NTC has been incurring losses. In an interview with the Training and Development Manager, the researcher gathered that some debtors of this company had huge sums of outstanding amounts and some of the companies who owe Zesa NTC huge amounts had shut down recently without settling their outstanding balances. This is supported by Athalye et al (2015) who highlighted that prices are always changing and because of this when customers delay to settle their outstanding amounts the budgeted expenditure will fail to reflect the market situation prevailing at that particular moment and cost cutting strategies will be inefficient.

4.7.2 Lack of support from top management

The question was meant to deduce the reasons why losses are being incurred despite the cost cutting strategies implemented. The other reason identified was that lack of support from the top management of an organisation results in cost cutting being inefficient and because of this losses are incurred. Table 4.14 illustrates the responses from the respondents in regard to lack of support from top management being the reason for recurring losses at the organisation.

Table 4.14 Responses on lack of support from top management

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	5	1	0	7	3	16

From the data in Table 4.14 it can be concluded that only 6 respondents were in support of the fact that lack of support from top management is another reason why the company has been incurring losses. The remaining respondents disagreed that lack of support is a reason why losses are being incurred. The responses can be represented graphically and this is shown in Fig 4.11.

Fig 4.11 Responses on lack of support from top management

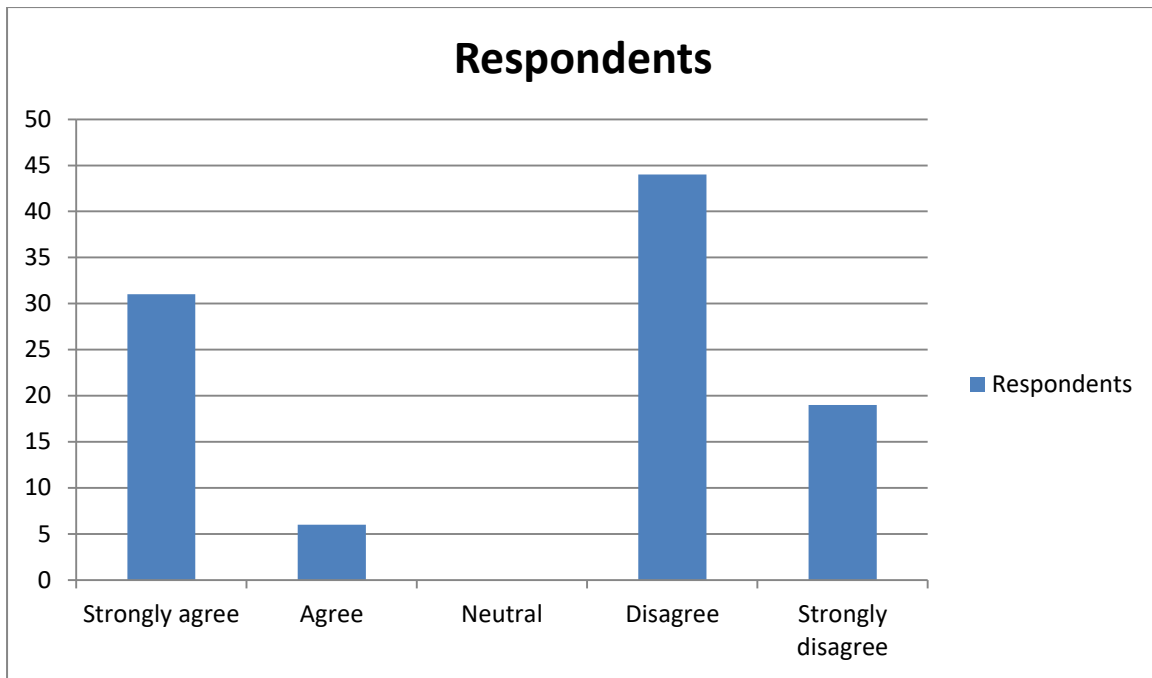


Fig 4.11 shows that 31 % (5/16) of the respondents strongly agreed that lack of support from top management results in inefficient cost cutting strategies being implemented, thus losses are incurred. The graph also shows that 6 % (1/16) of the respondents agreed, 7/16 (44%) respondents disagreed and 19% (3/16) of the respondents strongly disagreed that lack of support from top management when cost cutting measures are implemented results in recurring losses for the organisation. From the interviews conducted it can be concluded that management of Zesa NTC offered support to the departments in which the cost cutting strategies had been implemented and thus they did not view this as a valid reason to explain why the company still incurred losses despite the cost cutting strategies they had implemented. It can be concluded that lack of support from top management is considered by the employees of Zesa NTC as a minor reason as to why losses have been incurred at the organisation from 2015 to 2017 because 63% (44% disagree and 19% strongly disagree) of the respondents disagreed to this opinion.

4.7.3 Lack of resources for implementation

The question sought to identify reasons as to why the company has been incurring losses even after cost cutting strategies have been implemented and one of the reasons identified was lack of the resources required for implementation of the cost cutting techniques. The responses obtained from the respondents in regard to lack of resources for implementation as one of the reasons why the company has been incurring losses despite the cost cutting measures put across by management are shown in Table 4.15 below.

Table 4.15 Responses on lack of resources for implementation.

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Respondents	0	1	0	10	5	16

From Table 4.15 it is shown that none of the respondents strongly agreed and 6%(1/16)of the respondents agreed that lack of responses for implementation of the cost cutting strategies result in losses being incurred even when cost cutting measures are observed within the entity. Table 4.15 also highlights that no respondent was neutral ,63%(10/16) of the respondents disagreed and 31%(5/16) of the respondents strongly disagreed to the fact that lack of resources needed for implementation of the cost cutting strategies results in failure of the cost cutting process.

In summary 84 %(63% who disagree and 31% who strongly disagree) of the respondents disagree to the fact that losses being incurred are due to lack of resources for implementation of the cost cutting strategies. In an interview with the Senior Accountant at Zesa NTC, the researcher gathered that the cost cutting strategies at the organisation were proving to be ineffective because of lack of sufficient resources for implementing the cost cutting strategies. This is supported by Sanni and Hashim (2013) who highlighted that even when there is lack of support from top management cost cutting strategies must positively affect the financial performance of the company if the workers are adequately trained, hence lack of resources for adequate training results in failure of the cost reduction strategies.

4.7.4 Improper cost management strategies

The purpose of the question on the reasons why the company has been incurring losses despite the cost cutting techniques practiced within the organisation was to determine the factors that hindered the success of these strategies. One of the reasons for recurring losses is because improper cost management strategies were being implemented by management. The responses obtained in regard to this question are highlighted in Table 4.16 below.

Table 4.16 Responses on improper cost management strategies

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	11	2	0	3	0

Table 4.16 above can be represented using the pie chart shown in Fig 4.12 below. The pie chart shows the responses in regard to improper cost management strategies implemented being another reason why the company still incurs losses even after cost cutting techniques are introduced into the company.

Fig 4.12 Responses on improper cost management strategies.

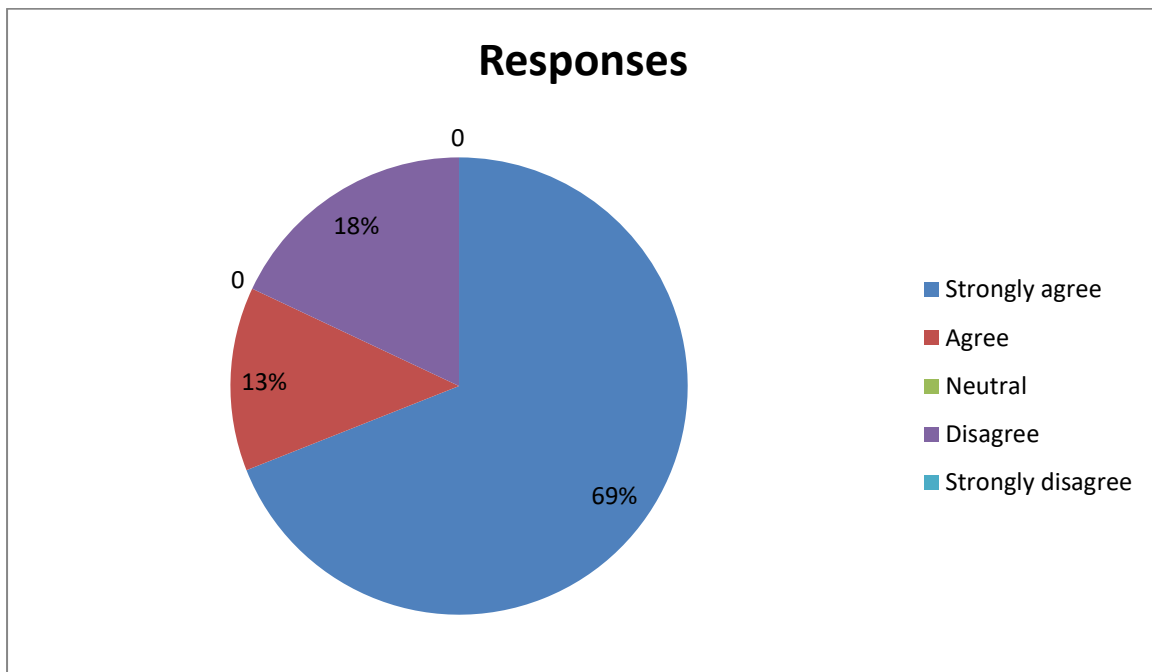


Fig 4.12 shows that 69 % (11/16) of the respondents strongly agree that improper cost cutting strategies result in losses being incurred and 13 % (2/16) of the respondents agree to this. Fig 4.12 also shows that no respondents were in support of the opinion that losses are incurred if improper cost cutting strategies are implemented. There was also no respondent who strongly disagreed with this opinion and 18% (3/16) of the respondents strongly disagreed that improper cost cutting techniques result in losses being incurred. From the information gathered in Fig 4.12 the researcher concluded that 82% of the respondents support the fact that losses incurred are as a result improper cost cutting strategies implemented by management .From the 3 interviews conducted with management, the researcher gathered that the cost cutting strategies which were being implemented were not being effective since in some departments the management would have implemented inappropriate strategies, hence this makes it difficult to effectively cut on certain costs. To support this, Drunken (2013) highlighted that if management does not take action when there are negative variances on annual budgets the cost cutting measures implemented prove to be inefficient, hence management should ensure that proper cost cutting strategies are observed.

4.8 COST CUTTING STRATEGIES FOR IMPLEMENTATION BY MANAGEMENT

4.8.1 Energy consumption reduction

The question was to determine the strategies that can be implemented by management of Zesa NTC in cost cutting and one of these strategies was reducing the energy consumption rate since the company under study is also in the hospitality industry. Table 4.17 below shows the responses by the respondents in regard to energy consumption reduction as a strategy for cost cutting.

Table 4.17 Responses on energy consumption reduction

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	13	3	0	0	0	16

The data in Table 4.17 was used to come up with the bar graph in Fig 4.13.

Fig 4.13 Responses on energy consumption reduction

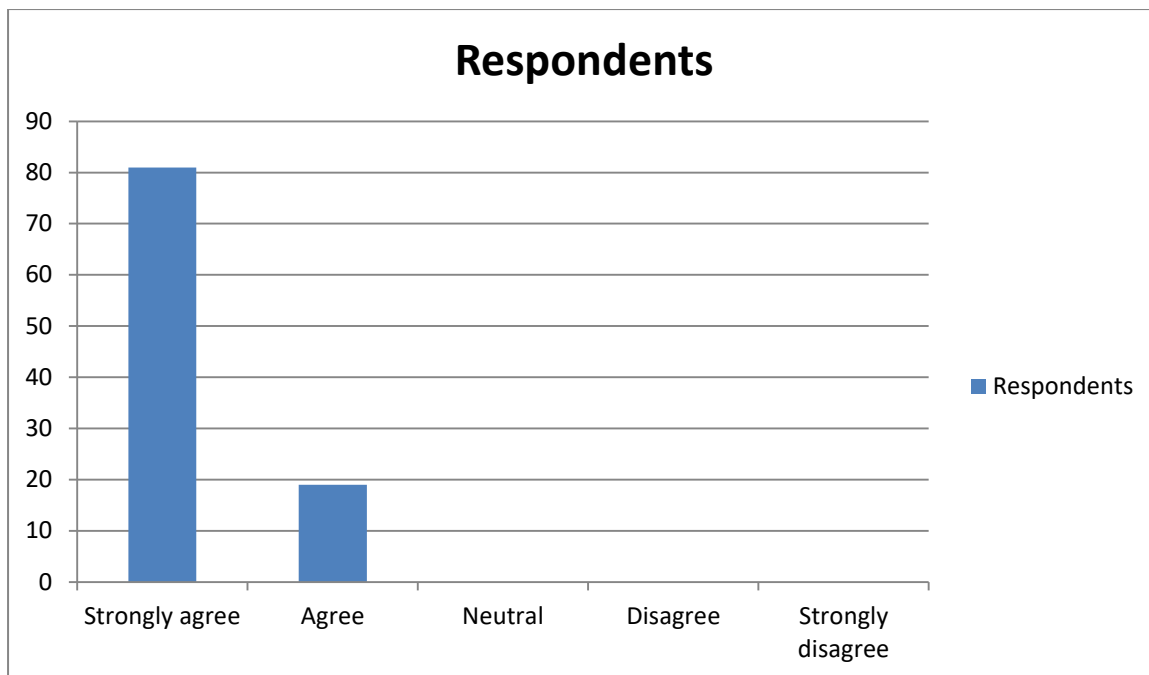


Fig 4.13 shows that 81% (13/16) of the respondents strongly agreed that energy consumption reduction is one of the strategies that management at Zesa NTC can implement as a cost cutting strategy. The graph also shows that 19% (3/16) of the respondents agreed that reduction in energy consumption will result in a decline of the cost incurred by the company. Fig 4.13 also indicates that no respondents were either or disagreed to the opinion that cost cutting will prove to be efficient for the organisation if the company reduces the energy consumption rate. The researcher concluded that this strategy should be implemented by Zesa NTC since all the respondents (81% strongly agree and 19% agree) agree that reducing the energy consumption in the organisation is a strategy that can be implemented by management to reduce costs. The researcher conducted 3 interviews and it can be concluded from these interviews that energy consumption at Zesa NTC is very high since this company is also in the tourism industry. The Training and Development Manager further highlighted that the organisation had resorted to the use of solar geysers as a cost cutting technique. This is also supported by Houdre(2016) who highlighted that solar panel installations is an action that can be used in energy consumption reduction by companies in the hospitality industry.

4.8.2 Responses on elimination of irrelevant functions within the organisation

The question was to determine the strategies that the entity can implement in cost cutting. Eliminating irrelevant function in the organisation is one of the strategies that the company can implement when reducing on costs. The responses which were obtained from the respondents in regard to this strategy are illustrated in Table 4.18 below.

Table 4.18 Responses on elimination of irrelevant functions

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	3	1	0	5	7	16

The table was used to draw the graph shown in Fig 4.14

Fig 4.14 Response on elimination of irrelevant functions

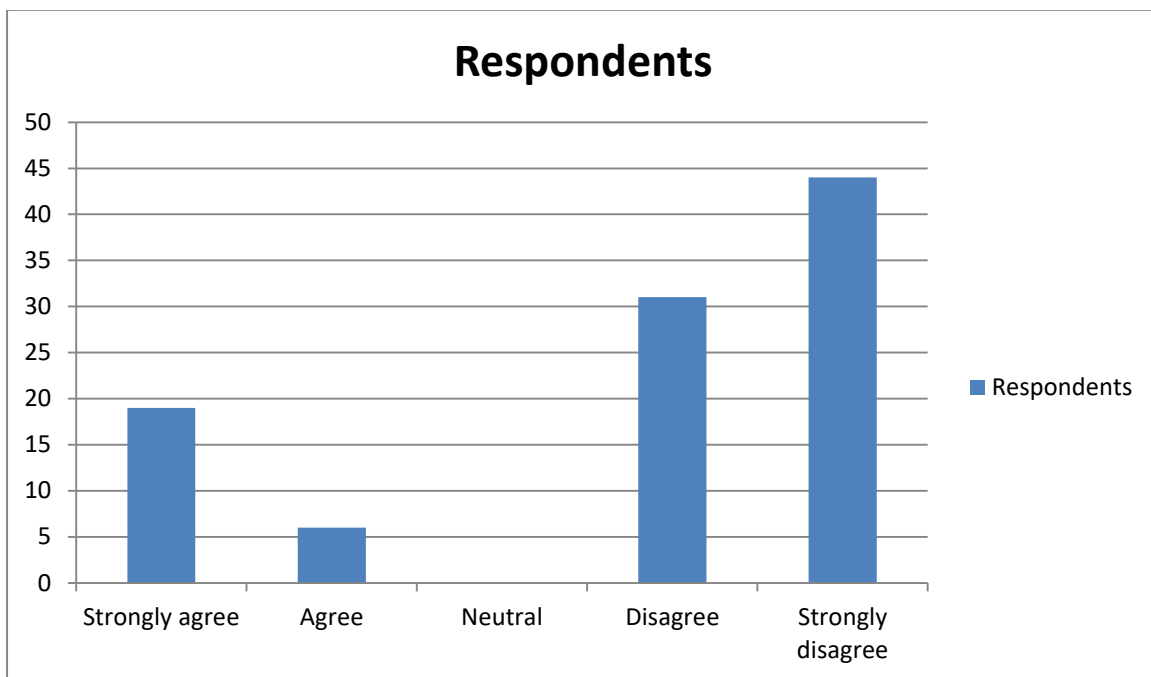


Fig 4.14 shows that 19 % (3/16) of the respondents strongly agree that to reduce costs in an organisation, irrelevant functions must be eliminated and 6 % (/16) of the respondents agree to this opinion. According to the graph it is clear that no respondent was neutral. Fig 4.14 also indicates that 31 % (5/16) of the respondents disagreed that irrelevant functions should be eliminated as a way of cutting down on costs and 44 % (7/16) of the respondents strongly disagreed to this opinion. It can be concluded that the employees at Zesa NTC are not in support of eliminating irrelevant departments within the organisation because most employees fear losing their jobs in the event that some jobs are made redundant. This is clearly indicated in the graph since 75% of the respondents disagreed to the opinion that irrelevant functions must be eliminated within the organisation. In an interview with the Chief Training Officer, the researcher was also enlightened on the latest strategies that the company had implemented as they try to cut on costs and one of these strategies was eliminating of irrelevant functions within the organisation. He also highlighted that this strategy however led to low morale among the employees since it threatens their job security. This is supported by Heywood et al (2013) who highlighted that cutting the fat in organisation to reduce costs involves the elimination of irrelevant functions within the organisation.

4.8.3 Training of the procurement personnel

The purpose of the question was to determine the strategies that management at Zesa NTC can implement as they try to cut on costs. The strategy identified by the researcher involved train the procurement personnel so that they gain adequate knowledge regarding the cost cutting techniques. Table 4.19 is used to illustrate the responses which the researcher obtained from the employees within the different departments at Zesa NTC.

Table 4.19 Responses on training of the procurement personnel

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	12	4	0	0	0	16

The table above can be illustrated by means of a pie chart as shown in Fig 4.15

Fig 4.15 Responses on training of the procurement personnel

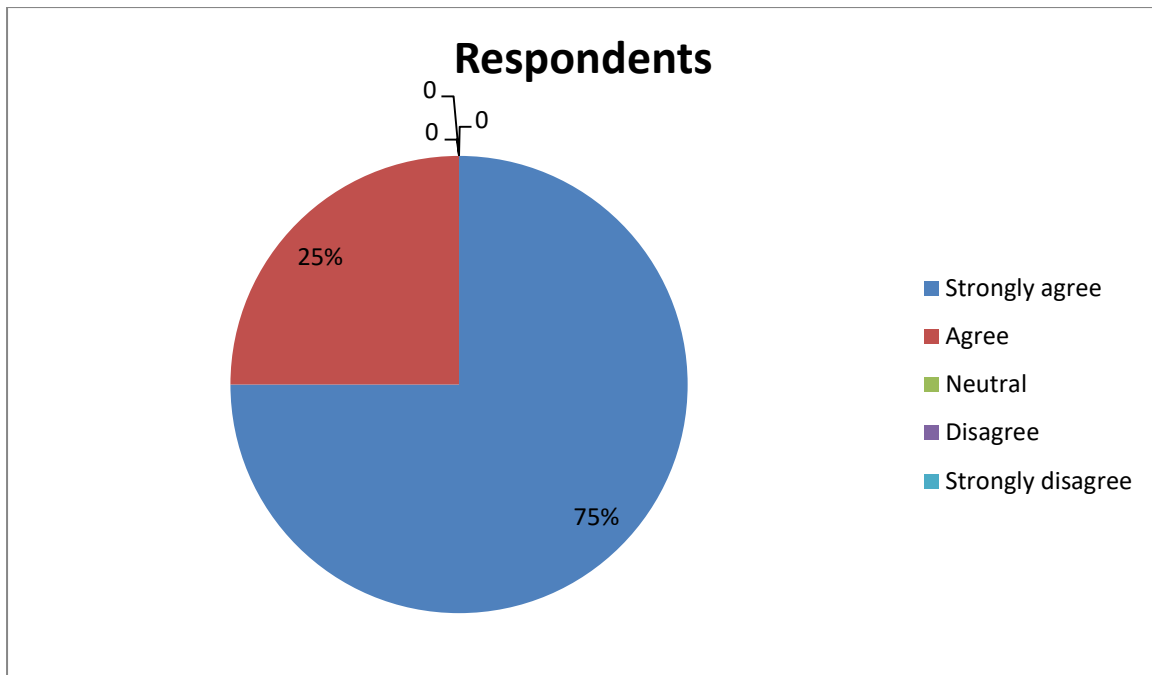


Fig 4.15 shows that 75%(12/16) of the respondents strongly agree to the opinion that training of the procurement personnel will reduce costs incurred by the organisation since this department is the heart of Zesa NTC. Fig 4.15 illustrates that 25%(4/16) of the respondents agreed that training the personnel in the procurement is a strategy for cost cutting. There was no respondent who was either neutral or disagreed to the fact that training the personnel in the procurement department is a strategy that management of Zesa NTC can implement as a cost cutting strategy. From the interviews conducted with management, the researcher gathered that the procurement staff at Zesa NTC had recently attended a 3 day workshop on cost cutting and it was proving to be of great help to the organisation since most items were now being purchased through the use of orders and not by use of petty cash. This was reducing costs incurred since stock items are bought in bulk when they are purchased by use of orders instead of petty cash whereby stock items are purchased in small quantities thus resulting in diseconomies of scale. It can be concluded all (75% strongly agree and 25% agree) the respondents were in support of training the personnel in the procurement department as a cost

cutting strategy. Hafez et al (2015) supported this by highlighting that training of the procurement team is essential for cost cutting to be efficient in any organisation.

4.8.4 Reduce spending on brand new furniture

The question was meant to determine the strategies that top management at Zesa NTC can implement as they try to come up with effective cost cutting strategies. The other strategy identified in regard to cost cutting was reducing spending on brand new furniture. The responses obtained were illustrated using Table 4.20 below.

Table 4.20 Responses on reducing spending on brand new furniture

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Respondents	1	3	0	10	2	16

The data in Table 4.20 can be shown using a graphical presentation as illustrated in Fig 4.16 below.

Fig 4.16 Responses on reducing spending on brand new furniture

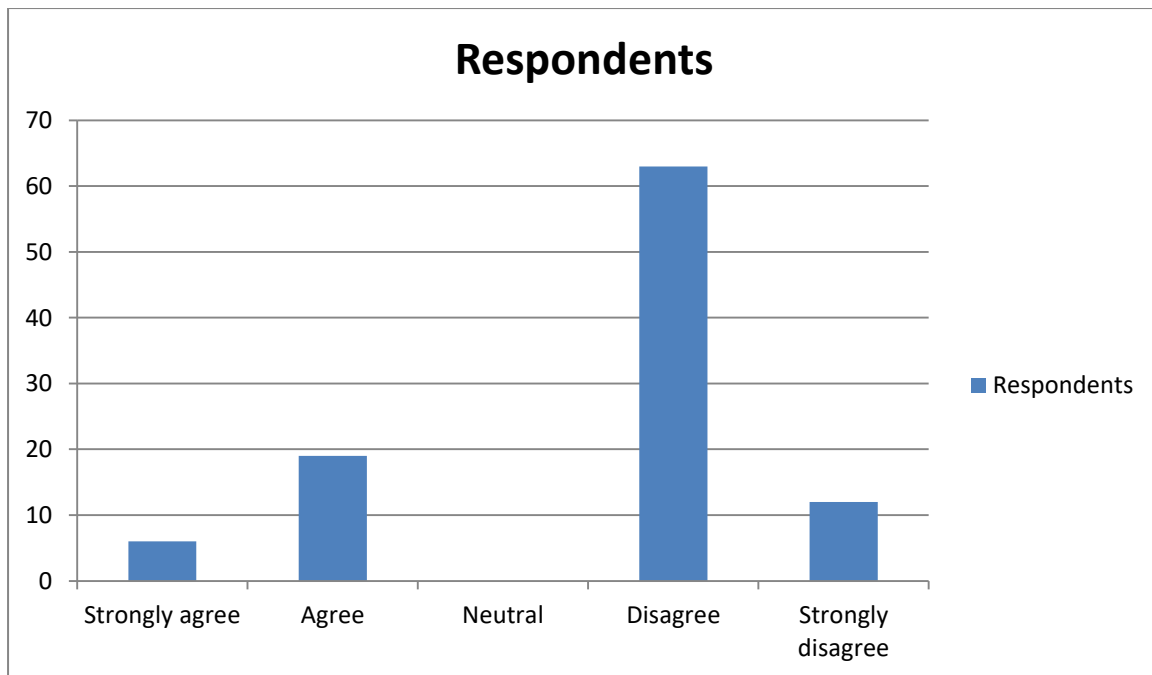


Fig 4.16 shows that 6%(1/16) of the respondents strongly agree that reducing spending on brand new furniture is a cost cutting strategy that can be implemented by management as a way of cutting down on costs. The graph shows that 19%(3/16) of the respondents agree that reducing spending on brand new furniture is another strategy that Zesa NTC can implement as a cost cutting technique. Fig 4.21 also indicates that no respondent was neutral .From the information obtained in Fig 4.16 it is clear that 63%(10/16) of the respondents disagreed to this strategy of reducing spending on brand new furniture whilst the remaining 12%(2/16) strongly disagreed that Zesa NTC can reduce spending on brand new furniture as a strategy of cost reduction for the organisation. In summary, 75 %(63% who disagree and 12% who strongly disagree) of the respondents are against this strategy of reducing costs whereby the company will have to purchase second hand furniture. In an interview with the Senior Accountant, he highlighted that they had recently awarded four orders in two months to Adam Bede for the purchase of furniture for the hospitality department. This clearly indicates that huge sums of money are being spent on new furniture at Zesa NTC, therefore there is need to reduce the costs incurred on furniture in the organisation.

4.9Interview responses

4.9.1 Interview response rate

The researcher only interviewed the management of Zesa NTC and out of the 5 members of the management team the researcher managed to interview 3 of them. This yielded a response rate of 60%.Table 4.21 shows the response rate from the interviews with the management team.

Table 4.21 Interview response rate

Target sample	Interviews arranged	Interviews conducted	Response rate
Senior Accountant	1	1	100%
Training and Development Manager	1	1	100%
Chief Training Officer	1	1	100%
Human Resources Manager	1	-	-
Hospitality Administrator	1	-	-
Total	5	3	60%

Table 4.21 shows that 3 out of the 5 interviews arranged with the top management of Zesa NTC were conducted. The response rate yielded from the interviews with the Senior Accountant, Training and Development Manager and the Chief Training Officer was 100%.The researcher did not manage to interview the Hospitality Administrator and the Human Resources Manager. Despite the 60% response rate from the interviews, the data obtained from these interviews was reliable because it was obtained from the respondents who are from 3 different departments. According to Creswell (2013) response rate must be above 50% for it to be reliable. This also shows that the interviews with management at Zesa NTC were reliable since the response rate is 60%.

4.10 Cost drivers giving rise to costs at Zesa NTC

The number of items required in the various departments gives rise to costs which are incurred in the organization and this was identified to be a cost driver in an interview with the Senior Accountant. From the interviews conducted with management, the researcher noted that the company rarely conducts inspection for quality control.Zesa NTC regularly purchases machines for use in the canteen and at the workshops and this information was gathered from an interview with the Chief Training Officer at this company and thus the regular set ups needed for these new machines give rise to costs that are incurred at Zesa NTC.

4.11 Challenges faced in implementing cost cutting strategies.

The key point which was highlighted by the members of the management team which the researcher interviewed is that there is insufficient knowledge of the cost cutting techniques which can be implemented at Zesa NTC. The respondents also pointed out that it is difficult to implement cost cutting strategies since there is shortage of personnel in the procurement department. The procurement clerk at times ends up requesting for petty cash to purchase stock items that could have been bought in large quantities, thereby resulting in bulk buying discounts. Another challenge which was highlighted from these interviews is that stock and no-stock items are sometimes issued by the stores clerks without authorisation by the Senior Accountant and the head of the receiving department.

4.12 Reasons for recurring losses

The Training and Development Manager highlighted over twenty companies owed Zesa NTC more than twenty thousand dollars each and some of these companies are said to have shut down without settling their outstanding amounts. From these interviews it was also noted that management at Zesa NTC regularly reviewed the cost cutting strategies they implement and because of this they did not view lack of adequate support as a valid reason to explain why the company had been recording losses. The Senior Accountant highlighted that the cost cutting strategies were proving to be ineffective because of lack of sufficient resources for implementing the cost cutting techniques. The researcher also gathered that inappropriate techniques are being implemented in the organisation; hence cost cutting techniques are proving to be ineffective.

4.13 Strategies that can be implemented to cut on costs at Zesa NTC

The respondents were of the view that regular follow ups on outstanding amounts will reduce the costs incurred by the firm because if a company that owes Zesa NTC huge amounts of money shuts down this automatically means that a loss is incurred. The interviewers also highlighted that stock items should only be issued by the stores clerk if they have been authorised in the SAP system by the Senior Accountant and the head of the receiving department. Management interviewed also pointed out that the loss control department should inspect all vehicles when they leave the premises to check if they are not in possession of any property owned by Zesa NTC.

4.14 SUMMARY

This chapter mainly dealt with data presentation and analysis. The research validity is stated at the beginning to show that there is no bias in the research findings. Primary data was collected through questionnaires and interviews which are explained and illustrated in this chapter.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter seeks to highlight the executive summaries, major findings of the research and the recommendations. The meaning of the data presented in the previous chapter is conferred in this chapter. Since the research questions and objectives were discussed in chapter one, this chapter will now draw conclusions from the research study. The researcher also highlighted on the recommendations for Zesa NTC on how best the company can effectively cut costs in a way that improves the financial performance of the company.

5.1 Executive summaries

Chapter One mainly focused on the background of the study, statement of the problem, research objectives and research questions to be answered by the research. The key terms used in this research were also defined in this chapter. The researcher had to determine the reasons why Zesa NTC has been incurring losses from 2015 to 2017 despite the cost cutting measures implemented in the organisation. The main research question was highlighted in chapter one and it was about how the cost cutting measures affect the financial performance of the company. The objectives of the research were: to determine the cost drivers giving rise to changes in costs, to determine challenges faced by management as they try to come up with cost cutting strategies, to identify reasons why the company has been incurring losses despite the measures put across by management to cut on these costs and lastly to determine the strategies that can be implemented by management in their quest to cut on costs.

Chapter Two was based on literature review of the findings from various scholars and what they had to say on the effects of cost cutting on financial performance. The research objectives highlighted in chapter one are fully explained in this chapter. The major thoughts which were revealed in this chapter are that cost cutting strategies can be inefficient if there is lack of support from top management and also if there is insufficient knowledge of the cost cutting techniques. The cost cutting strategies that Zesa NTC can implement are also discussed in chapter two. Costing systems that determine the cost of a certain product were also highlighted and the merits and demerits of each costing system were discussed. The main authors in this chapter were Kerr and Pauwels (2014) and Watkins (2014). Kerr and Pauwels (2014) highlighted that for a company to ensure a successful cost cutting strategy, the cost program must be launched before its needed since some companies apply cost reduction measures proactively so as to gain and maintain a lead in the industry. Watkins (2014) expressed emphasis on the heavy costs associated with cost cutting and he stated that these costs can only be reduced if the strategies are applied effectively.

Chapter Three revealed the research design used in carrying out the research. The researcher made use of the descriptive research and the shortcomings of this method were discussed. In this chapter, the researcher made use of the case study approach because of the need to explore only a single unit for the study. The employees of Zesa NTC were used as the population of the participants in the collection of data. The research instruments used in collecting data were interviews and questionnaires. To carry out this research, the researcher made use of a census since the targeted population of Zesa NTC was small. The research also reviewed both the qualitative and quantitative approaches of data collection. The Likert scale was used to carry out the research as a complementing tool for designing the questionnaires.

Chapter four mainly focused on presenting the research findings. The researcher distributed 22 questionnaires and 16 were returned, thus yielding a response rate of 73%. From the interviews, the researcher yielded a response rate of 60% since the researcher managed to interview 3 members out of the 5 members of management at Zesa NTC. The researcher also gave a detailed analysis of the findings in this chapter. The conclusions made from data analysed in the questionnaires are that the major challenges being faced by management in cost cutting include lack of adequate knowledge relating to the cost cutting techniques. From the interviews with top management, the researcher concluded that managers of the company are not regularly reviewing the cost cutting strategies they implement within the organisation. The strategies that can be implemented by management in cost cutting include energy

consumption reduction, elimination of irrelevant functions within the organisation, training of procurement personnel and authorisation of stock and non-stock items by the Senior accountant and head of the receiving department before issue.

5.2 Major research findings

5.2.1 Challenges being faced by management in implementing cost cutting techniques

The research revealed that management of the company lack adequate knowledge relating to the cost cutting techniques they implement. Resistance from some of the employees is the other challenge being faced by management at Zesa NTC as they try to reduce on expenditure. Cost cutting tend to limit the value of the company and in most cases managers are reluctant to put across these measures .Managers are usually ignorant and they are not aware of the external factors that hinder success of cost cutting measures. The research also revealed that the use of inexperienced personnel in the implementation of cost cutting measures results in the failure of these strategies since these employers are most likely to make errors.

5.2.2 Reasons for recurring losses

The research also revealed that delay by clients in paying outstanding amounts is the major reason why the company has been incurring losses. The cost management strategies implemented by management at Zesa NTC have resulted in recurring losses since management lack adequate knowledge of these techniques. Management is reluctant to review the cost cutting strategies they implement and this has resulted in losses being incurred.

5.2.3 Cost cutting strategies for Zesa NTC

The research showed that issuing of stock and non-stock items to the various departments within the firm without authorisation by the top management results in high costs being incurred by the organisation. For this reason, items must be firstly authorised by the Senior accountant and head of the receiving department before issue so as to reduce unnecessary expenditure. Training of the procurement personnel will also reduce costs that the company incurs.

5.3 Conclusions of the research

The research analysed the effects of cost cutting on the financial performance of Zesa National Training Centre. Although research did not yield a 100% response rate from the interviews with management and responses from questionnaires distributed, the research was carried out successfully and thus making the research evaluations more reliable and valuable. This research was a success because the researcher managed to collect data (through interviews) from the management of the company who also are the policy makers of this company and because of this they had first-hand information in regard to the issue of cost cutting within the company. The findings review that the problem of recurring losses at Zesa NTC is as a result of failure by management to regularly review the cost cutting strategies implemented and the issue of delays by debtors in paying their outstanding amounts is also another major reason why the company has been incurring losses. As a result of these challenges, financial performance of the company is negatively affected since losses have been incurred from 2015 to 2017.

5.4 Recommendations

Zesa NTC should conduct regular training courses on cost cutting strategies so that the employees and managers are well versed with the cost cutting strategies as outlined by Omotayo and Kulatanga (2016). This will result in successful cost cutting since the use of inexperienced personnel in the implementation of cost cutting measures is eliminated. Zesa NTC should make regular follow ups on outstanding amounts so as to curb this problem of recurring losses. This is supported by Drunken (2013) who highlighted that delays by clients in paying outstanding amounts results in the decline in financial performance of a company, hence follow ups on outstanding amounts should be made regularly. Customers with outstanding amounts can submit payment plans and these payment plans must clearly show the monthly commitment until the debt is cleared and if these customers fail to adhere to this, the company can approach regulatory authorities (Watkins, 2014). The cost cutting strategies implemented by management should be reviewed regularly so as to assess if the employees adhere to these strategies. This is supported by Adeniji (2014) who highlighted that

management must review the cost cutting systems regularly and analyse if it is relevant to the organisation and if it is considered as irrelevant ,the system must be dropped.

5.5 SUMMARY

A summary of all the previous chapters was given in this chapter. The chapter also highlighted on the major research findings and recommendations for Zesa NTC were discussed.

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Appendix 1

Midlands State University
Faculty of Commerce
Department of Accounting
P.Bag 9055
Gweru

12 April 2018

Zesa National Training Centre
16676 Ganges Road
Belvedere
Harare

Dear Sir/Madam

RE: REQUESTING FOR PERMISSION TO COLLECT RESEARCH DATA FROM YOUR ORGANISATION.

My name is Thembinkosi Chikambwe and I am a final year student at Midlands State University. I am kindly seeking for permission to collect data for my research with the title “**Analysis of the effects of cost cutting on financial performance: A case of Zesa National Training Centre**”. The research data which is to be collected from your company is for academic purposes only and the information obtained is to be kept confidential.

I look forward to hearing from you soon and your cooperation will be greatly appreciated.

Thank you in advance.

Yours faithfully

Thembinkosi Chikambwe

Appendix 2

Dear Respondent

My name is Thembinkosi Chikambwe and I am a final year student at Midlands State University studying Bachelor of Commerce Accounting Honours Degree. I am undertaking a research with the title “**Analysis of the effects of cost cutting measures on financial performance: A Case of Zesa National Training Centre**”. I am interested in your contributions and views pertaining to the questions listed below.

QUESTIONNAIRE

Instructions

- 1) For confidentiality purposes please do not write your name.
- 2) Tick the appropriate box only.

Personal Questions

1) What position do you hold in the firm?.....

2) State the department you are engaged to.

Accounts IT Internal Audit HR Hospitality

3) Gender Male Female

4) Age up to 30 years 30 – 40 40-50 over 50

5) How many years have you been working for Zesa NTC?

Below 2 2-5years 5-10years above 10 years

KEY

Strongly agree **5**
Agree **4**
Neutral **3**
Disagree **2**
Strongly disagree **1**

Questions

1. The cost drivers giving rise to changes in costs are:

	5	4	3	2	1
Number of items required by the receiving department					
Number of inspections for quality control					
Number of machine setups when a new machine is purchased in the organisation					
Number of staff within the firm					

2. The challenges being faced by management as they try to come up with cost cutting strategies are:

	5	4	3	2	1
Insufficient knowledge of cost control techniques.					
Heavy costs associated with cost control.					
Lack of adequate knowledge relating to cost cutting techniques.					
Resistance from some of the employees.					

3. The company has been incurring losses despite the cost cutting strategies implemented because of:

	5	4	3	2	1
Delays by clients in paying debts					
Lack of support from top management					
Lack of resources for implementation					
Improper cost management strategies.					

4. The strategies that can be implemented by management in cost cutting are:

	5	4	3	2	1
Energy consumption reduction.					
Elimination of irrelevant functions within the organization.					
Training of the procurement personnel.					
Reducing spending on brand new furniture					

Any other comments (Specify)

.....

Appendix 3

INTERVIEW GUIDELINE

1. What are the cost drivers which give rise to changes in costs?

.....
.....
.....

2) What are the challenges being faced by management in coming up with cost cutting measures?

.....
.....
.....

3) What are the reasons for the recurring losses being incurred despite the measures put across by management to cut on costs?

.....
.....

4) What are the strategies that can be implemented by management at Zesa NTC to cut on costs?

.....
.....
.....

