

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN INVESTIGATION ON THE EFFECTIVENESS OF CUTTING EMPLOYEE
RELATED COSTS AS A PERFORMANCE MEASURE.**

A CASE OF DAMOFALLS INVESTMENTS (PVT) LTD

BY

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*This dissertation is submitted in partial fulfillment of the requirements of the Bachelor
of Commerce Accounting Honours Degree at Midlands State University.*

MAY 2016

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Approval form

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DEGREE TITLE : Bachelor of Commerce Accounting Honours Degree.

YEAR DEGREE GRANTED : 2016

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DEDICATION

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

ABSTRACT

The research was carried out to evaluate the effectiveness of cutting down on employee related costs on the viability and performance of the organization as exercised by Damofalls Investments. This was lined with the background that the company was experiencing increasing costs and on the other hand declining profits. So this arose the need for the company to try and cut costs to maintain a standing ground in the construction industry. The research sought to evaluate the current employee cost cutting measures employed, identify other aspects that can lead to improvement in the company's viability, monitor and assess the reaction of employees on the measures implemented, establish challenges which could be encountered in implementing the cost control measures and establishing the best practice which can be adopted. A case study research design was used in this study making use of questionnaires, interviews as well as secondary data for data collection. These techniques gave research findings which were analysed for the satisfaction of the objectives of the research. Based on the findings, it was realized that cutting employee related costs hinders productivity and negatively affects the business opportunities of an organization. It was deduced that the company engaged in cost cutting measures which led to the demotivation of employees resulting in company performance declining. The research highlighted that there is need for Damofalls to consider all the processes and services inside the company (Activity Based Costing) for cost saving opportunities and can also consider reviewing cost control as a continuous practice.

ACKNOWLEDGEMENTS

First and foremost, I would like to thank the Almighty who is the author of my life for guiding and protecting me in all my endeavours. My sincere gratitude goes to my supervisor Ms Mhaka for his timeous and endless support for directing all the stages of my dissertation, thank you so much ma'am. I would like to express my profound gratitude to the staff of Damofalls Investments for their cooperation during my research.

Special thanks goes to my friends Desmond Chimedza and Malvin Tubulo, thank you so much for your invaluable support through the research period.

Also special mention goes to my family for their financial and moral support. Thank you for believing in me.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

Controlling costs is a recurring cycle which starts with the planned annual budget and refers to management's effort to influence the actions of individuals who are responsible for performing tasks, incurring costs, and generating revenues (Abinader 2011). While most companies normally stress for the need to generate new business and cost cutting, increasing evidence points to an unforeseen yet undisputable relationship between satisfaction of employees and financial performance. Palepu and Healey (2009) postulated that there is no guarantee that the performance of a company increases when an organisation decides to curb its cost. Katzenbach and Bromfield (2008) also supports that workers who are committed can cut costs more and improve the company's performance than workers who are under duress. However some companies have implemented cuts in a way that links the cost reduction to a more motivating objective, fostering employee involvement and commitment (Timothy 2012). Gandolfi (2008) also supports that downsizing does not save money, and instead may hurt the company's results since the retained employees (survivors) will become less trusting, more apt to look elsewhere for work and less engaged. While previous researches generally revealed the relationship between segments such as employee retention, commitment and satisfaction on an organisation's performance, this research is aimed at evaluating how effective cutting employee related costs is on the performance of an organisation.

1.1 Background of study

Damofalls Investments (Pvt) Ltd is a company which is mainly concerned on land developing. The company has 8 site areas which are all functional and employing over 300 hundred permanent workers and other casuals. Due to reduced competitiveness in the industry, declining profits were incurred in prior years due to the inability of the revenue

from clients to cover the high labour cost, wastage and spoilage, repair and maintenance resulting in the decrease in operational performance. Therefore the decline in profits need arose for the company to still maintain a standing in the construction industry (Year-end minutes December 2015).

With labour cost contributing over 50% of the total monthly operating cost of the firm, the company tried to increase its financial ground through controlling its employee related cost (Damofalls Annual Report 2014). The company's Director Mr Samson resolved that the company was going to implement a cost cutting measure and such costs such as employee grocery vouchers that they received every month were removed, employees were not going to be paid overtime and there was going to be a reduction in office space (Budget minutes July 2014).

Also in 2015 July 15% of the company's employees lost their jobs and the remaining were all converted to contract employees stripping them off all the benefits that were due to permanent staff. This was a measure taken by management for them to regain their competitiveness and profits. Nevertheless though the company cut on all the above cost, the company still experienced declining profits as shown below

Table 1.1: Financial performance of Damofalls for the period 2013 - 2015

	2013	2014	2015
REVENUE (NET)	\$1 318 152.00	\$1 325 678.00	\$1 376 524.00
OPERATING COST	\$1 242 614.00	\$1 280 548.00	\$1 348 542.00
PROFIT	\$75 538.00	\$45 130.00	\$27 982.00

(Source: Damofalls Investments income statement)

From the above table the company's revenue is increasing as well as the costs incurred resulting in the company still experiencing declining profits. Also there has been a 40% decrease in profits in the year 2014 followed by a 38% decrease in 2015. In a survey held by

the HR department the company saw an average of 23% drop in measure of employment satisfaction as shown below (Performance Appraisal minutes December 2015).

Table 1.2: Measure of employee satisfaction (2013; 2014; 2015)

	2013	2014	2015
Punctuality at work	84%	80%	72%
Effectiveness of work done	78%	70%	60%
Presence at workplace	82%	80%	78%

(Source: Performance appraisal year end meeting 2015)

From the above table the company's index for employee satisfaction tests declined over the three years. As of punctuality, the company had a 4% decrease in the year 2014 followed by an 8% fall in 2015. On effectiveness of work done the company experienced an 8% deterioration in 2014 followed by a 10% decline in 2015. On presence at workplace the company experienced a 2% decline in both 2014 and 2015.

1.2 Statement of the problem

Damofalls investments is currently facing viability challenges, persistent losses and problems still arise in trying to minimise costs and maintain a favourable financial ground of the company, as a result this research sought to give a detailed analysis of the effectiveness of cutting employee related costs to curb the persistent decline in profits.

1.3 Main research question

An evaluation of the effectiveness of employee cost cutting on the sustainability and viability of the company.

1.4 Research objectives

- To evaluate the current employee cost cutting measures employed by the organization.

- To identify other aspects that can lead to improvement in the company's viability despite cutting costs.
- To monitor and assess the reaction of employees on costs cutting measures implemented.
- To establish challenges which could be encountered in implementing cost control measures.
- To establish the best practice in employee cost control initiatives.

1.5 Sub research questions

- What are the effects of a reduction on employee related costs on the performance of a company?
- What other approaches that can be engaged that may lead to organizational competitiveness?
- What is the reaction of employees on costs cutting measures implemented?
- What are the challenges in implementing the measures?
- What is the best practice on the employee cost control initiatives?

1.6 Justification of the Study

The research will help Damofalls to utilise the suggested possible solutions to improve its overall performance. This research gives practical strategies which can be implemented to mitigate the current Damofalls setbacks. This study was done in partial fulfilment of the requirements for full completion of the Bachelor Commerce Accounting Honors Degree. The

research is a provision of literature for review in future by other students and researchers who may wish to undertake a research on the topic.

1.7 Assumptions

- All the responses are not biased
- Prevailing conditions at Damofalls' head office are the same with those in its branches

1.8 Delimitations

The research was limited to Construction companies with emphasis on Damofalls Investments, Head office in Harare and branches in Ruwa and Norton. The research covered the period 2013 to 2015 on the effectiveness of reduction on employee related cost as a performance measure.

1.9 Limitations

The results from this research cannot be assumed to be representative of the wider construction industry. Also another limitation was the principle of confidentiality by the management. They might not fully comprehend the need to assist in disclosing the necessary information essential for the progress of the research project. However the writer used other secondary sources of information such as internal data that was at disposal to the writer during work related learning.

1.10 Definitions of terms

- Cutting employee related costs – are the measures employed by an organization to decrease employee related expenses and improve productivity (Bragg 2010).
- Labour cost - is the amount of expenditure borne by the organization for employing or hiring personnel in exchange of services

- Performance - is the attainment of a certain specified assignment of a given task calculated against available identified standard of accuracy, completeness, cost and speed. It is also act of measuring appraising and comparing the operational results of different profit centres of an organization

1.11 Chapter Summary

This chapter managed to highlight the significance of engaging this research as well as the current state at Damofalls Investments. The main reason of performing this study is to analyse the effectiveness of cutting employee related costs as a performance measure of Damofalls Investments.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

University of Toronto describes the review of literature as the description of the materials and views of other recognised authors' publications in a specific area and sometimes material in a specific subject area within a certain time period This chapter will also look into what those authors published concerning the research topic which is divided into implications of cutting down on costs on the overall performance of an entity, alternative measures which may improve competitiveness of the organisation despite cutting costs, assessment of employee involvement on the measures implemented and the challenges of implementing the measures.

Overview

Weetman (2011) postulates that costs are the value of resources consumed in the production of goods conveyed in monetary terms. Control refers to management's effort to influence the actions of individuals who are responsible for performing tasks, incurring costs, and generating revenues. Bowen (2011:27) stressed that firms should try and aim for a balance between resources sacrificed and sustainable and desirable balance of the entity's financial performance. The financial performance of a firm cannot be divorced from its ability to reduce costs, in simpler terms financial performance is impacted by increases in costs (King and Saitor, 2009:2427). Auzair *et al* (2013) postulates that the key performance indicators of an organisation include revenue, overhead, return on investment and operational costs. The main motivation of most cost cutting efforts is the desire for an immediate reduction of costs and increased levels of efficiency, productivity, profitability, and competitiveness (Waraich, Bhardwaj and Yadav, 2011). This research will mainly focus on operational costs as a performance indicator

2.1 Implications of employee costs cutting on the overall performance of an entity.

The prime motivation of most cost cutting efforts is the desire for an immediate reduction of costs and increased levels of efficiency, productivity, profitability, and competitiveness (Gandolfi 2008). Before an organisation decides to try and cut down on costs, they need to engage with the relevant management staff to understand and assess the likely consequences, unintended costs and challenges relating to the approach they intend on applying.

Cutting costs may impend unexpected costs to the organisation not predictable when formulating the policies. These costs include lost productivity, lost business opportunities and lower quality goods and service. Mabert and Schmenner (2008) supports that downsizing usually results in considerably lower morale on employees which may result in what is termed the cesspool syndrome where there is high turnover of most probably the high talented employees and withholding the less competent ones.

2.1.1 Decrease in Productivity

According to Marvin and Lieven (2009) productivity of employees is sometimes referred to as workforce productivity. This is a valuation of the workgroup of workers' efficiency. It can be evaluated by way of output the employee produced in a specific period of time. Leung and Cheung (2012) pointed out that with the strategies implemented in reducing labour costs, remaining employees or those available at the workplace have to cope with increased workload, and hence competition is created amongst employees to ensure that they can retain their employment. As a result employee performance will increase and it will also lead to an increase in productivity even though employee morale is low.

The Institute of Management Accountants postulates that cost cutting may have an adverse effect on the employees resulting in reduced staff turnover even though it was meant to be a

measure to cut costs. These cost usually goes unnoticed by most managers as they may fail to trace back the causes of the falling productivity levels. Also Nussbaum (2008) supports that retrenching is not advisable, managers should rather educate staff on the goals of the organisation as layoffs may at times cause poor productivity with the left behind employees. These cost controls can be viewed as a violation of the employment contract between its employees and the organisation resulting in decreased trust and greater stress in the workplace instigating reduced productivity (Christopher and Roderick 2006).

However Challenger (2008) is of the view that money is not the sole or even the single most-crucial influence on employees as to whether they are happy with their jobs. Factors like flexible schedules, work environment as well as promotional opportunities and career advancement contribute heavily to workers productivity. Also on the other hand Pacek (2012) supports that the capacity to include employees in current organizational decisions is perceived as an important driver of organizational success. Through the incorporation of information from employees and ideas, the organizational flexibility and productivity may improve. Also Dong (2010) hypothesize that productivity improvement will be stronger where workers have an understanding of the need to cut costs as a survival strategy for the company.

Nevertheless Borenstein and Farrell (2010) postulated that not all employee cost cutting notice affect productivity of organisation, some may instead distress or cause changes in exogenous factors which may include market share of an organisation or competitively supplied inputs or output. Layoffs as a strategic measure to cut costs may signal financial distress of an organisation, alarming the whole world of the difficulties currently facing the organisation affecting the company's image and reputation (Peggy 2009).

The abovementioned authors discussed the effects of cost cutting on productivity of an organisation but they did not reach a mutual understanding on the subject matter. This research intends to examine the effects of cutting on employee costs on the productivity of Damofalls.

2.1.2 Lost business opportunities

According to Attridge (2010) work-life programs, wellness programs and employee assistance programs are the three usually used interventions for fostering a healthier workplace culture and cultivating employee performance. The integration of programmes like these offer additional synergistic benefits, providing comprehensive delivery services that support human capital needs with bottom-line financial success of the company. Also Schiemann (2009) supports that if increases in reward by way of benefits and wages reduces undesirable turnover of employees at a cost which is less, at that point the investment might be valuable and so creating a positive relationship between business opportunities and the employee costs of an organisation. Also investors prepare for the worst-case scenario in every situation, they do anything to minimise risk and they need a quick return on investment. The firm's reputation suffers when the firm decide to downsize impacting on the organisation's opportunities. For example, investors might withdraw their funds after an announcement about staff layoffs as this signals financial distress about a company (Prachyakorn 2011). According to Worrell, Davidson and Sharma (2009) negative market response are expected after an organisation has passed downsizing notices and declining stock values post-downsizing.

However Amabile, Conti, Coon, Lazenby, and Herron (2015) were of the view that cost cutting has positive effects on a company's efficiency, opens up new opportunities and improve its financial position. The cost cutting measures do not in all cases encompass reductions in personnel, however in some cases new products are added, new sources of

revenue open up or extra work acquired without a proportionate addition of the number of employees (Cameron 2008).

The aforementioned authors all brought out different perspectives on the impact of the reduction of costs on business opportunities of an organisation. This research seeks to address the issue of the relationship between employees' cost cutting on business opportunities of Damofalls.

2.1.3 Poor Quality Goods and Services

Zeynep (2009) postulates that decreasing the amount of labour is associated with reduced profitability through its positive relationship with quality. Whilst an organisation is trying to cut wasteful activities, falling quality and poor morale can be triggered if the cost cutting measures are implemented carelessly. Gilliland (2007) shared the same view when he alluded that after trimming down employees, work becomes stressful, the rate of mistakes increases and the quality of output decreases. The use of contingency staffing and overtime may increase as the workforce is reduced. Lack of job security forces acceptance of overtime, leaving less time for family life which may lead to resentment. There is a direct link to between the success of an organisation and employees' willingness to perform their tasks as they are the ones who produce the goods and services. With declining attitude towards their duties, the workers will not perform at their maximum efficiency and effectiveness. Services do not meet established standards or customer expectations and are reflected in negative customer feedback and decreasing revenues. Siguaw, Gassenheimer and Hunter (2009) supported that increasing employee's load of work can result in faults impacting on quality problems. In managing costs of labour, there are inefficiencies that arise from labour resources which cut the services quality hence management should take into consideration other factors when managing labour costs. Oliva and Sterman (2011) supports that increasing

labour reduces the workload per employee and also the likelihood that the employees would do errors in doing their duties which improves the quality of goods and services.

However, since downsizing leads to a flatter corporate structure, information and communication flow no longer needs the prior effort which it required before restructuring (Marco 2010). Katzenbach (2008) also supports that since cutting costs allow companies to direct resources to their best use, the company can realise its objectives. Implementing cost control measures in a way that links the cost control to a more motivating objective, fostering involvement of employees and their commitment has positive effects on the quality. Appelbaum and Donia, (2011) supports that on some occasions, employees whose jobs are spared during downsizing may become more satisfied with their jobs as they may feel that they are of high value to the organisation, improving on their organisational commitment and quality.

On the other hand, Brockner, Spreitzer, Mishra, Hochwarter, Pepper & Weinberg (2009) cited that perceptions of injustice may pose positive or negative inequity on the remaining employees. In a case where the survivors feel that those retrenched employees had the greatest right to be the survivors than them, they experience guilt with the result that they work harder. Also or negative unfairness where for instance, survivors were close with the ones made redundant impact the survivors on decreasing the organizational commitment and employee's satisfaction. So this affects the employees depending on how they judge the decision by the management.

The abovementioned authors discussed the effects of cost cutting on quality of output of an organisation but they did not reach a mutual understanding on the subject matter. This research intends to examine the effects of cutting on employee costs on the output quality of Damofalls.

2.1.4 Demoralisation of Employees

(Briault & Meekings, 2013) put forward that the view that high turnover of labour has the after-effect of demotivating the remaining staff in the organisation. Employees are prone to mistreat customers when they are demotivated during their normal tasks. Normal or expected service provision will be distorted through 'a rush to complete attitude' when customers are few or abnormal delays when there are long queues awaiting service. (Kleiner et al, 2005) added that dissatisfaction of employees results primarily from policies that adversely affect employees to deliver results to clients and poor support services. (Forret & Love, 2008) shared the same view that success or failure of better provision of services in a company lie in the extent of motivation of employees in the company.

(Manjarrez, 2008) stated that destabilised delivery of services in national museums is generally because of the demoralised staff members who are uncertain about the future of their jobs in view of the turnover rate currently at the organisation at that present time. Lack of job security by the remaining workforce was cited as a factor which can demoralise the entire workforce of an entity leading to impaired service delivery (Mahmoud & Reisel, 2014).

Lovelock (2000) is of the view that demoralisation of employees has no effect service provision quality to customers basing on a project that reviewed that provision of services which are below expectation of customers are evident in a company that has low labour turnover rate and employees that are highly motivated.

2.2 Alternative factors which may improve competitiveness of Damofalls Investments.

Jensen (2012) is of the view that business owners should consider costs of the organisation rather than to totally cut the costs as this affect employees negatively. Such costs include cutting down on the amount of overtime through improved supervision of efficiency on

normal working hours, trimming the amount of printing wastages, switching light bulbs to efficient energy ones, cutting on utility bills and using backside of old copies of scrap papers. Damodaran (2012) postulated that firms can improve competitive advantage if they increase their expected expansion and reduce cost of capital.

2.2.1 Activity Based Costing

The Institution of Management Accountants postulated that ABC identifies activities that were involved in coming up with a product. It assigns costs to activities based on measurement of resources used. According to Yousif (2011) ABC tries to control the cost driver linked with a cost object as it allocates overhead costs to activities that are the real cause of the overhead and then to products that are actually demanding these activities. Activities in an organisation consume resources and these should be tied up to cost objects. ABC provides a company with accurate cost information that helps the company to improve its performance by identifying the products which are being unprofitable, inappropriately priced, and segmented in the wrong markets (Yousif 2011). Knowledge of activity cost allows one to know the impact of cost reduction and to consequently corroborate the actions and savings achieved. Providing non-financial information may be the most important contribution of ABC. ABC aims to specifically reduce costs through improvement of methods and procedures and has been developed to help management improve productivity (Feinberg 2008). The system is particularly helpful in identifying and ear-marking some of the matters of business activities which are a burden or stress on the business i.e. wasteful or non-value adding services (Maingi 2011).

However, Stratton et al (2009) highlights concerns of managers using ABC method and these include the necessity to find a better solution to allocate costs because allocation do not reveal how resources are used, cost information are not reported on time and updating the

system is considered to be expensive and complex. Johnson and Kaplan (2007) shared the same view when they said that information from management may be too grouped and distorted and may not provide the management with appropriate cost information in regard to reduction in costs, improvements in production process and productivity improvements.

From the above authors, a mutual agreement was not reached as to whether Activity Based Costing improve an organisation's competitiveness as different views were posed the authors. This research seeks to explore on whether financial controls can be used as a measure to improve the competitiveness of Damofalls.

2.2.2 Financial Controls

These are management function aimed at achieving defined goals within an established timetable, and usually understood to have three components which are setting standards, measuring actual performance, and taking corrective action (Tiura and Stradford 2012).

According to Kirby (2008) financial transaction controls are procedures that are aimed at detecting or preventing misappropriations, errors, or policy non-compliance in a financial transaction process. These assist the organization in achieving their missions and strategic objectives through ensuring that resources are correctly accounted for and used effectively. The Institute of Internal Auditors also supports that effective financial controls allows for reliable reporting of the financials of an entity throughout the organization, which will allow for more solid financial management of the operation. Sound controls also allow greater peace of mind to the management regarding reliability of data and that the funds are better protected from frauds. Tiura and Stradford (2012) supports that it allows for higher profits to be achieved for the operations thus improving competitiveness of the organisation. Financial controls guarantees proper financial discipline within an entity. These two lead to production of goods and services at cheaper price thereby increasing the earnings of the concern. This

ensures that the overall efficiency of all the staff increases. Financial control not only provides the base for future financial activities but also provides tools for checking actual performance with standard performance and to take appropriate measures in case of deviations

However Barnes (2010) postulates that financial controls are often used to measure organizational performance, however some entities have shown negative consequences from depending solely on these processes. Traditional financial measures are better at measuring the consequences of yesterday's actions than at projecting tomorrow's performance. 'Therefore, it is better that managers not rely on financial measures to provide a clear performance target'. Kaplan and Norton (2009) also supports that more than financial data is needed to measure performance and that non-financial data should be included to adequately assess performance. They suggest that any performance measurement framework should allow managers to also take into cognisance internal business perspective, customer's perspective, competitor perspective and innovation perspective. Also financial measures are concerned with cost elements and try to quantify performance solely in financial terms, but many enhancements are difficult to quantify monetarily, such as lead-time reduction, quality improvements and customer service (Tangen 2014). Standard is fixed by taking into account certain parameters but when the actual job is performed, conditions may not remain the same as set at the time of fixing the standards. Therefore, proper evaluation of actual and standard performance cannot be done due to rigidity of standards.

Marco (2010) is of the view that some firms have shown positive financial outcomes following downsizing, there is no empirical evidence to suggest that there is a correlation between downsizing and improved financial performance.

From the above authors, a mutual agreement was not reached as to whether financial controls improve an organisational competitiveness as different views were posed. This research seeks to explore on whether financial controls can be a measure to improve the organisational competitiveness.

2.2.3 Budgetary Control

A budget is a planning tool which is to be prepared in relation to a specific period of time within the organization (Druly 2006). Budget preparation is of paramount importance in an organization as it is used for cost control. It make available planned estimates with which the management should put into consideration when performing day-to-day activities of the entity thus performance can be evaluated (Walther and Skousen 2009). According to Abinader (2011) budgets give management a role to feedforward a futuristic vision of where the company is going and how it is to get there, and to make clear decisions, coordinating and directing employee activities. They also oversees the development of procedures to collect, record, and evaluate feedback. Therefore, effective management controls results from leading people by force of personality and through persuasion; providing and maintaining proper training, planning, and resources; and improving quality and results through evaluation and feedback. It is also a performance contract between lower and higher management, stipulating the targets to be achieved. Throughout the year, the organization checks regularly (often monthly) whether it is still on track to reach its targets as a control purposes within the organization to improve competitiveness.

However Watts (2012) is of the view that budgets as a control measure have such an impact if we select the right ones. To enable controls to give right vision and to become the ground for effective action, the measurements must also be appropriate. Krishna (2010) supports that budget make firms to play along with historical events as budgets are always prepared

making use of past performance rather than what is ahead of it thus creating a false feeling of what is being planned. Also Waal, Hermkens and Ven (2011) supports that traditional budgets traditional budgets are viewed as being unable to meet the competitive environment's demands and he further emphasized cited that they obstruct efficient resource allocation and encourage narrow decision making.

On the other hand Hoque and James (2012) are of the view that size is related to greater decentralisation and structuring of activities because of information constraints upon senior management. For budgets to be effective on the company's profitability, it depends on the size of the organisation so the need to instil communication that is effective becomes appropriate in bigger companies. As a result a broader set of information and measurement issues arise whereas the orientation of management controls in small organisation becomes unworkable. Anohene (2011) also supports that for firms with a strong market position, the use of budgets as a control measure will be more prominent than for a firm in a weak market position. This is argued in the view that the adaptability and creativity of a firm with greater market position will be higher.

The aforementioned authors all brought out different perspective as to whether budgetary control can be implemented as a measure to improve the competitiveness of the organisation. This research seeks to explore the effectiveness of the measure on the competitiveness of the organisation

2.2.4 Inventory Control

Inventory refers to the goods or materials that are available for use by a business. Sebastian and Hassan (2012) postulates that Inventory management is pivotal in effective and efficient day to day performance of the company as the warehousing costs and material handling costs are significantly reduced. This will in turn increase the return on assets (ROA) through

decreased conversion costs. The main goals of inventory management includes having to balance the conflicting economics of not wanting to hold too much stock. This control system assist in facilitating more economic procurements and can be a valuable way of dealing with anticipated demand and supply changes which may be because of seasonal fluctuations or expected shortage (Krishna 2010). Inventory management and control are crucial to a firm because mismanagement of inventory threatens a firm's viability (Sprague and Wacker, 2006). Too much inventory holding involves costs, which include the capital costs (interest or opportunity) and the physical cost (storage, insurance and spoilage), may hinder an organisation achieving its objectives if not managed well.

Although inventory control systems give you a better handle on the amount of stock you have and have sold, the same systems can hide production problems and cause customer service disasters. Since the focus is on inventory and not quality control, broken or incorrect items that would normally be disqualified are shipped along with correct items.

However there is contradiction in the views given that inventory is both an asset and a liability, implying that efficient or inefficient management of inventories may impact a firm's competitiveness (Palepu and Healey 2009). On the other hand Wachira, Mugenda, Ojera and Lwiki (2010) supports that this system is based on the recognition that demand for an item may be dependent on the demand for other inventory items. The emphasis is on the end product into which related parts are incorporated. The inventory quantities required are specified on the basis of future demand which gives a possibility that the organisation may not achieve its objectives.

The abovementioned authors discussed the effects of inventory control on the competitiveness of an organisation but they did not reach a mutual understanding on the subject matter. This research intends to examine the effectiveness of the controls as a measure to improve the competitiveness of the organisation.

2.2.5 Production/Operations Controls

Production management is the management of the productive processes that convert input into products and services. According to Watts (2012) managerial control of production-operations and financial activities is critical to organizational performance. All other organizational activities, such as engineering, personnel, marketing, and research and development, support and depend on the primary activity of producing goods and services. Moser (2013) supports that production control is an important program in an organisation, because it targets the removal of waste from production processes through organizing and planning. The use of quality assurance programs to gain a competitive advantage in the marketplace and reduce defect rates on the production line. Moser (2013) further emphasized that the type of control makes it possible to lower the costs associated with poor quality, scrap and other forms of waste can be tied back to general ledger expense accounts and assigned a dollar amount. This process helps leaders determine the costs associated with wasteful, inefficient operations and hence improving the organisation's competitiveness.

However Handy and Cummings (2008) contradict to the above view citing that since many factors in the production process can change swiftly, companies must be able to change and adapt as well. With a production schedule, you may not be able to adapt quickly enough to avoid problems. Once the materials are on the way and the staff is scheduled to work, it can be very difficult to stop the process and do something else if you experience a problem. Organizational productivity and competitiveness depend upon the nature of business and

organizations. For example, ABC has been widely used in flexible manufacturing systems (FMS) and just-in-time (JIT) systems. Another potential problem with using production control is the cost of implementation. When you implement a production scheduling system, you may need to buy software and other resources to help facilitate the process. You'll also have to pay to have someone trained so the software can be used. This may require you to devote an employee to this training, which costs money. Before implementing production scheduling, you must consider whether the added cost is worth it.

2.3 Assessment of employee involvement on cost cutting measures implemented

Kling (2008) is of the view that benefits of involvement of employees, other high performance work practices and skill training are more likely to be greater when new approaches are implemented as part of a consistent whole, rather than in isolation. Katzenbach et al (2008) alluded that many companies overlook the essential need to keep in check the level of commitment of employees when deciding to cut on costs. It is vital for organisations implementing costs cutting measures to get affirmative emotional commitment from the employees. LeeMarks (2010) also supports that employees judgement on cost cutting measures implemented can be determined by the belief on how these measures were implemented, whether it was based on incompetence by the management or greed. Employees consider the amount of forewarning and whether some other cost cutting regimes were tried.

A lot of entities see as if the technique to cut costs is covered in their business process, both centre and subsidiary (Mabert and Schmenner 2008). Salaries and employment costs cover an immense line of the Statement of Comprehensive Income and may look too advanced for trimming. However the salary costs are the ones that symbolises the centre of business as employees are the ones who add worth to the organisation. Effective cost cutters pay

attention to details and as a result achieve a cost reduction process that is transparent, fact based, well executed and highly motivated (katzenbach et al 2008).

Organisations may also participate into a brainstorming meetings with the workers as these are the people who are on the ground and can detect the areas where wastages are being performed and encourage them on money savings methods as these may come up with the best tips to save on costs rather than cutting on costs. Jensen (2012) points out that directors should be open and honest with their employees, introduce cost saving measures gradually, get employees involved in the process and ask for feedback. Cutting employee related costs is the first thing that management think of when faced with economic downturn, however this results in lower quality materials ,demoralisation and demotivation due to pay cuts. Management of Damofalls Investments should analyse their business practice and investigate on small expenses that add up over time rather than cutting costs.

Marco (2010) is of the view that a company needs to assess its need for returns and values for long and short term goals. Factors to be considered when cutting costs include, “assessing when to cut costs for revenue generation, what it does to the morale of employees and assessment of why your business services is costing you more than it is to competitors”. The institution of management and administration (2013) cites that business owners should consider cutting costs to those areas that they have direct control over and ask employees for ideas first before cutting costs and consider establishing realistic goals and time frame.

Handy and Cummings (2008) postulates that priority should be made when choosing to cut costs business owners should plan ahead and not wait for a catastrophe, they should think outside the box and work towards achieving their vision and mission, shareholder and stockholder values. Marco (2010), further outlined that managers should consider the innovations required to cut these costs, they should consider if there are any expenditures to

be cut and projects to be ceased or to be taken up. If there is really need to rationalize staff grade employees by value and do away with those that contribute the lowest value.

2.4 Challenges in implementing cost control measures

Deloitte Consultancy (2007) postulates that the competitive environment, poor management practice, and a general lack of higher expectations have contributed to unproductive and unhealthy attitudes. These attitudes often are expressed in popular sayings, such as “It’s not my job”. Such attitude sayings stem from the popular notion that management is always right and therefore employees are” only supposed to implement management decisions without questioning.

Lethargy is further propagated through management’s failure to train employees on cost control fundamentals that build better attitudes by involving them in teams that identify and solve problems Handy and Cummings (2012). Such training can transform employees from being part of the problem to part of the solution. This will foster motivation and creativity and build productive and healthy attitudes that focus employees on basic fundamentals, such as: keep customer needs in mind, constantly look for improvements, and accept personal responsibility for your work (Bragg 2010).

Berk (2010) supports that every organization has its own unique way of doing things. This is defined in terms of culture of the organization. The processes, the philosophy, the procedures and the traditions define how the employees and management contribute to the achievement of goals and meeting of organizational objectives. Indeed, sticking to organizational culture is integral in delivery of the mission of the organization. However, culture has to be reviewed and for that matter re-adjustments have to be done in tune with the prevailing economic, political, social and technological realities so as to improve on efficiency. In adequate

cultural dynamism has made total quality implementation difficult because most of the top level management of many organizations are rigid in their ways of doing things.

The absence of a sound strategy has often contributed to ineffective improvement at Damofalls. Duran (2007) noted that deficiencies in the original planning cause a process to run at a high level of chronic waste.

2.5 Best practice in employee cost control

Control of labour cost significantly affects the growth, profitability and cost of production of Damofalls. Cost of labour may become unjustifiably high rate because of inefficiencies of labour, ineffective supervision and unnecessary overtime work etc (Betchet 2008). The primary objectives of the management is therefor to implement policies to efficiently utilize labour as cautiously as possible.

Marco (2010) supports that in order for the achievement of effective consumption of labour resources, management should implement proper labour costs control systems. The labour cost control may be determined on the basis of establishment of standard of efficiency and comparison of actuals with standards. The management can apply various methods for the effective control of labour costs such as, labour budgets, effective cost accounting system, proper system of labour performance report, effective system of job evaluation, labour standards and job analysis, devise a proper system of control over ideal time and unusual overtime work, and establish a fair and equitable remuneration system (LeeMarks (2010).

Walther and Skousen (2009) supports that for the organisation to be effective it depends on the performance of its employees. Ideally, all of the posts in an entity must interrelate to improve the attainment of the entity's mission, goals and objectives. The stakeholder return on investment of this synergistic effect will be influenced to a large extent by how well each employee understands his or her role in the organization

2.5.1 Activity Based Costing

ABC is a management accounting tool that is used to provide a company with accurate cost information. This control measure emerged as an accounting management tool to improve competitiveness and addresses the failure of the traditional cost system, that is, the weaknesses of the direct costing method and the standard method (Yousil 2011). ABC aims to specifically reduce costs through improvement of methods and procedures and has been developed to help management improve productivity (Feinberg 2008). The system is particularly helpful in identifying and ear-marking some of the matters of business activities which are a burden or stress on the business i.e. wasteful or non-value adding services (Maingi 2011).

2.6 Chapter Summary

This chapter was a review of literature by other authors on the effect of cutting employee related costs as a performance measure. Information pertaining to the implication of cutting employee related costs as a measure on the performance of the organization, barriers to implementing effective cost cutting measures, factors that may lead to the competitiveness of the organization, essential requirements of implementing cost cutting and assessment of employee involvement on cost cutting measure implemented was also addressed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter introduced the research design used in the study, and the methods and techniques used in the collection of information and data. It will proceed to discuss and justify the selection of the research methodology to establish a deeper understanding of the management of costs. This will include the selection criterion to research participants and census methods that were used in conducting the research. The chapter also covers the targeted population, research design, data collection procedures, research instruments, data presentation and analysis procedures.

The fundamental objective of this chapter is to discuss the approach to the research project and how it was administered. Methods of data collection for the study are outlined as well as the techniques which the researcher applied to ensure that the objectives of the project would be achieved.

3.1 Research Methods

Rajaseka, Phillominathan and Chinnathambi (2013) defined research method as a systematic way to solve a problem. Saunders, Phillip and Thornhill (2007), defines research methods as a process that involves data collection procedures, interpretation and analysis. Essentially, these are procedures which are used by the researchers to go about their work of describing, explaining and predicting phenomena. It is also defined as the study of methods by which knowledge is gained and its aim is to give the work plan of the research. He further explains the three types of research methods which are qualitative, quantitative and mixed methods.

This research made use of the mixed method. Through making use of both quantitative and qualitative research and data, the researcher acquired an in depth and breadth of

understanding and validation, while counter-weighting the faults encountered to using either one approach by itself. One of the greatest valuable features of performing a mixed method research is the likelihood of triangulation which is the use of various techniques (data sources, methods and researchers) to study the same phenomenon. Triangulation allows the researcher to classify aspects of a phenomenon more accurately by approaching it from different vantage points using different methods and techniques. With regards to this study, the researcher seeks to assess and monitor the reaction of employees on cost cutting measures implemented which requires qualitative methods. On the other hand, the researcher seeks to point out objectives such as the identification of other aspects which might lead to improvement on the company's competitiveness which requires the quantitative method. Hence a mixture of both methods is required in the study

3.2 Research Design

According to Kumar (2011) research design is a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. Creswell (2009) also defines a research design as the plans and procedures for research that span the decision from broad assumptions to comprehensive data collection methods and analysis. Kumar (2009) classifies research into correlational research, descriptive research and explanatory research.

3.2.1 Descriptive research

Dawson (2012) defined descriptive research as information oriented and aimed to identify the situation, problem or attitudes towards an issue that exists at a particular time. The researcher used descriptive research as research design as it allows the assessment of the effects of cost cutting as a performance measure.

Descriptive design helped the researcher to make use of different data collection practices and have clarification provided on them. Zikmund (2012) suggests that the degree of uncertainty about the research problem determines the research methodology to be used. He further outlined that if key variables or problems are clearly defined, descriptive research should be used. Although control cannot be established over the variables but the researcher can report on what is happening or what happened. In this research key variables are clearly defined which have impacted the company's profitability and viability hence descriptive research is ideal.

3.3: Case study

Gerring (2009) defines a case study as an intensive study of a solitary unit, with the aim of summing up across a larger set of limits. It is a quantitative technique and an infield research following examinations and properties of a single unit. The researcher used a case study of Damofalls Investments land developers as a method of research design. Adding on, according to Grinell (1981) in Kumar (2011) states that a case study is characterised by flexible and open ended techniques of data collection and analysis, it is concerned with a complexity and particular nature of the case in question. A case study research is concerned with the complexity and particular nature of the case in question. With a case study, the case is an object of interest in its own right, and the researcher aims to provide an in-depth elucidation of it. Case studies focuses on a particular group this made the researcher to correctly understand a particular unit and explain it. They enjoy a natural advantage and serve a confirmatory role. Since the researcher used a descriptive research design a case study was more useful in forming descriptive inferences

3.4 Research Population

Pratt et al (2010), postulates that population is the total sum of elements that are available for study. He further emphasized that population must be properly defined in accurate terms to include only units that are relevant to study. The population in this study was all taken into consideration in terms of this research.

3.4.1 Census

Census Method of data collection is a technique that encompass each and every item or unit constituting the universe is selected for data collection. A census study is ideal if the entire population is very small or it is reasonable to include the entire population (for other reasons). It is called a census sample because data is gathered on every member of the population. Longhurst (2010) postulates that data collection through census method gives opportunity to the investigator to have an intensive study about the problem. In this method there will be higher degree of accuracy of the data collected and is also suitable for unit having heterogeneity or differences. In this research a census of 40 employees was conducted consisting of members from 6 different departments of Damofalls Investments.

3.5 Sources of Data

The data collected by the researcher for the purpose of this study was both from primary sources and secondary.

3.5.1 Primary Data

It is defined as the data specifically needed for the research problem at hand (Strydom et al 2010:23).The research considered the company's director, the deputy director and also the finance and projects director. These are the ones who design the organisational policies. The

research also incorporated the use of first-hand material acquired from the study. Primary data collected was relevant as it is first-hand information.

3.5.2 Secondary Sources

According to Kotler et al (2010:215), secondary data is information that already exists which has been collected for another purpose. This source of data comprised of information and studies that were made by other authors for their own purposes and the data was collected to compliment primary data for the purpose of this study. Secondary information contributed immensely to the research effort as the researcher consulted Damofalls' financial statements. These sources were used as the data could be obtained quickly and at a lower cost than primary data. They also provided a basis for comparison of data that was collected by the researcher.

The researcher adopted both primary and secondary sources of data. Primary data has the advantage that information obtained will be original as it will be first-hand information. Secondary research involves the examination of studies of other researchers. In this case, the researcher used books, journals, company records in form of minutes from meetings held and monthly reports. According to Armstrong (2009) the benefits of using secondary data include that it is cheaper to obtain and easy to acquire than primary data. Hence, both sources are essential for the progress of this research.

3.6 Research Instruments

Research instruments are approaches and tools used to compile data and they also ensure the reliability of research findings and its validity. The researcher made use of both self-administered questionnaires and face-to-face interviews for gathering data.

3.6.1 Interviews

McMillan and Schumacher (1993: 42) postulate that interviews are essential verbal questions which involve face-to-face situation. They are ways for members to get involved and bring about their views or their expression from their point of view. Interview are not simply concerned with the collection of data about the investigation but it is part of the research (Cohen, Manion and Morrison 2010). The interview guides used in the research were deduced from the research questions and objectives. As the research used a mixed methodology, interviews were used to complement the statistical data.

3.6.1.1 Face to face interviews

According to Cohen et al (2010) face-to-face interviews they give room for personal communication between the interviewee and the interviewer and the situation makes it possible to gather more information for the research. They identified that the major advantage of face-to-face interviews is the presence of the interviewer, making it easier for the interviewee to clarify his responses and to ask for explanation on some of the questions. Also, face-to-face interviews remain valuable in gathering comprehensive information about perceptions, personal feelings, and opinions since it allows for more detailed questions to be asked.

3.6.2 Questionnaires

Francis (2009), identifies a questionnaire as a formal list of questions and answers used for soliciting information from respondents. Saunders (2008:133) also defined a questionnaire as a list of well-structured questions, selected with the view of prompting reliable answers from a selected population. They were used to measure the qualitative information which were used in interviews as the study made use of the mixed methodology. Research questions are

grouped into two classes which are open ended and closed ended questions. This research made use of the close ended questions

3.6.2.1 Closed ended questions

Closed ended questions are questions that do not give room for respondents to provide their opinions freely (Jackson 2011). The questions leave no room for the respondent to clarify or elaborate concepts, his or her views and opinions.

These questions are used since they can be easily analyzed. Every answer was given a number or value so that a statistical interpretation could be assessed. Closed-ended questions are also more specific, thus they communicated similar meanings. The questionnaire will contain five likert items with scores distributed as follows:

Table 3.1: Likert scale

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

3.6.3 Administration of the questionnaire

The respondents who showed that they are busy during the questionnaire administration time were asked to fill in the questionnaires during their spare time, and the questionnaires were collected at a later date.

3.7 Data validity and reliability

3.7.1 Validity

The data gathered over the research tools was of significance in responding the research questions in chapter one.

3.7.2 Reliability

According to Francis (2011), information reliability refers to the ability of the data to reliably produce similar results when repeated under the same conditions. Respondents answered questionnaires at their own pace so they had enough time to think and answer properly.

3.8 Data Presentation and data analysis

3.8.1 Data presentation

Information collected was commonly qualitative and quantitative in nature. The researcher used graphs, pie charts and also tables to present quantitative data in this study. The three methods were used since they are easy to understand. They clearly illustrate a summary of information gathered in this research.

3.8.2 Data analysis

This is a process of systematically applying statistical techniques to describe and illustrate, and evaluate data (Wegner 2008:13). Microsoft excel was used to examine data because of its facility for numerical and graphical analysis. Qualitative and quantitative data analysis was used. The research design provided the overall strategy for answering the research questions for this project. The Questionnaire responses were coded and then tallied, question by question and analysed through the use of computer packages that carry out this procedure, such as SPSS (Statistical Package for the Social Science).

3.9 Chapter summary

The chapter outlined the methodology for the research project, which was based on the data sources, research design, and data collection instruments. It also highlighted the data presentation plan which shall be used in the following chapter. The next chapter will focus on data analysis and presentation making use of data obtained from data collection methods used i.e. questioners and interviews.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter is going to focus on the analysis and presentation of data collected through interviews conducted and questionnaires. Information collected was presented through the use of bar charts, pie charts and tables. The researcher first analysed the response rate of the respondents and demographic characteristic response and then further went on to summarize questions from questioners which tried to determine the effects of cutting employee related cost as a techniques on operational performance of the organisation.

4.1 Questionnaire Response rate analysis

Based on the table below, the researcher was able to collect 38 questionnaires out of the 40 distributed to the respondents. A response rate of 95% was achieved which is sufficient for the analysis and presentation of the research study. The unanswered forms were as a result of misplacement by the respondents, nevertheless this did not affect the overall results. Masey and Tourangean (2013) cited that a higher rate lessens the risk of producing biased estimates

Table 4.1: Questionnaire Response rate

DEPARTMENT	ISSUED	RESPONDED	RESPONSE RATE
FINANCE	10	10	100%
AUDIT	3	3	100%
DEBTORS	3	3	100%
SALES	5	4	80%
H.R	4	3	75%
GENERAL EMPLOYEES	15	15	80%
TOTAL	40	38	95%

4.2 Information relating to employee cost control measures employed by Damofalls

4.2.1 Employee related cost control as a measure improves profitability

Table 4.2 Response of impact of the policies on profitability

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Respondents	6	10	2	16	4	38

Fig 4.1: Response of impact of the policies on profitability

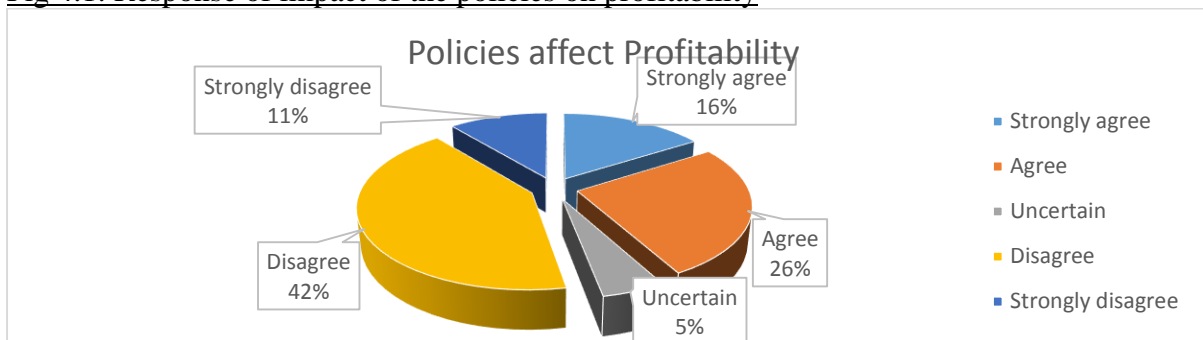


Table 4.2 and fig 4.1 above shows that 6 out of 38 (16%) strongly agree, 10 out of 38 (26%) agree, 2 out of 38 (5%) were uncertain, while 16 out of 38 (42%) disagree and 4 out of 38 (11%) strongly disagreed that cutting employee related costs improve the profitability of Damofalls.

This shows that 42% agree which means that cutting employee related costs improve the company's profitability and this is in line with what was postulated by Timothy (2012) who said that the policies must be applied in the organisation in a way that links the cost reduction to a more motivating objective, fostering employee involvement and commitment for it to improve the profitability of the organisation. 5% was uncertain which means that they were neutral as to whether cutting employee related costs improve profitability of the company or not and this is supported by Jensen (2012) who alluded that not all employee cost cutting measures implemented will improve profitability of the organisation, it depends on the external factors to some extent. 53% disagreed which means that cutting employee related costs does not improve the company's profitability. This is supported by Gandolfi (2008)

who cited that trimming employee's number does not save money, it may hurt the company's results because the retained (survivors) employees become, less engaged, and more apt to look elsewhere for work

Overall, the mode of the data is 53% disagreeing which means that cutting employee related costs does not improve Damofalls's profitability and this is supported by Palepu and Healey (2009) who postulated that there is no guarantee that an organisation's financial performance will increase when it decides to curb its costs.

4.2.2 The Policies implemented are well communicated to employees

Table 4.3: Results on if policies are communicated to employees

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Respondents	3	7	0	19	9	38

Fig 4.2: Responses on if the policies are communicated to employees

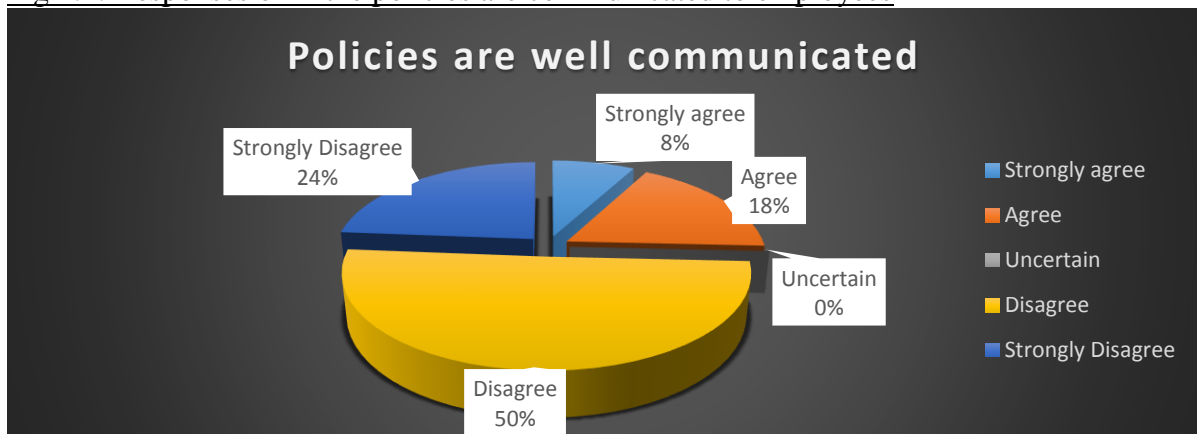


Table 4.3 and figure 4.2 above shows that 3 out of 38 (8%) strongly agreed, 7 out of 38 (18%) agreed, none uncertain, 19 out of 38 (50%) disagreed and 9 out of 38 (24%) strongly disagreed that the policies implemented by Damofalls are well communicated to the employees.

This shows that 26% agree which means that the policies implemented are well communicated to employees and this is supported by Doherty *et al* (2011) when they alluded that any changes which are to be applied in an organisation should be properly communicated

throughout the organisation. 74% disagreed which means that policies implemented are not well communicated to employees and this is supported by Frenz (2015) when he alluded that workers may in turn use the communication to argue and disagree amongst themselves and with management. Conflict instil workplace tension amongst employees and it may prevent task completion, disrupt meetings and halt operations.

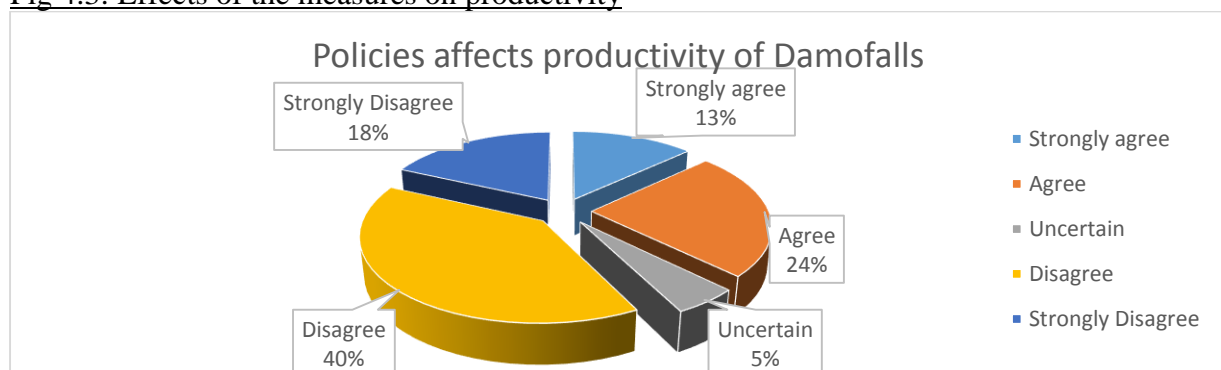
Overall, the mode of the data is 74% disagreeing which means that the policies are not well communicated to employees at Damofalls. This is supported by Frenz (2015) when he alluded that workers may in turn use the communication to argue and disagree amongst themselves and with management. Conflict instil workplace tension amongst employees and it may prevent task completion, disrupt meetings and halt operations.

4.2.3 Measures implemented affect productivity

Table 4.4: measures implemented improve productivity

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Respondents	5	9	2	15	7	38

Fig 4.3: Effects of the measures on productivity



From table 4.4 and figure 4.3 above, 5 out 38 (13%) strongly agree, 9 out of 38 (24%) agree, 2 out of 38 (5%) were uncertain, while 15 out of 39 (40%) disagree and 7 out of 38 (18%) strongly disagree that the policies implemented by Damofalls affect the productivity of the company.

This shows that 37% agreed which means that the policies of cutting on employee related costs improve productivity and this is supported by Cheung (2012) when he pointed out that with the policies implemented in the reduction of labour cost, the remained employees or the survivors the work have to manage the increased load of work, and therefore competition is created among workers to ensure that they can retain their employment. 5% of the respondents are neutral which means that they are uncertain as to whether cutting employee related costs affect productivity or not and this is supported by Borenstein and Farrell (2010) when they alluded that not all employee cost cutting notice distress an organisation's productivity, some perhaps could distress changes in exogenous elements which may include the prices of competitively supplied inputs or output and market share of an organisation. 58% of the respondents disagreed which means that cutting employee related costs does not improve productivity and this is supported by Nussbaum (2008) who is of the view that it is not advisable to retrench but rather educate on the goals of the company as this may actually exacerbate poor productivity with the remaining workers

Overall, the mode of the data is 58% disagreeing which means that cutting employee related costs does not improve productivity of Damofalls, this is supported by Christopher and Roderick (2010) when they cited that employment dismissal can be viewed as a violation of the employment contract between an organisation and its employees resulting in decreased trust and greater stress in the workplace causing reduced productivity.

4.2.4 Measures implemented affect business opportunities

Table 4.5: measures implemented improve business opportunities

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Respondents	4	12	0	17	5	38

Fig 4.4: Effects of the measures improve business opportunities

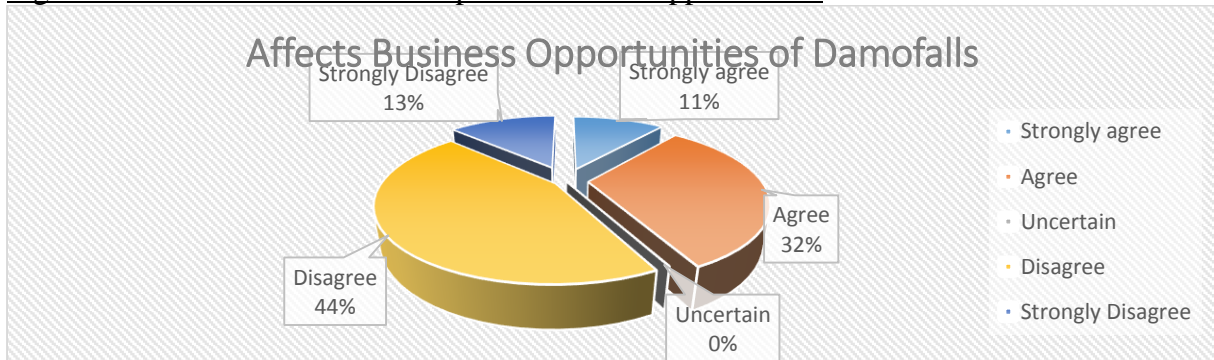


Table 4.5 and figure 4.4 above shows that 4 out of 38 (11%) strongly agreed, 12 out of 38 (32%) agreed, none were uncertain, while 17 out of 38 (44%) disagreed and 5 out of 38 (13%) strongly disagreed that employee cost cutting measures employed by Damofalls improve the company's business opportunities.

This shows that 42% agreed which means that cost cutting measures implemented improve the company's opportunities and this is supported by Amabile, Conti, Coon, Lazenby, and Herron (2015) who were of the view that cost cutting has positive effects on a company's efficiency, reducing waste and leading to a more productive allocation of resources, open up new opportunities for the company and improve its financial position. None are uncertain as to whether the measures implemented improve the company's opportunities. 57 % disagree which means that cutting employee related costs affect negatively the business opportunities of an entity this is supported by Prachyakorn (2011) who cited that the firm's reputation suffers when the firm decide to downsize impacting on the organisation's opportunities. For example, investors might withdraw their funds after an announcement about staff layoffs as this signals financial distress about a company.

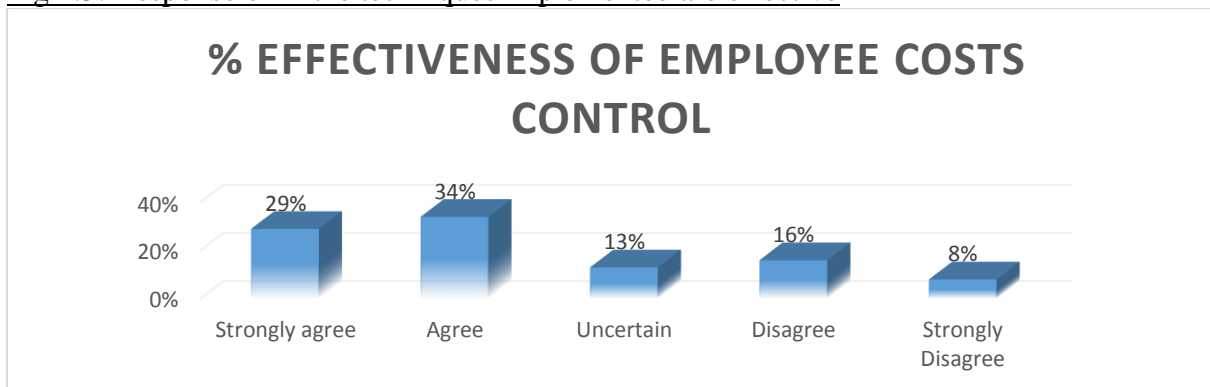
Overall, the mode of the data is 22 (57%) disagreeing which means that cutting employee related costs hinders business opportunities of the organisation this is supported by Attridge (2010) shared the same view when he alluded that employee assistance programs improve additional synergistic benefits and also providing comprehensive service delivery that support human capital needs with bottom-line financial success of the company.

4.3 Employee costs control techniques employed are NOT effective

Table 4.6: cost control techniques employed are not effective

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Respondents	11	13	5	6	3	38

Fig 4.5: Response on if the techniques implemented are effective



From table 4.6 and figure 4.5 above, 11 out of 38 (29%) strongly agreed, 13 out of 38 (34%) agreed, 5 out of 38 (13%) are uncertain, 6 out of 38 (16%) disagreed and 3 out of 38 (8%) strongly disagreed that the employee cost control techniques employed by Damofalls are not effective.

This shows that 63% agreed which means that the measures implemented by the company are not effective and this is supported by Palepu and Healey (2009) when they cited there is no guarantee that an organisation's financial performance will increase when it decides to curb its costs. A truly committed workforce can reduce costs more and sustain the reductions longer than a workforce under duress. 24% disagree to the notion which means that measures

implemented are effective and this is supported by Timothy (2012) who postulated that some companies have implemented cuts in a way that links the cost reduction to a more motivating objective, fostering employee involvement and commitment.

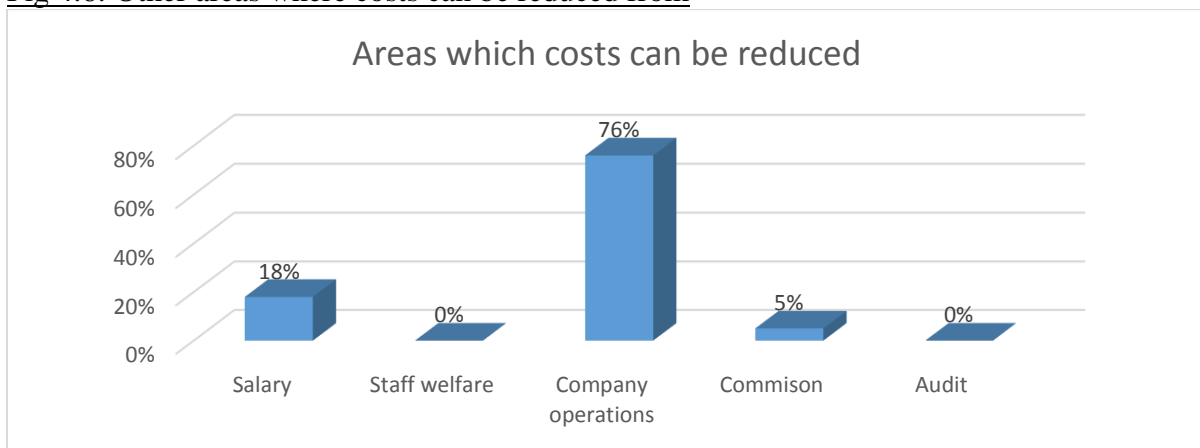
Overall, the mode of the data is 63% agreeing which means that the measures implemented are not effective. This notion is supported by Palepu and Healey (2009) when they cited that there is no guarantee that an organisation’s financial performance will increase when it decides to curb its costs, committed employees can sustain and reduce costs more than a workforce under duress.

4.4 Areas which costs can be reduced with the goal of improving company performance.

Table 4.7: Responses on other cost areas which can be controlled

	Salary	Staff welfare	Company operations	Commission	Audit	Total
Responses	7	0	29	2	0	38

Fig 4.6: Other areas where costs can be reduced from



From table 4.7 and figure 4.6 above, 7 out of 38 (18%) felt that costs should be reduced from salaries, 2 out of 38 (5%) were of the view that costs should be reduced from the individuals commissions while 29 out of 38 (76%) felt that costs should be reduced from the company’s operations.

Overall, the mode of the data is 76% which means that employees feel that costs should be reduced from the company's operations of Damofalls and this is supported by Auzair and Ruhanita (2011) when they postulated that the key indicators of performance of an organisation consist of revenue, return on investment, operational costs and overhead. The main motivation of most cost cutting efforts is the desire for an immediate reduction of costs and increased levels of efficiency, productivity, profitability, and competitiveness.

4.5 Evaluating other measures which can be used to improve performance of Damofalls

4.5.1 Activity Based Costing

Table 4.8: Activity based costing can be used to improve performance

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Responses	10	15	6	7	0	38

Fig 4.7: Response on effectiveness of Activity Based Costing

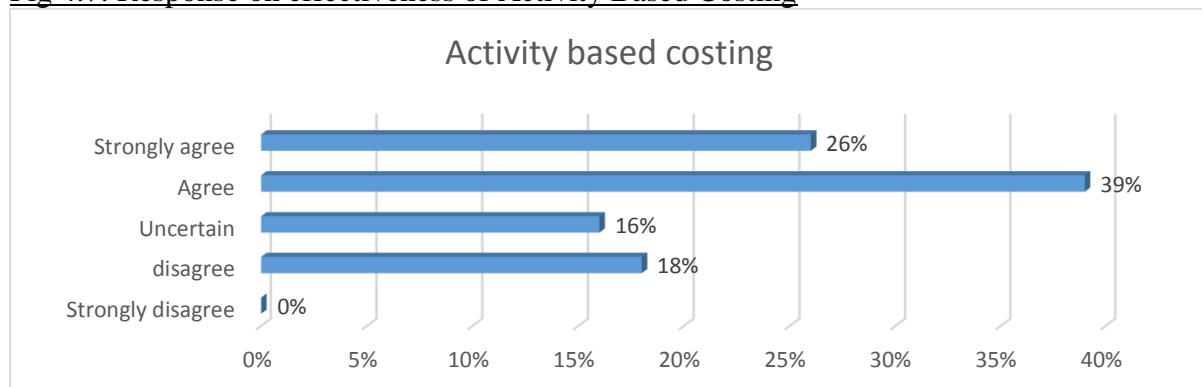


Table 4.8 and figure 4.7 above shows that, 10 out of 38 (26%) strongly agreed, 15 out of 38 (39%) agreed, 6 out of 38 (18%) are uncertain, 7 out of 38 (19%) disagreed and none strongly disagreed that activity based costing can also be used as a measure to improve performance of Damofalls.

This shows that 65 % agreed which means that ABC can be used as a measure to improve performance of Damofalls and this is in line with by Feinberg (2008) who hypothesizes that knowledge of what activities' costs aids in classifying the important activities, those with

highest potential and which are ideal for cost reduction. The knowledge allows management to identify the effects of the reduction in costs and consequently verify the actions and savings achieved. 18% are neutral which means that they are uncertain as to whether ABC as a measure improves the performance of an organisation. 19% disagreed which means that ABC cannot be used as a measure to improve performance of the organisation and this is supported by Nayab (2011) who cited that too much attention to detail and control might obscure the bigger picture or make the firm lose sight of strategic objectives in a quest for small savings, making the firm “penny wise and pound foolish”. For instance, ABC might identify one distribution channel as non-remunerative, or an inspection as non-value adding. Such channelling or processes might be non-profitable, but placed in the first place to achieve some other strategic objectives

Overall, the mode of the data is 25 respondents (65%) who agreed which means that ABC can be used as a measure to improve the performance of Damofalls. This is supported by Feinberg (2008) who hypothesizes that knowing what activities costs helps in identifying important activities, those with greatest potential for cost reduction. Knowledge of activity cost allows one to know the impact of cost reduction and to consequently corroborate the actions and savings achieved.

4.5.2 Cost driver analysis

Table 4.9: Cost driver analysis can be used to improve performance

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Respondents	8	14	0	11	5	38

Fig 4.8: Response on effectiveness of Cost Driver Analysis

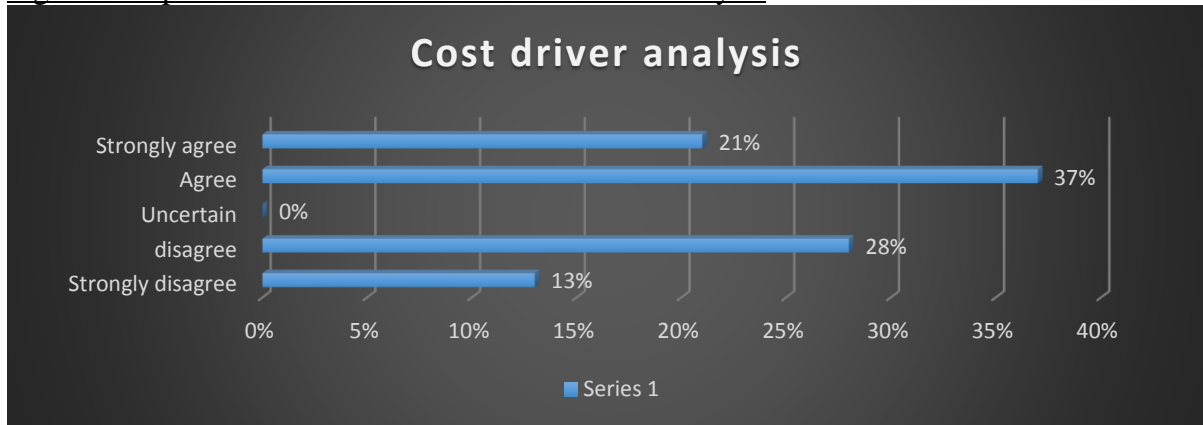


Table 4.9 and Fig 4.8 above show that 8 out of 38 (21%) strongly agree, 14 out of 38 (37%) agree, none were uncertain, 11 out of 38 (29%) disagreed and 5 out of 38 (13%) strongly disagreed that Cost driver analysis can be used to improve Damofalls' performance.

This shows that 58% agree which means that cost driver analysis improve the organisation's performance and this is supported by Drury (2008) who alluded that if a management recognizes what is driving costs with reasonable accuracy, they can lay emphasis on that and reduce the quantity of that cost driver. No respondents were uncertain as to whether costs driver analysis can be used to improve performance or not which may be because they might not have been versed with what it is. 29% disagree which means that cost driver analysis does not improve the performance of the organization and this is supported by

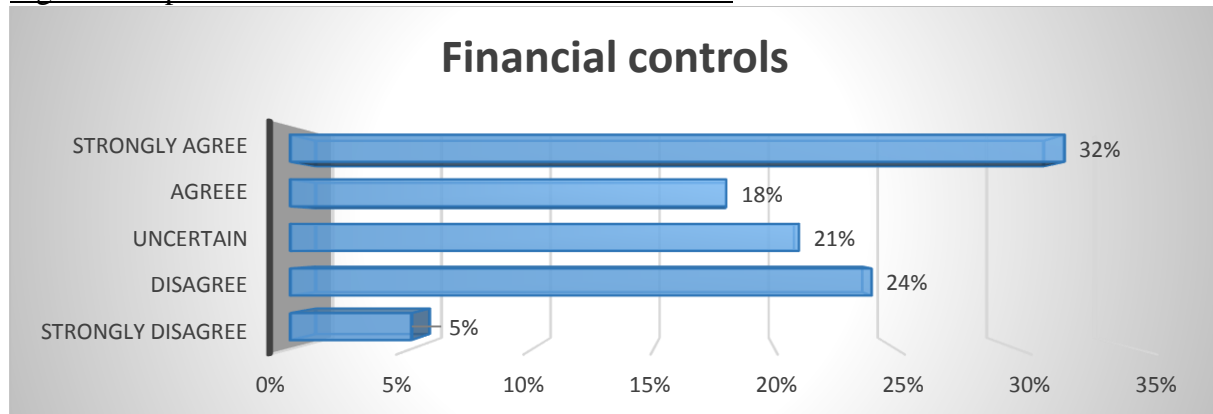
Overall, the mode of the data is 58% agreeing which means that cost driver analysis improve the organisation's performance. This is supported by Drury (2008) when he cited that if a management recognizes what is driving costs with reasonable accuracy, they can lay emphasis on that and reduce the quantity of that cost driver.

4.5.3 Financial controls

Table 4.10: Financial controls improve performance

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Responses	12	7	8	9	2	38

Fig 4.9: Response on effectiveness off financial controls



From table 4.10 and figure 4.9 above, 12 out of 38 (32%) strongly agree, 7 out of 38 (18%) agree, 8 out of 31 (21%) are uncertain, 9 out 38 (24%) disagree, 2 out of 38 (5%) strongly disagree that financial controls improve the organisation’s performance.

This shows that 50% agree which means that financial controls improve the organisational performance and this is supported by The Institute of Internal Auditors which cites that strong financial controls allow for reliable financial reporting throughout the organization, and also ensures optimal utilization of resources which will allow for more solid financial management of the operation. 21% were neutral which means that they are uncertain as to whether financial controls improve the organisational performance or not and this is supported by Marco (2010) who cited that some companies indicated affirmative financial outcomes after downsizing, however there is no empirical evidence to advocate that there is a relationship between downsizing and improved financial performance. 29% disagree which means that financial controls do not improve the performance of the organisation and this is supported by Kaplan and Norton (2009) when they alluded that more than financial data is

required for performance measurement and that non-financial data must be incorporated to effectively assess performance. They suggest that any performance measurement framework must allow management to also take into cognisance internal business perspective, customer’s perspective, competitor perspective and innovation perspective for it to improve performance of the organisation.

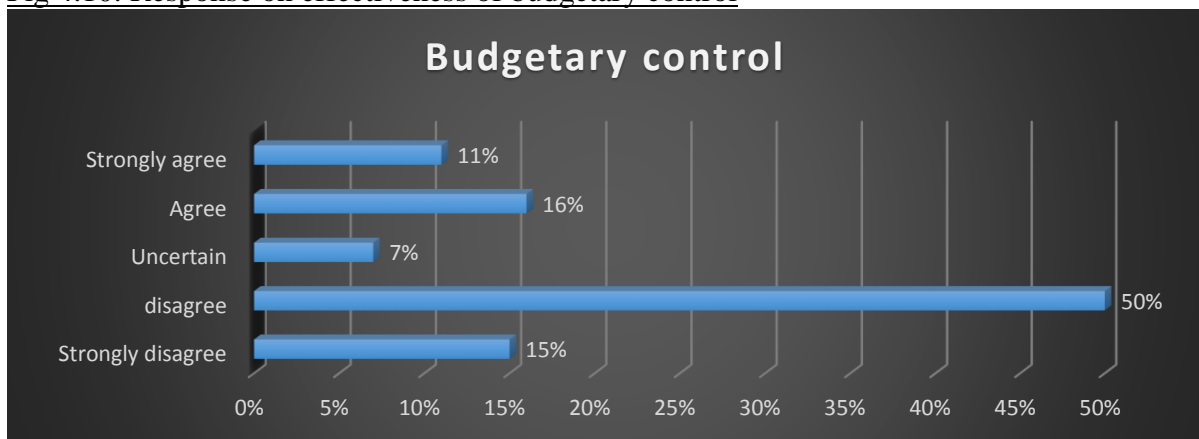
Overall, the mode of the data is 50% agreeing which means that financial controls improve the performance of the organisation and The Institute of Internal Auditors shared the same view when they cited that strong financial controls allow for reliable financial information to be reported in the firm, and also make sure there is optimum use of resources which allows for sound financial management.

4.5.4 Budgetary Control

Table 4.11: Budgetary control improves performance

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Responses	4	6	3	19	6	38

Fig 4.10: Response on effectiveness of budgetary control



From table 4.11 and figure 4.10 above, 4 out of 38 (11%) strongly agreed, 6 out of 38 (16%) agreed, 3 out of 38 (7%) were neutral, 19 out of 38 (50%) disagreed and 6 out of 38 (15%) strongly disagreed that budgetary control improve the company’s performance.

This shows that 27 % agreed which means that budgetary controls improve the organisation's performance and this is supported by Abinader (2011) who is of the view that budgets give management a role to feedforward a futuristic vision of where the company is going and how it is to get there, and to make clear decisions, coordinating and directing employee activities. 7% were neutral as to whether budgetary control improves the organisations performance and this is supported by Hoque and James (2012) who are of the view that size of the company and the structure of activities in the company should also be considered. For companies with a market position which is strong, the practice of budgets will be more eminent and effective than for a company which has got a weak market position. 65% disagreed which means that budgetary control does not improve the organisation's performance and this is supported by Waal, Hermkens and Ven (2011) who postulated that traditional budgets are viewed as being unable to meet the competitive environment's demands and he further emphasized cited that they obstruct efficient resource allocation and encourage narrow decision making.

Overall, the mode of the data is 65 % disagreeing which means that budgetary control does not improve the performance of the organisation and this is supported by Krishna (2010) who postulated that budget make companies to make use and rely on historical data as budgets they are prepared using information from the company's past performance rather than what is ahead of it hence crafting a false feeling on what is being planned.

4.6 Impact of techniques employed on employees

Table 4.12: Responses on the impact of the techniques chosen

	Low morale	Accepted	Loss of corporate memory & culture	No effect	Total
Respondents	17	3	15	2	38

Fig 4.11: Impact of the techniques chosen on employees

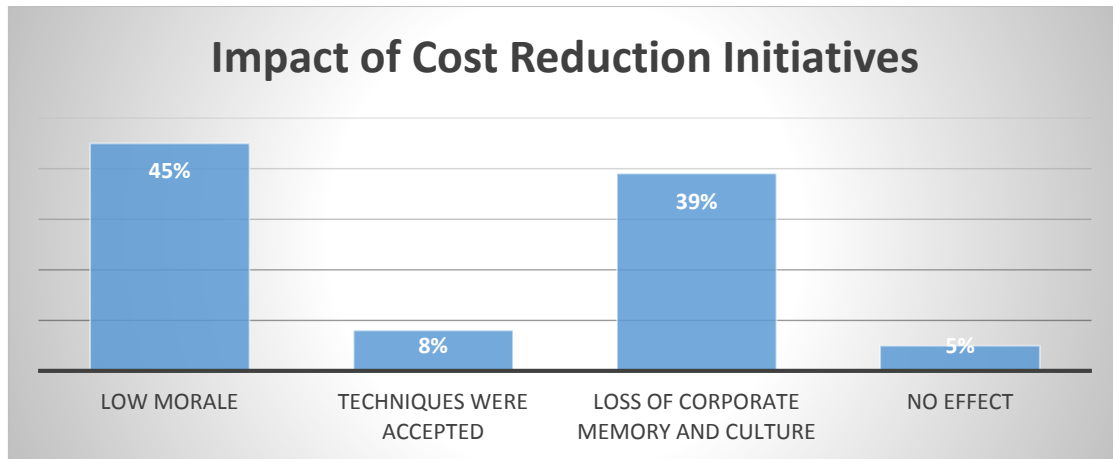


Table 4.12 and fig 4.11 above show that, 17 out of 38 (45%) cited that the policies resulted in low morale, 3 out of 38 (8%) cited that the policies were accepted, 15 out of 38 (39%) cited that the policies resulted in loss of corporate culture and memory and 2 out of 38 (5%) cited that there was no effect on employees after the implementation of the policies

Overall, the mode of the data is 17 out of 38 (45%) which means that employees felt that there was loss of morale after implementation of the employee cost cutting techniques and this is supported by Jensen (2012) who alluded that cutting employee costs is the first thing that management think of when faced with economic downturn, however this results in lower quality materials, demoralisation and demotivation due to pay cuts. Management should analyse their business practice and investigate on small expenses that add up over time rather than cutting costs.

4.7 Effects of weak cost control techniques

4.7.1 Increase in wastage and spoilage

Table 4.13: weak cost controls increases wastage and spoilage

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Responses	7	19	0	10	2	38

Fig 4.12: impact of weak controls on wastage and spoilage

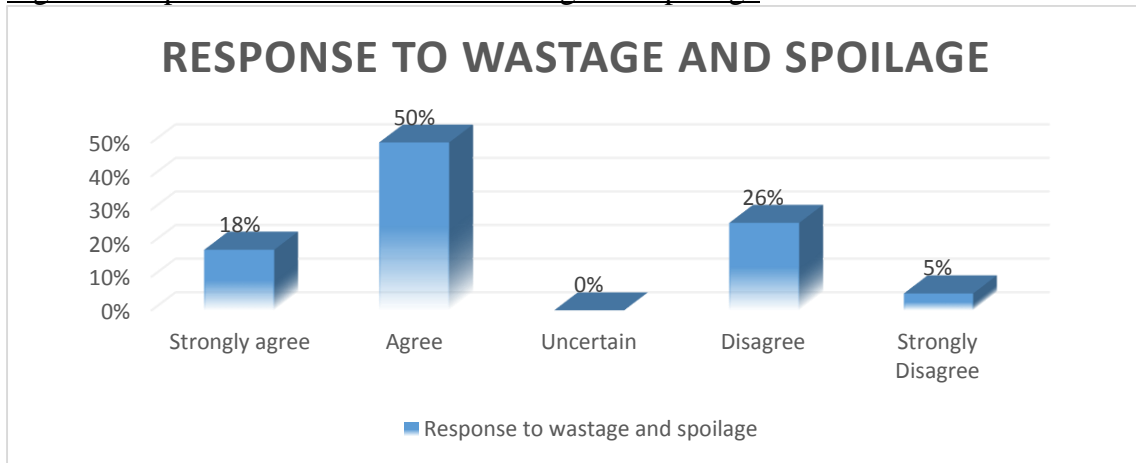


Table 4.13 and Fig 4.12 above shows that, 7 out of 38 (18%) strongly agree, 19 out of 38 (50%) agree, none were uncertain, 10 out of 38 (26%) disagreed and 2 out of 38 (5%) strongly disagree that weak costs controls increases wastage and spoilage.

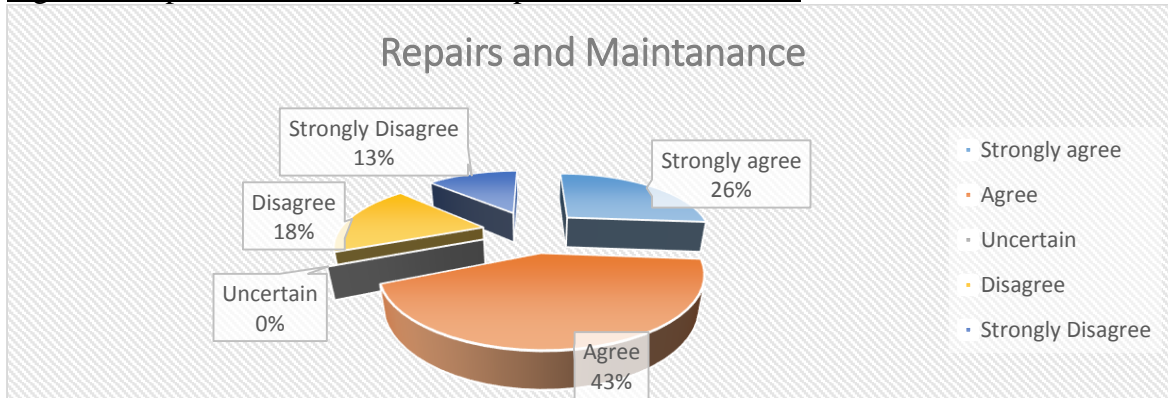
Overall, the mode of the data is 68% agreeing which means that weak costs controls increases wastages and spoilage and this is supported by Moser (2013) who is of the view that production control is a crucial program, this is because it aims to eliminate waste from production processes of the organisation through ensuring that motivation of employees must be conserved as this helps reduce the costs associated with wasteful, inefficient operations.

4.7.2 Increase in repair and maintenance costs

Table 4.14: weak cost controls increase repair and maintenance costs

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Responses	10	16	0	7	5	38

Fig 4.13: Impact of weak controls on repairs and maintenance



From table 4.14 and figure 4.13 above, 10 out of 38 (26%) strongly agree, 16 out of 38 (43%) agree, none are neutral, 7 out of 38 (18%) disagreed and 5 out of 38 strongly disagreed weak costs controls increase repair and maintenance costs.

Overall, the mode of the data is 68% agreeing which means that weak costs controls increases wastage and spoilage and this is supported by Makus (2012) who alluded that increase in repair and maintenance cost indicate that the company is experiencing weak/poor cost control measures as there is necessity for a scheduled maintenance which is probable and foreseeable unlike shooting from the hip. There is need for servicing of equipment against planned schedule and not necessarily to wait for the equipment to experience breakdowns which are expensive and decrease operational performance.

4.7.3 Decrease in operational performance

Table 4.15: weak cost control technique pose decrease in operational performance

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Responses	17	12	0	8	1	38

Fig 4.14: Impact of weak cost controls on operational performance

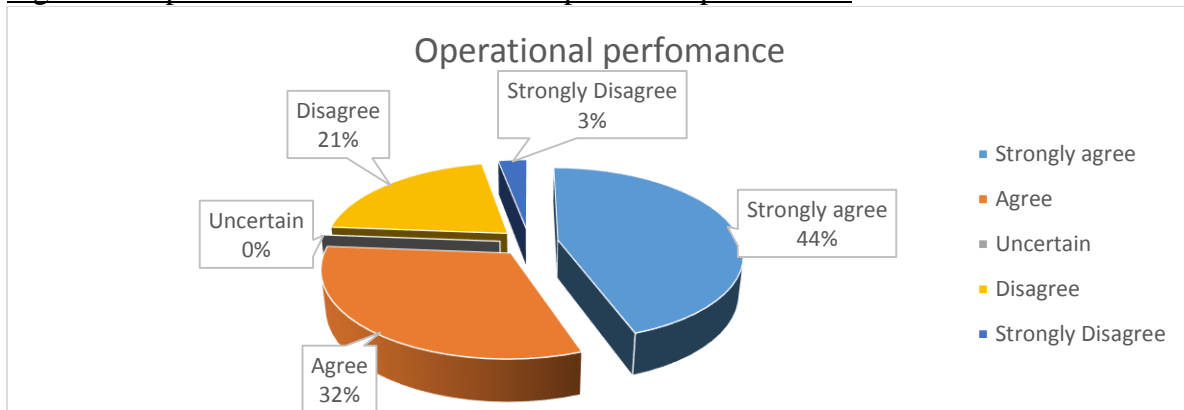


Table 4.15 and figure 4.14 above shows that 17 out of 38 (45%), strongly agree, 12 out of 38 (32%) agreed, none were uncertain, 8 out of 38 (21%) disagreed and 1 out of 38 (3%) strongly disagreed that weak cost control measures decrease the operational performance of Damofalls.

This shows that 77% agreed which means that weak cost controls decrease operational performance of the company and this is supported by Abinader (2011) who alluded that cost control is an un-ending process and refers to management's effort to influence the actions of individuals who are responsible for performing tasks, incurring costs, and generating revenues in a bid to improve the company's performance. None were uncertain maybe because they might not be well versed as to whether costs controls improve the performance of the organisation or not.

Overall, the mode of the data is 77% agreeing which means that weak cost control techniques decrease the operational performance of an organisation. Abinader (2011) supports that cost

control is a continuous process and refers to management's effort to influence the actions of individuals who are responsible for performing tasks, incurring costs, and generating revenues in a bid to improve the company's performance.

4.8 Challenges over employee cost controls implementation

Table 4.16: Responses on challenges over employee cost control implementation

Challenge		TOTAL	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
(i) There is top-down approach to cost control and management at Damofalls	Rate	<u>100%</u>	26	32	18	16	8
	Frequency	<u>38</u>	10	12	7	6	3
(ii) There is resistance to change from some employees	Rate	<u>100%</u>	34	29	8	26	3
	Frequency	<u>38</u>	13	11	3	10	1
(iii) There is a bottom up approach to cost control at Damofalls	Rate	<u>100%</u>	11	8	16	39	26
	Frequency	<u>38</u>	4	3	6	15	10
(iv) Lack of qualified personnel to implement the policies	Rate	<u>100%</u>	8	5	13	53	21
	Frequency	<u>38</u>	3	2	5	20	8

4.8.1 There is a top-down approach to cost control and management at Damofalls

From table 4.16 above, 10 out of 38 (26%) strongly agree, 12 out of 38 (32%) agree, 7 out of 38 (18%) are uncertain, 6 out of 38 (16%) disagree and 3 out of 38 (8%) strongly disagree that there is a top down approach at Damofalls.

Overall, the mode of the data is 22 (58%) agreeing which means that there is top down approach at Damofalls and also the three respondents interviewed agreed on the same view.

4.8.2 There is resistance from some employees

From the above table, out of 38 respondents, 13 (34%) strongly agree, 11 (29%) agreed, 3(8%) were uncertain, 10 (26%) disagreed and 1 (3%) strongly disagreed that there is resistance from employees on the policies for cost control of Damofalls.

This means that 63% agreed which means that there is resistance to change from the employees. This is supported by Lunenburg (2011) who cited that there is human behaviour to resist to change as it forces people to adapt to new ways of doing things. 8% was uncertain as to whether there is resistance from employees or not. This might be because employees might not be aware of how all other employees are handling the implementation of the policies. 29% disagree which means that there is no resistance to change from employees.

Overall, the mode of the data is 24 (63%) agreeing which means that there is resistance from employees from the implemented policies. This concurs with Lunenburg (2011) who cited that there is human tendency to resist to change as it forces people to adapt to new ways of doing things.

4.8.3 Lack of qualified personnel to implement the policies

From table 4.16 above, 3 out of 38 (8%) strongly agree, 2 out of 38 (5%) agree, 5 out of 38 (13%) were uncertain, 20 out of 38 (53%) disagreed and 8 out of 38 (21%) strongly disagreed that there is lack of qualified personnel to implement policies at Damofalls.

Overall, the mode of the data is 74% disagreeing which means that there is no lack of qualified personnel at Damofalls. This concurs with Piva *et al* (2008) when they highlighted that well trained personnel are vital to compliment the cost controls at the work environment.

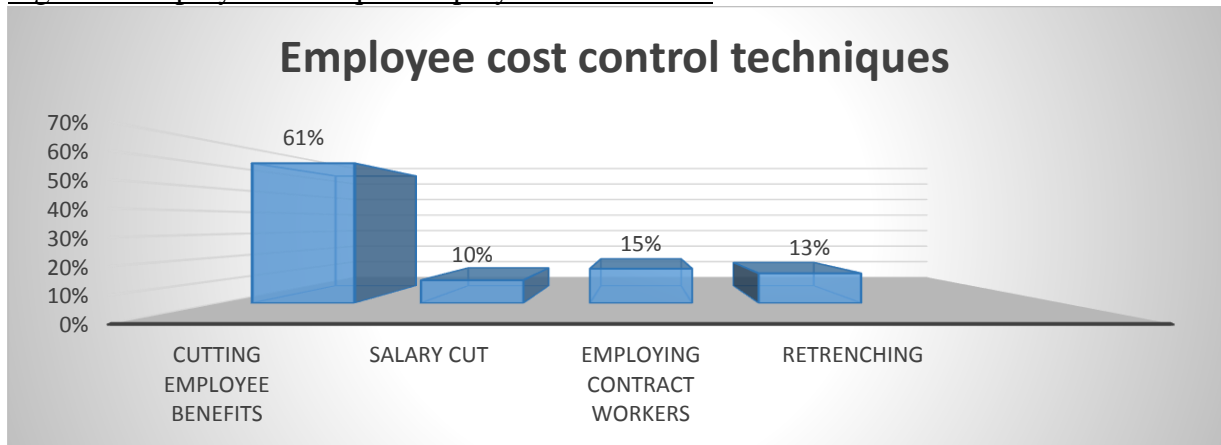
4.9 Techniques employed by Damofalls with the aim of controlling costs

This question sought to find the techniques implemented by the company with the aim of controlling costs.

Table 4.17: Responses on control techniques employed by Damofalls

	Cutting employee benefits	Salary cut	Contract workers	Retrenching	Total
Responses	23	4	6	5	38

Fig 4.15: Employee techniques employed at Damofalls



From table 4.17 and figure 4.15 above, 23 out of 38 (61%) cited cutting employee benefits, 4 out of 38 (10%) cited salary cut, 6 out of 38 (15%) cited employing contract workers, 5 out of 38 (13%) cited retrenchment

Overall, the mode of the data is 61% which means that cutting employee benefits is the most used employee costs control measure at Damofalls. Lee Marks (2010) is of the view that cutting down employee benefits yields negative emotional commitment from employees as they may feel that the measures implemented were based on insatiability or incompetence's.

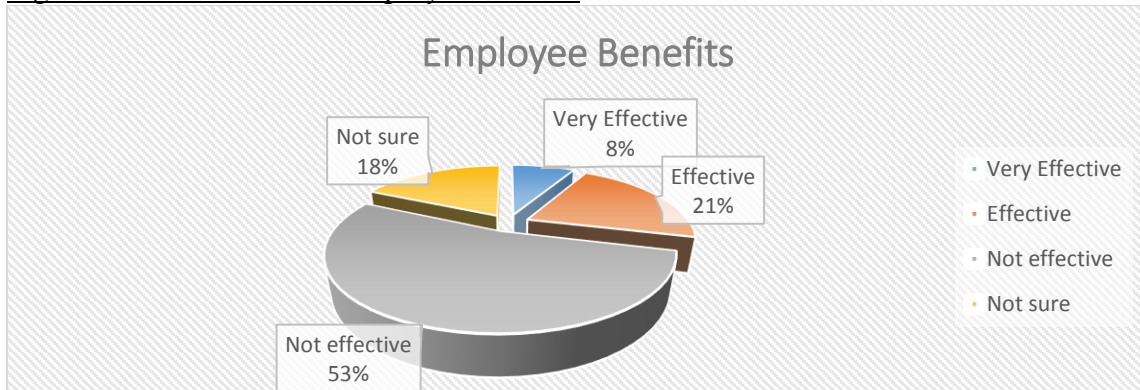
4.10 Rankings of the techniques above in terms effectiveness

4.10.1 Cutting down employee benefits

Table 4.18: Response on effectiveness of cutting employee benefits

	Very effective	Effective	Not sure	Not effective	Total
Respondents	3	8	20	7	38

Fig 4.16: Effectiveness of employee benefits



This inquiry sought to find out the effectiveness of cutting down on employee benefits. From table 4.18 and figure 4.16 above, 3 out of 38 (8%) cited that it is very effective, 8 out of 38 (21%) cited that it is effective, 20 out of 38 (53%) cited that it is not effective and 7 out of 38 (18%) cited that they were not sure if cutting down employee benefits was effective to Damofalls.

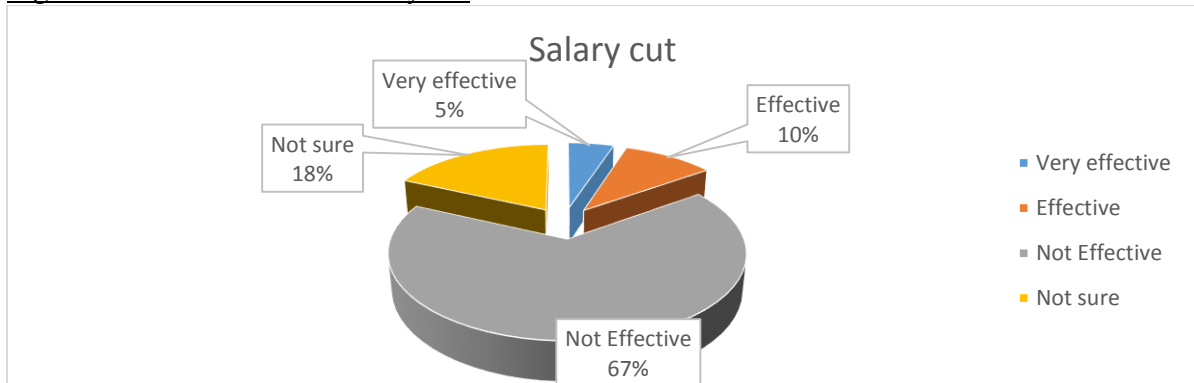
Overall, the mode of the data is 53% which means that employees feel that cutting employee benefits is not effective and this is supported by Katzenbach and Bromfield (2008) who alluded that a truly committed workforce can reduce costs more and sustain the reductions longer than a workforce under compulsion.

4.9.2 Salary Cut effectiveness rankings

Table 4.19: response to effectiveness of salary cut

	Very effective	Effective	Not sure	Not effective	Total
Respondents	2	4	25	7	38

Fig 4.17: Effectiveness of salary cut



This inquiry sought to find the effectiveness of salary cuts. From table 4.19 and figure 4.17 above, 2 out of 38 (5%) cited that it is very effective, 4 out of 38 (10%) cited that it is effective, 25 out of 38 (66%) cited that it's not effective, and 7 out of 38 (18%) cited that they were not sure if salary cuts are effective for Damofalls.

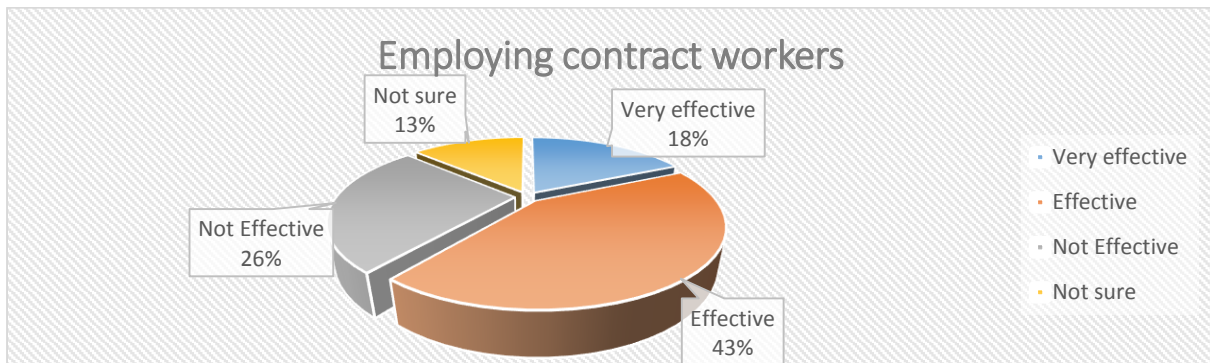
Overall, the mode of the data is 66% which means that salary cuts are not effective and this is supported by Katzenbach (2008) who alluded that salary cuts may diminish your professional standing. Pay rate and position often go hand-in-hand. Taking a cut could put you down a peg on the business hierarchy because it is essentially a demotion. This could impact future business prospects.

4.9.3 Ranking of employing contract workers

Table 4.20: Response n effectiveness of employing contract workers

	Very effective	Effective	Not sure	Not effective	Total
Respondents	7	16	10	5	38

Fig 4.18: Effectiveness of contract workers



From figure 4.18 above, 7 out of 38 (18%) cited that employing contract workers is very effective, 16 out of 38 (42%) cited that it is effective, 10 out of 38 (26%) cited that it is not effective, 5 out of 38 (13%) cited that they were not sure if employing contract worker is effective.

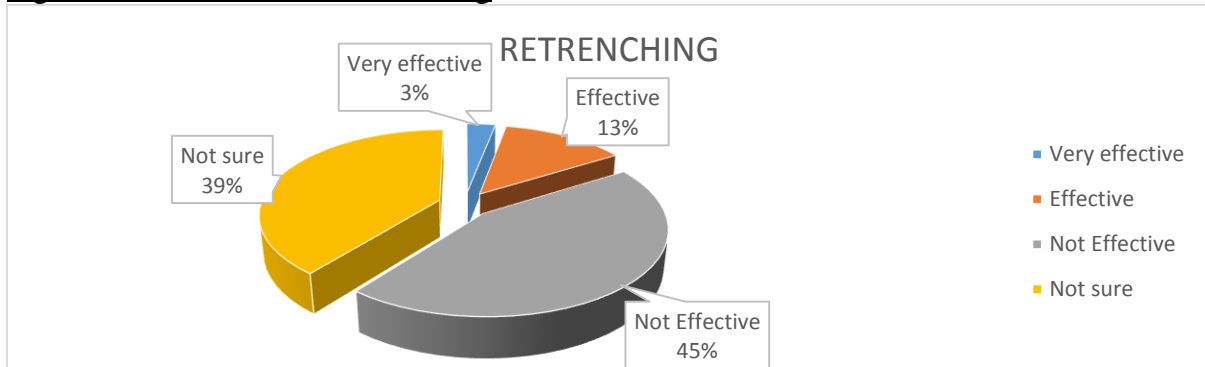
Overall the mode of the data is 63% which means that employing contract workers is effective and this is supported by Sherman (2014) who alluded that you can hire the right person for the task needed, contracting someone with a specialized service. They often have many years of experience, so you don't need to train them and they are responsible for their own permits and professional licenses.

4.9.4 Effectiveness of retrenching

Table 4.21: Response on effectiveness of retrenching.

	Very effective	Effective	Not sure	Not effective	Total
Respondents	3	8	20	7	38

Fig 4.19: Effectiveness of retrenching



This inquiry sought to find out the effectiveness of retrenching. From figure 4.19 above, 1 out of 38 (3%) cited that retrenching is very effective, 5 out of 38 (13%) cited that it is effective, 17 out of 38 (44%) cited that it is not effective, 15 out of 38 (39%) cited that they were not sure that retrenching is effective to Damofalls

Overall, the mode of the data is 44% which means that employees feel that retrenching is not effective for the company. This is supported by Berk (2010) who alluded that managers who retrench are not focused at attaining organizational objectives at the lowest costs.

4.11 Interviews

4.11.1 The implication of cutting employee related costs on the performance of the organization

Respondent 1 highlighted that cutting employee related costs results in lack of employee commitment as they feel their efforts are being compromised which negatively affects the performance of the company. This is evident from the 53% who disagreed that cutting employee related costs improve the profitability of the company as well as the 57% which disagreed that cutting employee related costs improves the productivity of Damofalls.

Respondent 2 stated that the firm undertaken cost cutting measures was revealing that the entity was not performing to its full potential in its operations and sought to reduce on costs with the aim of increasing its viability, efficiency, and to expand infrastructure. However, this was not attainable or sustainable as the company's performance continued to decline. This is supported by Palepu and Healey (2009) who postulated there is no guarantee that financial performance of a company will increase when a firm decides to cut on its costs. Both respondent 1 and 3 were of the view that cutting costs was only effective in the short run, since the company had outstanding salary payments. However, its effects are adverse in the long-run in terms of the performance of the company since it might suffer on output quality, and it does not enjoy competitive advantage, and value may also be compromised in the process. From the interviews, respondents felt that cutting employee related costs caused harmful effects on the performance of the company and led to results that initiated more harm than good to the company's performance. Overall all respondents were of the view that cutting employee related costs impact the company's performance in a negative way.

4.11.2 Alternative ways to reduce or control costs without cutting them

Respondent 1 outlined the necessity to equal revenue with the relevant costs and removing unnecessary tasks and costs which do not add value to the general company's objectives of profit making and offering services at the lowest operating costs, for example, a branch in Harare is recording high rentals as compared to revenue generated thereof. Respondent 2 pointed out the need for proper planning by the managers through exploiting the available resource. He also cited eliminating waste and removing redundant tasks, just-in-time procurement, and staffing as other measures which can be employed by the company to improve competitiveness. Respondent 3 emphasized on the need to classify cost drivers of the company as it enables the cost reduction, hence giving a pillar for attainment of cost efficiency in the organization. This is evident from the 65% which agreed that Activity based

costing and be used as a measure to improve performance and the 58% which also agreed that Cost driver analysis can be used to improve the company's performance. This is supported by Feinberg (2008) who alluded that ABC aims to specifically reduce costs through improvement of methods and procedures and has been developed to help management improve productivity. Organisations can engage in value analysis or process costing by aligning costs to revenue generated thereof. It emerged from the interviews that there is need for staff development, change of approach and attitude of workers, proper planning by management, there is also need to identify cost drivers, as ways to reduce or control costs. Overall, all respondents were opting for other control measures which do not include employee cost cutting giving a view that other cost control measures also improve the performance of the organisation.

4.11.3 Reaction of employees on cost cutting measures implemented

The research findings showed that the approaches applied by Damofalls affected employee performance. Respondent 1 stated that the measures implemented affected employee performance in a negative way and it was supported by Respondent 2 and 3 who are top managers who stated that the company was failing to meet its targets in previous years. They both related to this problem to demoralisation of employees. It is also evident from the mode of 45 % who cited that the initiatives that were taken by the company affected the employee's morale, followed by 39% who cited that there was loss of corporate culture and memory. Respondent 1 stated that the strategies implemented had an effect on their morale and perceptions about their work. Gandolfi (2006) stated that negative impacts decrease job satisfaction and employee morale. This also shows that the strategies had a negative impact on employees which is shown in reduction in employee morale. According to Hopkins and Weathington (2006) employee's commitment level can change immensely following a threat to their job security. Employees may feel that the company is not committed to them,

therefore they will also change in their level of commitment to the organisation. Overall, all the respondents are of the view that the techniques implemented negatively affected employee's perceptions.

4.10.4 Challenges in implementing the employee cost control measures

From the research findings, the researcher found out that the employees perceived that the strategies were implemented unfairly. Respondent 1 said, they felt that it's not fair because the strategies only affected non managerial employees only so there was resistance on some employees. This is evident from the 63% who agreed that there is resistance to change from some employee on policies implemented. This is in line with Erturk (2007) who stated that issues of fairness are determined by how decisions affecting them are made. In this case the decision made only affected non managerial employees hence they perceived the strategies to be unfair because management was not affected. Respondent 3, a top manager, cited that the organisation did not consult and give them time to adopt to the strategies that were implemented therefore some of them did not clearly understand the policies. This is evident from the mode of 58% which agreed that there was a top-down approach at Damofalls. This is also supported by Greenberg (1990) in Erturk (2007) that employees judge the decision processes and consequences if they are fair, in this case there was no consultation in the decision process. Therefore respondents perceived the mechanisms to be unfair and clearly did not understand some of the policies implemented.

4.10.5 Best practice on employee cost control initiatives.

The research findings showed that there are various other methods which can be employed by the company which will do justice to both the company and the employees. Both Respondent 1 and 2 were of the view that the company should employ cost accounting systems which are effective for the management of labour costs. These systems include the use of Activity

Based Costing. This is evident from the 65% who agreed that Activity based costing can be used by Damofalls as a measure to improve performance. This notion is supported by Maingi (2011) who alluded that this system is particularly helpful in identifying and ear-marking some of the matters of business activities which are a burden or stress on the business i.e. wasteful or non-value adding services.

4.11 Summary

This chapter provided the presentation and analysis of the research findings from the selected respondents. This was achieved through the use of graphs, tables and pie charts, which was analyzed and interpreted. The following chapter provided conclusions as well as recommendations on the course of action which Damofalls Investments may undertake.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The reason for this study was to evaluate the effectiveness of reduction in employee related costs on the performance of a company. This chapter concentrates on the conclusions and summaries from previous chapters. Also recommendations are provided in this chapter making use of the findings from the study. Suggestions for further studies are also included in this chapter.

5.1 Summary of the research

Chapter one covered the introduction to the research, it furthermore highlighted the background to the problem, statement of the problem, objectives of the research, main research question, significance of the study and delimitations. Likewise it described the limitation as well as the solutions to the research. The study was driven by a decline in operational performance and profitability even if there were efforts established by the company to cut costs . The main research question was an evaluation of the effectiveness of cutting employee related costs on the sustainability and viability of the company.

Chapter two, which is the literature review, outlined and gave highlights of what other recognised authors put forward with regard to the topic under study. A detailed analysis of the research objectives was also done through the literature review. The major authors were Attridge (2010), Marco (2010), LeeMarks (2010), Handy and Cummings (2012) and Marco (2010) supports that in order to achieve the effective utilization of manpower resources, the management has to apply proper system of labour cost control. The labour cost control may

be determined on the basis of establishment of standard of efficiency and comparison of actuals with standards. Attridge (2010) cited that employee assistance programs, work-life programs and wellness programs are three commonly provided kinds of interventions for improving employee performance and fostering a healthier workplace culture. The integration of these kinds of programs is a recent trend that has the potential to offer additional synergistic benefits, providing comprehensive delivery services that support human capital needs with bottom-line financial success of the company. Marco (2010) is of the view that some firms have shown positive financial outcomes following downsizing, there is no empirical evidence to suggest that there is a correlation between downsizing and improved financial performance. LeeMarks (2010) also supports that employees judgement about cost cutting is determined with their belief about how these measures were implemented, whether it was based on management incompetence or greed. Employees consider the amount of forewarning and whether some other cost cutting regimes were tried. Handy and Cummings (2012) were of the view that resistance is propagated through management's failure to train employees on cost control fundamentals that build better attitudes by involving them in teams that identify and solve problems. Marco (2010) supports that in order to achieve the effective utilization of manpower resources, the management has to apply proper system of labour cost control. The labour cost control may be determined on the basis of establishment of standard of efficiency and comparison of actuals with standards.

Chapter three laid focus on the design of the research which the researcher made use of the descriptive design. It also covered the research method to be used, that is, the mixed method. A census of 40 employees was conducted making use of questionnaires and interviews. Closed ended questions (Likert scale) were used in the questionnaire and the face to face method was used for the interviews. Relevant secondary data was also gathered.

Chapter four focused on the data presentation and analysis of the research findings. Raw information was collected through the use of questionnaires and interviews from the field research and were processed to significant and meaningful information which was presented in the form of graphs, pie charts, and tables. Henceforth the source and basis for the conclusion and recommendations for this research was established.

5.2 Major research Findings

- To evaluate the current employee cost cutting measures employed by the organization

From the investigation it was realised that reducing employee related costs as a control measure results in lost business opportunities, poor quality goods and services from the employees, and decrease in productivity as employees will be demotivated. This is supported by the research findings which reviewed that a mode of 63% disagreed that the employee related costs implemented by the organisation are effective as well as the 52% disagreeing that profitability of the organisation improved. Also the overall view from the interviewed respondents reviewed that cutting employee related costs impact the company's performance in a negative way.

- Other aspects that can lead to improvement in the company's viability despite cutting costs.

The investigation also shown that Damofalls was not taking into consideration other cost saving prospects and the company hasn't been fully utilising other cost control measures that might improve the company's performance such as budgetary controls, activity based costing and financial controls. From the research findings also the respondents felt that costs can be reduced from other areas, this is evident by the mode of 76% which cited that costs should be controlled from the company operations. Also looking across from all the cost such as cutting on the amount of printing, and utility bills, using backside of old copies as scrap paper and

switching out light bulbs for energy efficient ones, might improve viability of the company (Jensen 2012). From the conducted interviews overall, the respondents were opting for other control measures which do not include employee cost cutting giving a view that other cost control measures also improve the performance of the organisation

- To monitor and assess the reaction of employees on costs cutting measures implemented.

From the research it was deduced that the company engaged in cost cutting measure for employee related costs, which led to the demotivation of employees resulting in company performance declining. This is evident from the mode of 45% which cited that employee's morale was affected after the implementation of the cost cutting techniques. From the interviews the respondents were of the view that the techniques implemented negatively affected employee's perceptions

- To establish challenges which could be encountered in implementing cost control measures.

Challenges encountered by Damofalls were as a result of lack of training for employees, negligence of employees since there is a top-down approach. Also the research findings reviewed that 63% of the respondents were of the view that there was resistance to change from the employees. The interviewed respondents also reviewed that there is top-down approach which hinders the clear lines of communication hence some employees might not fully understand the policies being implemented.

5.3 Research Conclusion

Damofalls investments is encountering challenges in trying to strike a balance between costs and a favourable financial ground. Hence this research gave an insight of the effectiveness of

cutting employee related costs implemented by the company as a performance measure. The findings from the study reveal that management need to keep a keen eye on the techniques they employ in trying to maintain a competitive ground as most of the employee cost control techniques may pose harm than good to the entity.

5.4 Recommendations

- The company should keep their employees motivated and consider setting up performance standards. They should also maintaining good communication with their employees as to their needs, and try not to reduce those cost that affect negatively the workers, but they should rather enter into negotiations with the employees on cost cutting measures and educated the workers on the advantages thereof. This notion is in line with what was postulated by Jensen (2012) who allude that management of the company must consider the reduction of costs rather than cost cutting which will impact negatively on the workers.
- The organisation should also consider setting up a cost control committee that sits down regularly for meetings, focusing on issues of cost reduction initiatives giving workers feedback on those subject matters. This is supported by Muchin (2009) who alluded that there is need to establish a cost committee that accommodates and updates employees.
- The company should consider giving consideration to all the processes and services inside the company for cost saving opportunities and can also consider reviewing cost control as a continuous practice. Gradual reduction of costs should be practiced in a way that the workers will not feel the reduction as compared to a reduction which is done as a once-off. Katzenbach (2008) supported the view saying that the company's management should consider costs, from across the whole entity. Bragg (2010) also shared the same view when he highlighted that management should stop making an

allowance for cost reduction as a once off event, but should be gradually removed through capitalization of cost saving opportunities.

- The firm should consider prioritizing its employee involvements, especially those who partake more in the vital processes as they are the ones who operate on the ground and they are physically involved in the processes. This is because they can be able to pinpoint sections for controlling costs and enhance the effective and efficient handling of tasks. Jensen (2012) postulates that organisations can also engage into brainstorming with their workforces since they are the ones who are on the ground and they can identify areas where money is being wasted and encouraging them in money savings as these may come up with best tips to save costs rather than rather than cutting them.
- The organization should avoid overcrowding of resources on company operations especially on utility bills such as rentals for example the Harare branch is operating incurring high rentals of which this is not healthy for an emerging firm because costs are too high as compared to revenue generated thereof. This notion is supported by Marco (2010) who alluded that an organisation's management need to assess its need for return and aligning costs to revenue generated.

5.5: Suggested area of further study

In an organisation there is need to keep a keen eye on the sources of costs incurred by an organisation. This is enable full and efficient control of the costs drivers and be able to trace the costs back to their origin. Correlating costs with their related drivers monitors the behaviour of costs and is ideal for an entity promoting and advocating for a reduction in costs thus the researcher pointed out "An assessment of the effectiveness of control of major operating cost drivers as a performance measure", as an area of further study

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APPENDIX 1
COVER LETTER



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

11 April 2016

To Whom It May Concern:

Ref: APPLICATION FOR AUTHORITY TO CARRY OUT AN ACADEMIC RESEARCH

My name is Lionel Madzima (R125352Y). I am a fourth year student at Midlands State University and I am carrying out research study, on “The effectiveness of cutting employee related costs as a performance measure at Damofalls Investments (Pvt) Ltd.” The study is carried out in partial fulfilment of the requirements for the award of Bachelor of Commerce Accounting Honors Degree with Midlands State University. This questionnaire is meant to enhance my research. I kindly ask you to assist in responding to the provided questionnaire. All information supplied will be treated with confidentiality and will only be used for the purposes of the academic study.

Your positive response on this is greatly appreciated.

Yours Faithfully

Lionel Madzima

QUESTIONNAIRE



RESEARCH PROJECT QUESTIONNAIRE.

Questionnaire for Damofalls Investments (Pvt) Ltd Management and Employees

Dear Respondent

May you kindly assist by responding to the best of your knowledge to the questions attached to this letter. The information will be treated as confidential and will be used for academic purposes only.

Thank you for your cooperation



RESEARCH PROJECT QUESTIONNAIRE.

Instruction: Please tick the appropriate response box

SECTION A

1. Sex?

Male [] Female []

2. Which position do you hold in the organization?

.....

3. Which group do you belong to in the organization?

Top management [] Middle management [] Low level management []

4. How long have you been in the organization?

Less than one year [] 1-5 years [] 6-10 years []
 11-15 years [] above 15 years []

SECTION B

1. The following is in regard with the firm’s current employee cost control methods.

QUESTION	STRONGLY AGREE	AGREE	UNCERTAIN	DISAGREE	STRONGLY DISAGREE
i) Employee cost control policy is the measure used to improve profitability					
ii) The policies are well communicated to the personnel					
iii) The policies implemented affect the productivity.					
iv) The measures implemented affect the company’s business opportunities.					

2) The current employee costs control techniques employed by the company are not effective.

Agree[] Strongly Agree[] Uncertain[] Disagree[] Strongly Disagree[]

3) Identify the area with which you think the costs can be reduced with the goal of improving performance of the company?

Salaries[] staff welfare[] company operations[] Commission[] audit[]

4) The following techniques can also improve the performance of Damofalls

Question	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
(i) Activity Based Costing					
(ii) Cost driver analysis					
(iii) Financial Controls					
(iv) Budgetary control					

5) What effects on employees did the techniques have?

low morale [] measures were accepted []

Loss of corporate memory and wars for talent [] no effect []

6) The impact of weak control techniques are identified as follows:

wastage and spoilage

Agree[] Strongly Agree[] Uncertain[] Disagree[] Strongly Disagree[]

Increased labour cost

Agree[] Strongly Agree[] Uncertain[] Disagree[] Strongly Disagree[]

Increased repair and maintenance

Agree[] Strongly Agree[] Uncertain[] Disagree[] Strongly Disagree []

Decreased operational performance

Agree[] Strongly Agree[] Uncertain[] Disagree[] Strongly Disagree[]

7) The firm is currently experiencing the following employee cost control implementation challenges

QUESTION	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
(i) There is top-down approach to cost control and management at Damofalls					
(ii) Resistance to accept the changes from employees					
(iii) There is a bottom up approach to cost control at Damofalls					
(iv) Lack of qualified personnel to implement the policies					

8) Which are some of the techniques implemented in your company with the aim of controlling costs?

Cutting down on employee benefits e.g., awards, payment of overtime, other perks []

Salary cut [] employing contract workers [] retrenching []

9) With reference to the techniques stated in 5 above, tick the appropriate rank:

Technique	Effective	Very effective	Not effective	Not sure
Cutting down on employee benefits.				
Salary cut.				
Employing contract workers				
Retrenching				

Thank you for your cooperation

APPENDIX III

INTERVIEW GUIDE



RESEARCH PROJECT INTERVIEW GUIDE

- 1) What are the implications of a reduction on employee related costs on the performance of a company?

- 2) What other approaches can you suggest that can be engaged that may lead to organizational competitiveness?

- 3) What is the reaction of employees on costs cutting measures implemented by Damofalls?

- 4) What are the challenges in implementing the employee cost control measures?

- 5) What do u think are the best practices on the employee cost control initiatives?