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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN INVESTIGATION OF FINANCIAL PERFORMANCE ON OPERATIONS OF CROCO MOTORS SERVICE STATIONS

By

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R121673C

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

Gweru: Zimbabwe, 2015

DECLARATION FORM

I Kavhai Auline declare that this project herein is my own piece of work and has not been copied from any source without acknowledgement of the source.

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The undersigned certify that they supervised and recommend to Midlands State University a dissertation entitled**, "An investigation of financial performance on operations: A case study of Croco Motors Service Stations"** submitted by Kavhai Auline (R121673C) in partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree (HACC).

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DEDICATION

I dedicate this dissertation to my family and friends.

ABSTRACT

This study was motivated by consecutive losses that were being reported by Croco Motors Service Stations. The study covered the period from 2012 to 2014. The main objective of the study was to investigate the financial performance on the operations of Croco Motors Service Stations. The research sought to establish the financial performance policy and financial performance guidelines in place, assess personnel capacity, identify challenges being faced, examine controls in place and determine the best practices that can be adopted by Croco Motors as an organisation. Literature from different authors in relation to the study was discussed. Descriptive research method was employed and data instruments used to collect data were questionnaires and interviews. The researcher used a census of the target population and the response rate was 83% (23). The respondents included Directors, Finance department, Workshop department, Internal Audit department, Marketing department and Customer services department. Data was presented in tables and graphs. A statistical modal analysis technique was used to analyse data. The results of the study showed that Croco Motors has a financial policy but it is not documented and not adhered to, financial performance guidelines are in place, personnel are inadequate and not suitably qualified. Financial performance challenges faced by Croco Motors Service Stations include high operational costs, decline in revenue, stiff competition, reduction of clientele base, management incompetence and over expansion. The internal control is weak. The research recommended documentation of financial policy and adherence to it, hiring of adequate personnel that are competent, implementation of profit and survival strategies for example costs cutting, implementation of a sound internal control system and adoption of the following best practices; improved marketing practices, revised strategic planning, budgetary control, management audit, management of information systems, benchmarking performance, risk management, people and performance management. Further research maybe undertaken on the implementation of viable costs cutting initiatives on a firm's operations.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter serves on to introduce the research problem and what the researcher aims to achieve at the end of the research. It looks at the background of the study, the statement of the problem, research objectives, sub-research questions, and significance of the study, delimitations, limitations and the definition of terms.

1.1 Background of study

Croco Motors, a family owned business, is a multi franchised distributor and services the following brands; Nissan, Toyota, Land rover, Ford and Kia. Croco Motors' overall performance has been declining since 2012. The total profits for the whole group dropped from $943,561 in 2012 to $546,754 in 2014 the major contributing factor being stiff competition. Customer services department statistics show a reduction of clientele base from 17,488 customers in 2012 to 11,673 customers in 2014. The reduction of clientele base affected operations of service stations as indicated in the table below;

Table 1.1- Performance levels

	Profit or Loss after tax		
Business Unit	**2012**	**2013**	**2014**
Croco Chiredzi	$(93,327)	$(89,338)	$(167,337)
Croco Masvingo	$(29,576)	$1,181	$(40,519))
South East Toyota	$(42,955)	$(157,860)	$(103,719)
Croco Shell city	$(119,954)	$(113,529)	$(154.610)
Croco ABC	$(67,867)	$2,924.86	$(79,580)
Croco Mt Pleasant	$(7,869)	$(4,567)	$(9,870)

(Source-Croco Motors Financial Statements)

As indicated above service stations have been reporting losses thereby reducing the total profits for the whole group. Croco Motors Financial Statements show that operating costs of Croco Motors are increasing every financial period making it impossible for Croco motors to remain profitable and competitive. Table 1.2 below shows amounts that were budgeted for expenses and the respective performance amounts for the three earliest comparative periods;

Table 1.2- Budgets and Actual expenditure

Year	**Budget**	**Actual**	**Variance**
2012	$8,673,449	$8,687,642.11	$(14,193.10)
2013	$8,750,598	$9,758,471.12	$(1,007,873)
2014	$9,800,749	$10,940,986.47	$(1,140,237.47)

(Source- Croco Motors Budgets and Financial Statements)

Croco Motors Financial Statements show that variances in Table 1.2 are mainly attributable to workshop departments. The organisation is aware of the operational risks in the workshop departments for example comeback jobs, jobs that would not have been done effectively to the satisfaction of customers and also misappropriation of workshop parts, consumables and lubricants. The above mentioned operational risks do not have serious financial impact if they occur once or twice but they have been frequent since 2012 and have resulted in Croco Motors operating outside the budget. Come back jobs increased from 30% in 2012 to 37% in 2014. Croco Motors does not have an upper limit of the number of comeback jobs that are acceptable in order to curb inefficiencies and negligence of duty by technicians. In 2014 Internal Audit report stated that 20% of engine oil was pilfered, technicians requested more litres of oil than required thereby increasing operating costs of the company.

Internal Audit, in 2014 noted that Croco Masvingo cashier understated daily receipts because the cashier had access to delete receipts from the system that he would have receipted earlier. Croco Motors lost approximately $4,500 and also $8,500 to Croco Mt Pleasant accounts clerk who used a personal receipt book to collect cash from customers. The accounts clerk took advantage of power cuts, network interruptions or in some instances they just receipted manually.

All vehicle sales departments relocated to Harare under one branch in 2011 and since then, the vehicle show rooms have not been in use but rentals and security service fees are being incurred every month. $180,249.20 is paid annually for rentals and $206,434.70 for security services, these amounts are inclusive of charges of facilities and services that Croco Motors no longer requires thus making a contribution to losses being experienced in the group.

1.2 Statement of Problem

Croco Motors performance declined from $943,561 in 2012 to $546,754 in 2014 and the clientele base also reduced from 17,488 in 2012 to 11,673 in 2014. The reduction in clientele base affected the operations of service stations and they have been reporting losses since 2012 as highlighted in the background. Service stations have been operating outside the budget and operating costs increased from $8,687,642.11 in 2012 to $10,940,986.47 in 2014 due to increases in comeback jobs and misappropriation of workshop consumables. Accounts clerks from two different branches stole approximately a total amount of $13,000 during the execution of their duties and Croco Motors has been paying rent and security services for vehicle show rooms at service stations that are no longer in use thereby contributing to the losses reported.

1.3 Main research question

An investigation of financial performance on operations of Croco Motors.

1.3.1 Sub research questions

In an effort to address the main question the study seeks to answer the following questions;

- What is the financial performance policy for Croco Motors?
- What financial performance guidelines are in place for Croco Motors?
- What personnel capacity does Croco Motors have to implement the financial performance policy?
- What financial performance challenges are being experienced at Croco Motors?
- What controls are in place over the financial performance for Croco Motors?
- What best practice can be put in place for financial performance at Croco Motors?

1.4 Research Objectives

More precisely the study seeks to;

- To examine the financial performance policy for Croco Motors.

- To determine financial performance guidelines in place for Croco Motors.
- To assess personnel capacity Croco Motors has to implement the financial performance policy.
- To establish financial performance challenges experienced at Croco Motors.
- To examine controls in place over the financial performance for Croco Motors.
- To determine the best practice that can be put in place for financial performance at Croco Motors.

1.5 Justification of the study

- **To the researcher**

  The research is carried out in partial fulfillment of the requirements of the Bachelor of Commerce Accounting Honors Degree. The researcher will develop skills in undertaking future research studies.

- **To the university**

  The study will serve as referral point for other students who will carry out similar or related research and create a platform for future research.

- **To the organisation**

  The results of the study will draw organisation's attention to consider recommendations for adoption.

1.6 Delimitations of the study

The research was confined to Croco Motors in Zimbabwe.

The research focuses on personnel from the accounts departments and workshop operations.

It only covered the period from 2012 to 2014.

1.7 Limitations of the study

During the research process the researcher encountered the following challenges;

- **Financial constraints**

  There were insufficient funds to travel to all the respondents and collect information. The researcher resorted to the use of emails and also received assistance from family and friends.

- **Confidentiality**

Some respondents were unwilling to divulge information of the matter at hand. The researcher used internal sources that were at her disposal as well as the internet to access the information. Guarantee was provided that data would be used for academic purposes only.

- **Time constraint**

  Time was limited for the research of the problem since the researcher had other school commitments. Sacrifices were made to strike a balance between the research and school commitments.

1.8 Summary

The chapter aimed at highlighting the background of the study, statement of the problem, research objectives, the main research question and significance of the study. The proposal also identifies the delimitation of study, limitation of study and the definition of terms. Chapter 2 covers literature review

1.9 Research gap

According to Moyo (2014) Zimbabwe is spending more than $1 billion a year on used car imports from Asia which has led to the virtual collapse of the local car industry. Muvasarirwa (2014) agrees that the informal sector of the Zimbabwe motoring industry is fairly large. However this study aims to investigate the financial performance on operations of the companies in the motor industry that are contributing to the downfall of the industry, using a case of Croco Motors.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature related to the study of financial performance. The primary objective was to demonstrate knowledge about the background of the study by looking at different theories and concepts that were presented pertaining to the research topic. Work of various authors and study material from the internet was used to clarify the thrust of the study. The chapter focuses on the financial performance policies, financial performance guidelines, personnel capacity to implement financial policies, financial performance challenges, controls in place for financial performance, best practices that can be put in place for financial performance and summary.

2.1 Financial Performance

Trivedi (2010) defined performance as a general term that is applied to a part or to all the demeanour of activities of an organisation over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability and he pointed out that performance is used to indicate firm's success, conditions and compliance. Trivedi (2010) further described financial performance as the degree to which financial objectives have been accomplished; as the process of measuring the results of a firm's policies and operations in monetary terms; as an assessment of a firm's overall financial health over a given period of time and to compare similar firms across the same industry or to compare industries or sectors in aggregation. Shoffner (2011) agreed that financial performance means a firm's overall financial health over a given period of time and it can be determined by analyzing operating and financial characteristics of a firm from accounting and financial statements. Shoffner further explained that the objective of such analysis is to determine the efficiency and performance of a firm's management, as reflected in the financial records and reports.

Bacal (2004) cited that performance is efforts extended to achieve the targets efficiently and effectively which involves the integrated use of human, financial and natural resources. Iswatia and Anshoria (2012) defined performance as the ability of an organisation to grow and manage the resources in several different ways to develop competitive advantage. They further explained that there are two kinds of performance, financial performance and non-financial performance. Zuriekat (2011) indicated that accounting researchers criticized relying solely on financial performance measures. As a result companies are now including non-financial measures within their performance measurement systems to provide managers with appropriate information about their overall company situation (Ittner 2012; Speckbacher 2011).

However Ostroff and Schimit (2011) highlighted that the appropriate measure selected to assess corporate performance depends on the type of the organisation to be evaluated and the objectives to be achieved through that evaluation. They indicated that the researchers suggested that studies on financial performance should include multiple criteria analysis, and a multi dimensional view of performance implies that different models or patterns of a relationship between corporate performance and its determinants will emerge to demonstrate the various sets of relationships between dependent and independent variables in the estimated models. Neely (2009) supported the theory by stating that the selection of performance measures depends on an organisation's objectives.

2.1.1 Financial Policy

A policy is a statement that outlines the principles and views of the business on each topic covered as well as an overview of certain rules that an organisation should have in business (Kennedy, 2011). Kennedy (2011) further explained that policies should align with business goals and plans, reflect the culture of the business goals and plans, should be flexible and easily interpreted and understood by everyone in the business. Hussey and Hussey (2012) are of the same opinion and they highlighted that financial policies are used by the governing board and executive management to set the baseline standards on how the organisation will be managed financially. According to Wickstrom (2012) and Trevedi (2010) board of Directors formulate financial policies and delegate to the Executive Director for administration.

2.2 Financial Performance Guidelines

Financial performance can be assessed by Financial Analysis which involves the use of Financial Statements (Trivedi, 2010). According to Fisher (2012) ratio analysis is a one widely accepted method of assessing financial statements, it uses data from the balance sheet and income statement to produce values that can be easily interpreted. According to Roger (2012) financial ratio measures are split into liquidity or working capital, profitability, solvency and efficiency ratios. Drake (2013) Explained that there are hundreds of ratios that can be formed using available financial statement data and that the ratios selected depend on the type of analysis for example credit worthiness.

2.2.1 Profitability Ratios

According to Roy (2014) profitability is the overall measurement of performance; it is the ability of an enterprise to earn profits. According to Andrew (2010) there are three generally accepted profitability measures which add value to management; return on assets, return on equity and return on capital employed. The ratios include margin ratios such as gross, operating and net profit margins; these ratios give users a good understanding of how well the company utilized its resources in generating profit and shareholder value (Lan, 2015).

2.2.1.1 Gross Profit Margin

According to Kennedy (2011) gross margin is gross income (revenue less cost of goods sold) divided by net revenue; the ratio reflects pricing decisions and product costs. Drake (2013) Described gross margin as a percentage by which gross profits exceed production costs; it is a good indication of how profitable a company is at the most fundamental level, how efficiently a company uses its resources, materials and labour. Beaver (2013) indicated that the higher the percentage the more the company retains on each dollar of sales to service its other costs and obligations.

2.2.1.2 Net Profit Margin

It measures a firm’s ability to translate sales into earnings for shareholders; Net profit margin compares a company’s net income to its net revenue (Hussey, 2012). It reveals the remaining profit after all costs of production, administration and financing have been deducted as such it is one of the best measures of the overall results of a firm, especially combined with an evaluation of how well it is using its working capital (Lan, 2015). Drake (2013) is of the view that net profit ratio is really a short-term measurement consequently it should be evaluated alongside a variety of other metrics to gain a full picture of a company’s ability to continue as a going concern.

2.2.1.3 Return on Net Assets

Lan (2015) Return on assets is calculated as net income divided by average total assets. In other words, the return on assets measures how efficiently a company can manage its assets to produce profits during a period (www.myaccountingcourse.com). In calculating return on assets one may use economic assets, which represent capital invested in the company and it is part of total assets not financed by operation debts (Gadoiu, 2014). Beaver (2013) explained that a higher ratio is more favourable because it shows that the company is effectively managing its assets to produce greater amounts of net income.

2.2.1.4 Return on Equity

According to Trivedi (2010) this ratio measures the level of income attributed to shareholders against the investment that shareholders put into the firm; it takes into account the amount of debt or financial leverage a firm uses. Hussey (2012) highlighted that large discrepancies between the return on assets and return on equity may indicate that the firm may be incorporating a large amount of debt. www.myaccountingcourse.com pointed out that return on equity is a profitability ratio from the investors' point of view-not the company, it calculates how much money is made based on the investors' investment in the company, not the company's investment in assets.

2.2.1.5 Return on Capital Employed

Beaver (2013) Described return on capital employed as a measure of how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. Hussey (2012) Stated that return on capital employed is a long term profitability ratio because it shows how effectively assets are performing while taking into consideration long-term financing. Beaver (2013) Indicated that companies' returns should always be higher than the rate at which they are borrowing to fund the assets.

2.2.2 Solvency ratios

Solvency ratios determine whether a company has sufficient cash flow to manage its debts as they come due; it determines when a company can or cannot handle additional debt and assists owners in determining whether internal and external equities must be redistributed (Maguire, 2015). Solvency measures the ability to pay long-term debts, companies with higher solvency ratios are viewed as more likely to meet their financial obligations whereas those with lower scores are seen as posing a greater risk to banks and creditors (Penwell, 2012).

2.2.2.1 Gearing Ratio

Gearing ratio gives an indication of solvency; it measures the proportion of a company's borrowed funds to its equity (Drake, 2013). According to Lan (2015) gearing ratio indicates the financial risk to which a business is subjected, excessive debt can lead to financial difficulties. Peavler (2014) described gearing ratios as a comparison of how much of a firm's activities are funded by borrowed funds as compared to owner's funds.

2.2.2.2 Total-Debt-to-Total-Assets

The ratio is expressed as business' short and long-term liabilities divided by total assets and it measures the percentage of funds provided by creditors Tugas (2012). A ratio greater than one shows that a considerable proportion of assets are being funded with debt, while a low ratio indicates that the bulk of asset funding are coming from equity (Metcalf, 2010).

2.2.2.3 Interest Cover Ratio

In addition to watching the gearing of your business Metcalf (2010) indicates that bankers will also want to be satisfied that the business will be able to pay the interest on any loans, so they look particularly at how many times the profit exceeds interest charges. According to Maguire (2015) interest cover ratio measures the ability of the company to keep up with interest payments which rise along with outstanding debt.

2.2.3 Liquidity ratios

According to Rosario (2012) liquidity ratios measure company's ability to cover expenses and there are two most common liquidity ratios; current ratio and quick ratio and are both based on the balance sheet. According to Drake (2013) liquidity reflects the ability of a company to meet its short term obligations using assets that are most readily converted into cash. Drake (2013) highlighted that there are three commonly used liquidity ratios including net working capital to sales ratio, Iswatia and Anshoria (2012) included cash conversion cycle ratio and cash ratio. (Drake 2013; Iswatia and Ashoria 2012) agreed that liquidity depends on cash conversion cycle and or operating cycle. Generally researchers agree that the larger the liquidity ratios, the better the ability of the company to satisfy its immediate obligations. However Shoffner (2011) highlights that if there are more current assets than the company needs to provide this assurance, the company maybe investing too heavily in these non-or low-earning assets and therefore not putting the assets to the most productive use.

2.2.3.2 Current Ratio

Tangen (2012) Explained that current ratio indicates the extent to which the claims of short-term creditors are covered by assets that are expected to be converted into cash in a period roughly corresponding to the maturity of liabilities. According to Penwell (2012) current ratio is a reflection of financial strength; it is a number of times a company's current assets exceed its current liabilities, which is an indication of the solvency of the business. http://www.investopedia.com/university/ratios/landiing.asp argues that the perception of solvency is based on the liquidation of all of a company's current assets to meet all of its current liabilities yet in reality this is not likely to occur. Furthermore the website goes on to state that it is the time it takes to convert a company's working capital assets into cash to pay its current obligations that is the key to its liquidity.

2.2.3.3 Quick asset ratio

To correct the problem of current ratio, the quick asset ratio removes from the current assets less liquid current assets, such as inventory and pre-paid expenses, which cannot be converted into cash quickly (Doye, 2010). www.Lincolinindicators.comau3 and http://www.investopedia.com agreed that the quick ratio is more conservative than the current ratio since it excludes inventory and other current assets which are more difficult to turn into cash. However http://www.investopedia.com/university/ratios/landing.asp indicated that accounts receivable as a component of the quick ratio has a conversion time of several months rather than several days; the "quickness" attribute of the ratio is questionable.

2.2.3.4 Cash Ratio

Cash ratio is an indicator of a company's liquidity that further refines both the current ratio and the quick ratio by measuring the amount of cash; cash equivalents or invested funds there are in the current assets to cover current liabilities (www.Lincolinindicators.comau). The cash ratio is seldom used in financial reporting or by analysts as it is not realistic for a company to purposefully maintain high levels of cash assets to cover current liabilities, the reason being that it is often seen as poor asset utilization for a company to hold large amounts of cash as this money could be used to generate higher returns elsewhere (Palmer 2012; Horne 2013).

2.2.4 Efficiency ratios

Hussey (2012) Described efficiency ratios as a measure of how much working capital is tied up, how quickly the business collects outstanding debts (and pays its creditors) and how effective the business is in making money work. Rosario (2012) refers to efficiency ratios as activity ratios which measure how well companies utilize their assets to generate income; efficiency ratios can calculate turnover of receivables, the repayment of liabilities, the quantity and usage of equity and the general use of inventory and machinery.

2.2.4.1 Debtors' Turnover Ratio

This ratio is a measure of how quickly and efficiently a company collects on its outstanding bills, the debtors' turnover ratio indicates how many times per period the company collects and turns into cash its customers' accounts receivable (Lan, 2015). Kumar (2011) highlighted that a higher debtor turnover ratio is favourable; it indicates a strong liquidity position.

2.2.4.2 Creditors' payment period

Hussey (2012) emphasized on monitoring creditors' payment period; if suppliers have to wait too long, they may withdraw credit facilities. Kumar (2011) defined creditors' payment period as a measure of how long a company takes to pay suppliers for items bought on credit. Lan (2015) highlighted that an unusually high ratio may suggest that a firm is not utilizing the credit extended to them, or it could be the result of the company taking advantage of early payment discounts. Maguire (2015) agreed that the company should not pay for its purchase too early since supplier credit is a useful source of finance.

2.2.4.3 Stock Turnover Ratio

According to Lan (2015) the ratio indicates the average number of days that a firm has been holding its inventory items.. Lan (2015) further explained that an increase in the inventory holding period could indicate that the company is having problems selling its products or there is an increased level of obsolete stock. Gadoiu (2014) highlighted that a decrease in inventory holding period is desirable but it should be reviewed further as it could be also that the company is struggling to manage its liquidity and may not have the cash available to hold the optimum level of inventory.

According to www.pages.stern.nyu.edu ratios should be used in combinations with other elements of financial analysis as there is no definitive set of key ratios, no uniform definition for all ratios, no standard that should be met for each ratio and no rules of thumb that apply to the interpretation of financial ratios. Drake (2013) is of the view that ratios hold no meaning unless they are benchmarked against either past performance or another company. However Brigham and Houston (2010) argued that various accounting methods and techniques such as those used in inventory management and calculation of depreciation of fixed assets may complicate comparisons between the companies' financial ratios.

The financial ratios provide undoubtedly valuable information on the activity of a company and its financial position however the analysis on financial ratios should be performed carefully and rationally (Brigham and Houston, 2010). Brigham and Houston (2010) went on to explain that the fact that a company achieves good performances is not enough, the ratio values should always be compared with the values reported by the market leaders, to see exactly where the company stands. Leskova (2011) supported the critique by stating that some ratios of a firm may look good and others look bad making it difficult to tell whether the company is in strong or weak position. Gadoiu (2014) Indicated that inflation and seasonal factors distort the analysis of financial ratios therefore it is necessary to make adjustments to minimize the impact of seasonality and interpret ratios considering inflation.

Iswatia and Anshoria (2012) concluded that quantitative analysis on financial ratios should be accompanied by qualitative analysis factors that strongly influence the company that are customers, diversity, suppliers, competition, legislative framework and geographical extent of the business

2.3 Personnel Capacity.

According to www.businessdictionary.com personnel means employees of an organisation or human resources of an organisation. According to www.google.com capacity means the ability or power to do, experience or understand something. According to Vathanopas and Thai-ngam, (2007) human assets are one of the most important resources available to any organisation and employee competence and commitment largely determine the objectives that an organisation can set for itself and to its success in achieving them .

Lotunani, Idrua, Afnan and Setiawan (2014) defined competency as knowledge, skill and proffesional identity; and commitment as more than just being a formal member. They went on to explain that it includes organisational interest such as postive attitude towards organisation and willingness to do something for the sake of organisation which includes loyalty, job involvement, values identification and the goal of organisation.

The results of the research that was conducted by Lotunani et al. (2014) show that competence has significant effect on commitment and commitment has significant effect on performance too. Ismail and Abidin (2010) are of the view that work competence is measured through workers' opinion towards relevant statements, where as the actual work performance is measured through productivity, mobility and relevant statements. According to Vathanopas and Thai-ngma (2007), Office of Civil Service Commission in Thai (2004) competency requirements and competency gap can be explored by conducting research and the appropriate methods for competency modeling are interviews, questionnaires and seminars, or a focus group of key stakeholders.

According to Noonan (2012) a competency model is a framework for organising a collection of observable skills and attitudes that impact the quality of work that people do. A competency model is a collection of competencies that together define successful performance in a particular work setting (www.carreronestop.org). Campion et. al (2011) explained that competency models are often higly tailored to the organisation and in their research study, empirical studies of other authors viewed competency models as often intended to distinguish top performers from average performers. Noonan (2012) agreed by stating that competency models are used for recruitment and selection of employees, set performance expectations and measure contributions objectively. Posthuma and Campion (2008) said that appraisal instruments are structured around competencies to evaluate the performance of employees.

Most effective competency models are designed and implemented with the intent not only to raise individual performance results but also to increase the levels of proficiency throughout the enterprise. Ismail and Abidin (2010) studied that several empirical evidence obtained illuminate the fact that workers' performance and competence are directly related and lead to competitive workers in economic sectors but Ainon (2011) argued saying that there are individuals who have high level of competence but exhibit low performance because they do not fully utilise their competence therefore work performance is not at par with their competence. Ainon (2011) went on to explain that higher performance may be achieved through discipline and sheer hard work. However the study of Rahmah (2010) concluded that among other things, there is a positive relationship between tertiary education; training and work performance but interviews that were conducted by Mustapha et al. (2010) showed that besides technical skills, the ability to think critically and ability to solve problems, entreprenuer skills and a positive and tangible attitude towards work are important and salient components needed at the work place in a knowledge based economy. The study of Vathanopas and Thai-ngma (2007) also highlighted that visible competencies such as knowledge and skills are technical competencies basically required by the job but hidden competencies such as self-concept, traits and motives are behavioral competencies that drive an individual's performance on the job. Individuals need to possess or acquire both technical and behavioral competencies and use these together in performing their jobs, effectively (Vathanopas and Thai-ngma, 2007)

According to McKelvie and Davidsson (2009) studies of employee human capital show direct positive effects on firm performance. Erdil, Kitapci and Timurlenk (2010) indicated in their study that empirical studies such as of Celuch et al. (2002) and Ranft and Lord (2002) examined the role of employees as an enabling factor which allows the firm to acquire and apply new knowledge to allow other resources and capabilities to be developed fully.

2.4 Financial performance challenges.

2.4.1 Competition

According to Tejvan (2015) the degree of competition a firm faces is imperative; profits will be low if the market is competitive because customers will opt for cheapest products. Prices charged will be limited to the extent of competition as inferior products will also be supplied at lower prices in order to survive the rival (www.businesscasestudies.co.uk accessed on 12 September 2015).

2.4.2 Costs

An increase in costs will decrease profits (Tejvan, 2015). Operational inefficiencies that is paying too much for rent, labour and materials pose a risk to performance of the business (Golts, 2011). According to Okwo et al (2012) high operational costs erode business profits and may lead to shut down. Oyerogba et al (2014) cited that the survival triplet for any company is the management of product or service costs, quality and performance.

2.4.3 State of the Economy

Economic factors concerned with the nature of economic trends such as the general availability of credit amount of disposable income, interest rates, inflation rate and economic growth affect the consumption pattern of the product in a given market (Shiamwama et. al, 2014).

2.4.4 Poor Management

Many business failures cite poor management as the number one reason why businesses fail; lack of relevant expertise in areas such as finance, purchasing, selling, production and hiring, managing employees, study of market research and customer data (Schaefer, 2011). According to Kamo (2015) business will struggle if management does not have enough experience to make management decisions, supervise staff or the vision to lead the organisation.

2.4.5 Personnel

In the study of Shiamwam et. al (2014) empirical evidence suggested that human resource, workers or labour elements are prime determinants of the organizations' success, right from inception, management and marketing.

2.4.6 Planning

Businesses struggle as a result of fundamental shortcomings in the business plans (Schaefer, 2011), all aspects of the business are not covered in the plan and the plan is not prepared to handle problems as they arise; inflexibility to adapt to new preferences of customers (Moya, 2015).

2.4.7 Overexpansion

Most business owners confuse success with how fast they can expand their business (Schaefer, 2011). Poor strategic planning of growth and expansion are paths to business failure; a business can grow much faster that it can keep up with (Kamo, 2015) and beyond management resources or skills (Greenstreet, 2015).

2.4.8 Customers

Failure to keep an eye on trending values and interests of existing and potential customers reduces the market share of a firm (Kamo, 2015). Poor customer service quickly sinks the business (Greenstreet, 2015). Bad debts are a major issue, lack of liquidity destroys a business, and accounts receivables are the biggest contributor to liquidity (Mellor, 2014).

2.5 Controls over Financial Performance.

According to www.cpaaustralia.com.au internal controls are methods or procedures adopted in a business to safeguard its assets, ensure financial information is accurate and reliable, ensure compliance with all financial and operational requirements and generally assist in achieving the business' objectives. Internal controls are plans, procedures and policies in place to ensure that an organisation operates as efficiently and effectively as possible www.sba.gov.

(Habeeb, 2011) highlights that before any control measure can be put in place, an organisation must ensure that a responsive environment for its implementation is created. According to http://f2.washington.edu and www.coso.org internal control framework includes Control environment which is created by management through communication, attitude and exemplary behaviour; risk assessment which involves identifying the areas in which the greatest threat or risk of inaccuracies or loss exist; monitoring and reviewing which involves reviewing the internal control system periodically; information and communication which clearly defines communication channels, responsibilities and expectations and control activities which are activities that occur within the system.

Control measures can be broadly categorized into preventive controls, detective controls and corrective controls (Habeeb, 2011). http://f2.washington.edu explained preventive controls as activities aiming to deter the occurrence of errors or fraud by risk identification, well thought out processes, thorough documentation and authorization practices. According to (Habeeb, 2011) preventive controls detect problems before they arise, monitor both operation and inputting, attempt to predict potential problems before they occur and make adjustments and prevent an error, omission or malicious act from occurring. www.audit.mercer.edu explained that preventive controls are designed to keep errors or irregularities from occurring in the first place.

www.audit.mercer.edu explained that detective controls are designed to detect errors or irregularities that may have occurred. www.ishandbook.bsewall.com stated that detective controls monitor and identify instances where practices or procedures were not followed. Habeeb (2011) agree that detective controls detect and report the occurrence of an error, omission or malicious act.

According to www.ishandbook.bsewall corrective controls restore the system or process back to the state prior to a harmful event whereas Habeeb (2011) explains that they minimize the impact of the threat, remedy problems discovered by detective control, identify the cause of a problem and correct errors arising from a problem. www.audit.mercer.edu concurred that corrective controls correct errors or irregularities that may have occurred.

According to www.audit.mercer.edu internal controls can only provide reasonable assurance not absolute assurance due to inherent limitations which include management overriding controls in place, employee collusion to circumvent controls and mistakes or errors. www.isahandbook.bsewall.com concluded that preventive controls are the best since they minimize the possibility of loss, corrective controls are next in line since they minimize the impact of the loss and detective controls, least effective form of control but most frequent used, depending on how soon the detective control is invoked after an event, a business may uncover a loss long after there is any opportunity to limit the amount of damages. www.coso.org and www.audit.mercer.edu concur that judgments in decision making can be faulty, breakdowns can occur because of a simple error or mistake and controls can be circumvented by collusion between two or more people.

According to Jackson and Stent (2005) detective and preventive control activities include some of the following: segregation of duties, physical access, sources document design, job description, authorization, back up and reconciliations.

Richard (2013) explained that segregation of duties are policies and control procedures that ensure that those who physically handle assets are not the same people who record asset movements, who physically handle the assets, who reconcile the records of the asset and who authorize transactions. He further explained that controls should allow for procedures performed by one person to effectively provide a check on the procedures of another in the transaction process. Jackson and Stent (2005) concur with the view that duties and responsibilities should be systematically assigned to reduce errors, wastes or fraudulent activities and the risk of not detecting such.

Physical access is normally restricted to those who require it to carry out their job functions and access is granted on a need to have basis (Richard, 2013). Accountability for custody is evidenced by the existence of records assigning and recording the transfer of custody www.entelectonline.co.za.

Source documents should be properly designed to promote accuracy and completeness of recording transactions Jackson and Stent (2005). www.entelectonline.co.za explained that source documents should be pre-printed and leave space for manual fill in of details, pre-numbered for easy identification of a missing document, multi copied and each copy should have a different color for easy identification.

However Visser (2011) pointed out that although internal controls may keep functions or activities in course and safeguard assets this may happen be costly to the organisation and management may lose sight of the operational objectives by focusing too much on satisfying procedural controls. As such internal controls may practice mat produce rigidity and reduce flexibility thereby substituting application of reason and common sense (Makgatho, 2013).

2.6 Best practices that can be put in place for financial performance.

According to Neneh and Zyl (2012) business practices are methods, processes, generally accepted techniques and standards used by a business in the pursuit of objectives to accomplish a set of outlined tasks. Alwis and Senathiraja (2013) states that business practices consist of ways of transforming business values into processes for achieving business objectives. Neneh and Zyl (2012) empirical studies conducted in Brazil, Russia, India, China and South Africa identified a positive relationship between business practices and business performance.

2.6.1 Marketing practices.

According to Moloney et al (2005) marketing focuses on having a insightful appreciation of customers so that the organization and as a result continue to have competitive advantage in the market place. It is crucial for every business to carry out marketing practices (Arsalan et al

2011). The execution of proper marketing strategies adds to the excellence of firms' activities and strengthens the competitiveness and market share of the firm (Ghouri et al 2011). Andres et al (2009) indicated that empirical researches established that firm performance is directly dependent on efficient marketing practices. According to Porter (1985) cited in Neneh & Zyl journal for a business to maximize its performance it should either strive to be a low cost producer in its industry or should differentiate its line of products or services from those of other businesses. John and John (2006) highlighted the fact that the differentiation strategy still requires marketing in order to distinguish products and services from competitors.

2.6.2 Strategic planning

According to Young (2003) strategic planning is a formal yet flexible process that determines where an organisation is currently and where it should be in the future. Perry (2015) referred to strategic planning as an organizational management activity that is used to set favorites, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working towards common goals and assess and adjust the organisation's direction in response to a changing environment. Eriksen et al (2008) and Hussam (2007) indicated that strategic planning practices showed a positive impact on firm performance. According to www.balncedscorecard.org strategic planning improves an organisation's performance for the next several years by steering an organisation to focus on critical issues.

2.6.3 Budgetary Control

Budgets serve primarily as a system to monitor and evaluate deviances from targets (Bedford and Malmi, 2010). According to www.fao.org a budget is a formal statement of the financial resources set aside for carrying out specific activities in a given period of time and it helps to co-ordinate the activities of n organisation. Chartered Institute of Management Accounting defined budgets as a responsibility of executives to the requirements of a policy and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide a basis of its revision. www.fao.org explained that the control technique whereby actual results are compared with budgets and any differences are made the responsibility of key individuals who can either exercise control action or revise the original budgets. Budgetary control is a financial control exercised within an organisation and a budget is a plan for future concerning revenue and costs of a business (Riley, 2014).

According to Webster (2012) budgets distinguish areas of responsibility and enable managers to be responsible for achieving the budget set goals thereby enhancing performance appraisal. However Barnat (2014) is of the view that budgets can cause major problems when they are applied mechanically and rigidly; a rigid budget structure reduces initiative and innovation and can demotivate employees especially if it is perceived as it has been arbitrarily imposed down and can also create competition and politics for resources. According to www.fao.org may overestimate costs to avoid to be blamed should they overspend in the future.

2.6.4 Management Audit

Management is an evaluation of the management as a whole, it critically examines the full management process that it planning, organizing, directing and controlling; company's plans, objectives, policies, procedures, personnel relations and systems of control are examined very carefully to determine efficiency of the management (Akrani, 2011).

2.6.5 Management Information Systems

Management Information Systems collects data continuously, processes it to identify problems and provides it to the managers to ensure that they are in control of both the internal and external environment of the organisation (Akrani, 2011). According to Lakshim (2010) management information systems plays the role of information generation, communication, problem identification and helps in the process of decision making, planning and control.

2.6.6 Benchmarking

Koch (2015) explained benchmarking as a process through which a company measures its products, services and practices against its toughest competitors or those companies recognized as leaders in its industry. Koch (2015) went on to say that benchmarking is one of the management's best tools for determining whether the company is performing efficiently measured against the external standard and enables the company to identify where there is need for improvement. Victoria (2010) agrees that the whole idea benchmarking is to enlighten the firm how it is operating in relation to other firms in the same industry. Gallacher (2012) is of the view that benchmarking is the process through which practices are analyzed to provide a standard measurement of effective performance within an organisation.

Riley (2012) highlights that there are two primary types of benchmarking, internal which is a comparison of practices and performance between teams, individuals or groups within an organisation and external benchmarking which is a comparison of organizational performance to industry peers or across industries. (Thompson 2009; Riley 2012) agreed that the two primary types of benchmarking can be distilled into process benchmarking, performance metrics and strategic benchmarking. Process benchmarking demonstrates how top performing companies accomplish the specific process in question, performance metrics give numerical standard against which a client's own processes can be compared and strategic benchmarking identifies the fundamental lessons and winning strategies that have enabled high performing companies to be successful in their market places (Riley, 2012).

However (Thompson 2009; Oriano 2009; Jersey 2013) argued that when a company has achieved better results than the competitor management may be content with that and not try to achieve even higher standards and also highlighted that the best practice of one company may not suit another; timing may be wrong, resources may not be available, other improvements may have a higher priority at that moment. Riley (2012) concluded that benchmarking should not be considered a one-off exercise , in order to be effective it must be ongoing, integral part of an ongoing improvement process with the goal of keeping abreast of ever-improving best practice.

2.6.7 Internal Audit

Management and boards of directors rely on internal auditors more heavily than ever before to identify and assess business risks and oversee compliance efforts (Christensen, 2012) whereas https://iia.org.uk points out that the role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. According to www.protiviti.com internal auditors play a critical role in helping management and the board understand, assess, mitigate and manage the organisation's risk through activities detailed in the audit plan.

2.6.8 Risk management practices

According to www.businessdictionary.com risk management is the identification, analysis, assessment, control and avoidance, minimization or elimination of unacceptable risks. Empirical studies have shown that the use of risk management practices include buying insurance, use of derivative instruments or avoiding risky positions altogether (www.lexicon.ft.com) and Hoyt et al (2006) further stated diversification, training and coaching, policy and procedure development and dealing effectively with employee complaints. Ow (2007) pointed out that risk management practices should be simplified and embedded into normal business operations, planning and organizational culture.

2.6.9 People management practices

Human resources management practices are a set of interrelated activities, functions and processes that are directed at attracting, developing and maintaining a firm’s human resources Tocher and Rutherford (2009). According to Patterson (2005) empirical studies demonstrated a relationship between employees’ attitudes and company performance. They suggested that managers of organisations eager to promote productivity and profitability should pay close attention to the attitudes of their employees and how they can be influenced to be more positive. Patterson (2005) concluded that the more the workers are satisfied with their jobs the better the company is likely to perform in terms of subsequent profitability and particularly productivity.

2.6.10 Performance management practices and firm performance

Performance management is a continuous process of identifying, measuring and developing individuals’ performance (Aguinis, 2007). Armstrong and Baron (2005) referred to performance management as a strategy that relates to activities of an organisation, the implementation depends on organizational context and varies from organisation to organisation. Armstrong further explains that performance management system helps to create a high performance culture; managers, employees and members of an organisation take responsibility for consistently improving skills and business processes. Performance management allows people to monitor their own performance, boost motivation, define expectations and arrive at an agreement thereby improving business performance.

2.7 Summary

This chapter covered financial performance policies, financial performance guidelines, personnel capacity to implement the guidelines, financial performance challenges, controls in place over financial performance and best practices that can be put in place for financial performance. The next chapter is on research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

The main thrust of this chapter is to outline the methodology and techniques that were used to gather relevant information pertaining to the study topic as well as their analysis. The chapter discusses the research design ad its justification, study population, sample size and sampling techniques, primary and secondary source of data, research instruments, data validity and reliability, data presentation and data analysis and the summary.

3.1 Research Design

Research designs are plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis (Cresweell, 2008). According to Wyk (2012) research design is the overall plan for connecting the conceptual research problems to the pertinent and achievable empirical research. Research designs are classified in terms of their purpose such as exploratory, descriptive or explanatory (Shodhganga, 2009).

3.1.1 Descriptive research design

The main aim of descriptive research is to provide an accurate and valid representation of the factors or variables that pertain or are relevant to the research question (Wyk, 2012). Descriptive research is used to obtain information concerning the current status of the phenomena to describe what exists with respect to variables or conditions in a situation (Key, 2008). According to Shuttleworth (2008) descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. There are three types of descriptive methods; observational methods, case study methods and survey methods (Hale, 2009).

3.1.2 Explanatory research design

According to Wyke (2012) it is sometimes referred to as analytical study and it identifies any casual links between the factors or variables that pertain to the research problem. Studies that establish casual relationships between variables may be termed explanatory studies

(Shodhganga, 2009). The emphasis of explanatory research is on studying a situation or a problem in order to explain the relationship between variables Saunders et al. 2003 cited in (Shodhganga, 2009). Hair et al. (2003) cited in (Shodhganga, 2009) further explained that explanatory studies are designed to test whether one event causes another.

3.1.3 Exploratory research design

The main aim of explanatory research is to identify the boundaries of the environment in which the problems, opportunities or situations of interest are likely to reside and to identify the salient factors or variables that might be found there and be of relevance to the research (Wyke, 2012). Exploratory studies are a valuable means of finding out what is happening, to seek new insight, to ask questions and to assess phenomena in a new light and there are three principle ways of conducting exploratory research; a search of literature, talking to experts in the subject and conducting focus group interviews (Saunders et al. cited in Shodhganga, 2009).

3.1.4 Justification of descriptive and explanatory design

The researcher used both descriptive and explanatory designs. According to Shodhganga (2009) research is mainly descriptive and explanatory because descriptive data is collected through detailed questionnaire and is also explanatory since the researcher will explain the relationship between variables.

3.2 Population

A research population is known as a well defined collection of individuals or objects known to have similar characteristics; all individuals or objects within a certain population usually have a common, binding characteristic (Mizner, 2008). According to Korb (2012) target population is the group of people that the researcher wants to draw conclusions about once the research study is finished. The target population of the study comprises of top management, middle management and employees of Croco Motors. The researcher used the census method which required the whole target population.

A census method is a complete enumeration of all items in the population (Kothari, 2004). According to www.statcan.gc.ca (accessed on 1 October 2015 7:33pm) census refers to data collection about every unit in a group or population. The researcher chose the census method because the target population size was small to sample thus the whole target population was taken into account to conduct the research. The census method is reasonably accurate and more appropriate to a diverse population.

Table 3.0 Target Population

Population type	Population target
Finance Director	1
Chief Accountant	2
Treasury	2
Accounts clerks	6
Operations Director	1
Technical Director	1
Business Unit Managers	5
Marketing manager	1
Internal Audit	3
Workshop Foremen	5
Customer Service	3
Total	30

3.3 Sample size

Where the population of interest is usually too large or too scattered geographically to study directly therefore by correctly drawing a sample from a specific population, a researcher can analyze the sample and make inferences about population characteristics (Gay cited in Yount, 2006). According to www.google.com (accessed on 21 September 2015 4:05pm) sample size is the number of observations in a sample.

3.4 Sampling techniques

3.4.1 Random sampling

Each item in the population has the same probability of being selected as part of the sample as any other item (Westfall, 2009). Westfall further explains that random sampling can be done with or without replacement. If it is done without replacement an item is not returned to the population after it has been selected and thus it can only occur once in the sample.

3.4.2 Stratified sampling

Stratified sampling is used when representatives from each subgroup within the population need to be represented in the sample. The first step in stratified sampling is to divide the population into subgroups based on mutually exclusive criteria and randomly or systematically pick samples from each subgroup (Westfall, 2009).

3.4.3 Judgmental Sampling

A judgment sample is obtained according to the discretion of someone who is familiar with the relevant characteristics of the population (Mugo, 2002). (According to Westfall (2009) the person doing the sample uses his or her knowledge or experience to select the items to be sampled. According to (Karuna, 2012) judgment sampling prevents unnecessary and irrelevant items entering into the sample.

3.5 Types of data

Data can be defined as the quantitative or qualitative values of a variable and it can be numbers, images, words, figures, facts or ideas (Kumar, 2013). Kumar (2013) further explains that data is one of the most important and vital aspect of any research studies, it is analyzed and interpreted to get information. Data sources can be broadly classified into primary and secondary data.

3.5.1 Primary data

Primary data means original data that has been collected from the original source first hand and it has not been published yet (Kumar, 2013). According to www.fhssrsc.byu.edu (accessed on 22 September 2015 4:10pm) this is data that has never been gathered before, whether in a particular way, or at a certain period of time. Primary data is collected through surveys, interviews, questionnaires and focus groups (Greene, 2008).

3.5.1.2 Merits of primary data

(Kumar, 2013) primary data is reliable, authentic and objective because it is original data, free from alterations; first hand information enriches the research (Saunders et al., 2009). According to Greener (2008) primary data is easy to interpret as it focuses on specific issues. Data question and collection can be tailored to fit the need of the research questions (www.fhssrsc.byu.edu accessed on 22 September 2015 4:10 pm).

3.5.1.3 Demerits of primary data

Primary data collection is costly and time consuming and inaccurate feedback maybe given (Kumar, 2013). Issues of consent and confidentiality are of extreme importance, permission and authorization is required (www.fhssrsc.byu.edu accessed on 22 September 2015 4:10 pm).

3.5.2 Secondary data

Secondary data is the data that has been already collected by and readily available from other sources for example literature, industry surveys and compilations from computerized databases (Kumar, 2013). It is data that is being reused (Neville, 2007). According to Khan (2011) secondary data can be effectively used in situations where primary sources cannot be used or not present at all.

3.5.2.1 Merits of secondary data

Secondary data collection is inexpensive, easily accessible and provides essential background to clarify or refine research problem (Kumar, 2013). According to Saunders et al. (2009) secondary data can be used as a benchmark and guideline for research and also to generate new ideas from previous analysis.

3.5.2.2 Demerits of secondary data

According to Kumar (2013) the researcher lacks evidence of accuracy pertaining to secondary data. Irrelevant data may be collected as the data was initially intended for other purposes other than to answer the researcher's problems (Saunders et al., 2009).

3.6 Research instruments

Annum (2015) referred to research instruments as fact finding strategies; tools that are used for data collection. Annum (2015) further explained that they include questionnaires, interviews, observations and reading. The researcher used questionnaires and interviews.

3.6.1 Questionnaire

It is a systematically prepared form or document with a set of questions deliberately designed to elicit responses from respondents or research informants for the purpose of collecting data or information (Annum, 2015). Annum (2015) explained that questionnaires can be designed as structured (closed form) or unstructured (open ended form).

3.6.1.1 Merits of questionnaires

According to Milne (2009) information can be calculated from a large group of people as it is relatively quick and responses are gathered in a standardized way. Questionnaires are an inexpensive way to cover a large geographical area and they are replicable and can be used in later studies (www.compass.port.ac.uk accessed on 22 September 2015 5:05 pm). The researcher managed to reach respondents who are not easily approachable conveniently and all respondents had enough time to give well thought out answers.

3.6.1.2 Demerits of questionnaires

Questionnaires cannot explain the context and meaning behind responses to certain questions and questions may be misinterpreted unless they are administered face to face and there is a high possibility of low response rate (www.compass.port.ac.uk accessed on 22 September 2015 5:05 pm). There were omissions and ambiguous replies which were difficult to interpret and some questionnaires were never returned.

3.6.2 Interviews

Interviews collect data through asking questions and listening to individuals or recording their responses (Abawi, 2013). In this method the interviewer personally meets the informants and asks necessary questions to them regarding the subject of enquiry (Kumar, 2013). There are four types of interviews; structured interviews, semi structured interviews, in-depth interviews and focused group discussion.

3.6.2.1 Merits of interviews

Complete information is collected with greater understanding and necessary changes can be made based on the initial results (Abawi, 2015). The interviewer efficiently collects data from informants by cross examining them and there are no chances of non-response as the interviewer personally collects the data (Saunders, 2009).

3.6.2.2 Demerits of interviews

Interviewing large numbers of participants can be tiresome and that will negatively affect the results (Kumar, 2013). There is a risk of bias as a result of becoming too involved with interviewees (Abawi, 2015).

3.7 Types of questions

A researcher has to make a decision whether to make open ended questions which permit the respondents to answer in their own words or closed questions which require respondents to select an answer from a set of choices (Manfreda et al., 2008).

3.7.1 Close ended questions

According to Acharya (2010) close ended questions are structured, they have sufficient alternatives to select or to fit in the information given by the respondent. There are two types of close ended questions, dichotomous which are structured in a way that they give only two possible answers for example yes or no, and there are multi choice which offer a list of answers (Wales, 2009)

3.7.1.1 Merits of close ended questions

According to Kronsic (2010) close ended questions are easier to answer and helpful where respondents have forgotten the answer or where they think they do not know the answer and want to avoid expending effort in retrieving the answer or expressing themselves. Comparison of responses is easier (Kothari, 2004).

3.7.1.2 Demerits of close ended questions

Close ended question suggest ides that respondents would not have otherwise had and they force respondents to give simplistic answers to complex issues (Neville, 2007). Respondents with no opinion or knowledge about the topic may still answer anyway. Closed ended questions limit the respondent to the set of alternatives being offered (Manfreda et al., 2008).

3.7.2 Open ended questions

According to Manfreada et al (2008) open ended questions allow the respondent to express an opinion without being influenced by the researcher. Wales (2009) concurs that respondents answer questions in their own words thus prompting critical thinking

3.7.2.1 Merits of open ended questions

There is a possibility of discovering the responses that individuals give spontaneously thus avoiding the risk of bias that may result from suggesting responses to individuals (Manfreda, 2008). Open ended questions are preferable in measuring quantities and they provide reliable and valid measurement (Kronsic, 2010).

3.7.2.2 Demerits of open ended questions

Extensive coding is required to analyze responses (Kronsic, 2010). Different respondents give different degrees of detail in answers, comparisons and statistical analysis becomes difficult. Responses may be irrelevant or buried in detail (Kumar, 2013).

3.7.3 Likert scale format

According to Bertram (2008) a likert scale format is an ordinal psychometric response scale used in questionnaires to obtain the degree of participants' preference. Bertram (2008) further explained that likert scales are a non comparative scaling technique in nature and each specific question can have its response analyzed separately or have it summed with other related items to create a score for a group of statements. A likert scale can be four point, five point or six point but even numbered scales usually force a respondent to choose while the odd numbered scale provides an option for indecision or neutrality (Markusic, 2014).

3.7.3.1 Merits of Likert scale format

Likert scales are easy for respondents to complete and they are likely to produce highly reliable answers (Bertram, 2008). Responses are easily quantifiable and subjective to computation of some mathematical analysis (Lamarca, 2011). According to Nicole (2011) lickert scales are easy to construct, quick, efficient and inexpensive to collect data.

3.7.3.2 Demerits of Likert scales

Lamarca (2011) states that frequently people avoid choosing extreme options on the scale because of the negative implications involved even if an extreme choice would be mostly accurate. Likert scales do not measure the true attitudes of respondents, only the degree of how respondents favour the subject but not how less they may not favour the subject (Nicole, 2011).

3.8 Data validity and reliability

Validity means that a tool measures what is sets out to measure (Twycross, 2004) and according to Phelan et al. (2006) validity refers to how a test measures what it purported to measure. According to Carter et al (2009) there is internal and external validity. Carter (2009) explains that internal validity relates to the extent to which the design of a research study is a good test of the hypothesis or is appropriate for the research question whereas external validity relates to whether or not the research can be generalized beyond the immediate study sample and setting.

Reliability refers to the whether the research results can be applied to a wider group than those who took part in a study (Christ, 2015). Reliability is chiefly concerned with making sure that the method of data gathering leads to consistent results (Phelan, 2006).

3.9 Data presentation

According to Hezoli et al. (2012) there are two ways of communicating findings of a research either in a verbal way which involves describing and narrating what the researcher did to obtain the results or a symbolic way whereby the researcher uses graphic representation, tables or statistical values. Data should be presented in a simple way that creates interest in the reader's mind and that enables conclusions to be made just by directly looking at the presentation (Rawalpindi, 2012). According to Saunders (2009) data can be presented using pie charts, tables and bar charts. These data presentation tools summarize raw data and enable comparison, interpretation, data analysis and conclusions to be drawn.

3.10 Data analysis

Data analysis involves examining data in ways that reveal relationships, patterns and trends (Rabinowitz, 2015). Data analysis is an ongoing activity which not only answers the question but gives directions for future data collection (Madhu et al, 2005). Collected data was processed by editing, coding, classification and finally tabulated for analysis. Quantitative statistical methods were used to analyze and interpret responses from the

3.11 Ethical considerations

The researcher considered anonymity and informed consent before carrying out the research. Privacy and confidentiality of the information of the organisation will be maintained.

3.12 Summary

This chapter outlined the research methodology which was used by the researcher to conduct the research. It highlighted the research design, population, sampling techniques, types of data, likert scale, and research instruments, nature of questions, data validation and reliability. Research findings will be presented and analyzed in the next chapter.

CHAPTER 4

DATA PRESENTATION

4.0 Introduction

This chapter centres on the presentation, analysis and interpretation of research findings on the research problem. The research findings are related to the research objectives that were stated in chapter one. Tables, charts and graphs were used to clearly illustrate the research results. Conclusions and recommendations to be made are based on this chapter.

4.1 Data presentation

4.1.1 Analysis of response rate

Response rate illustrates the magnitude of answers from data collection methods in this case questionnaires and interviews were both used. According to Crossman (2015) a response rate is percentage of those selected in a sample that actually provided data for analysis. Crossman (2015) further stated that a response rate is crucial in a survey research because e lower it is the greater the danger that the sample is biased in one way or another.

4.1.2 Questionnaire and Interview response rate

The researcher managed to collect 25 questionnaires out of the 30 questionnaires that were issued as shown in Table 4.1 below;

Table 4.1 Questionnaire response rate

Respondents	Questionnaire distributed	Questionnaire returned	Response rate %
Finance Director	1	1	100
Chief Accountant	2	1	100
Treasury	2	2	100
Accounts clerks	6	4	67
Operations Director	1	1	100
Technical Director	1	1	100
Business Unit Managers	5	4	80
Marketing manager	1	1	100
Internal Audit	3	3	100
Workshop Foremen	5	4	80
Customer Service	3	3	100
Total	30	25	83

Source: Primary data

The response rate of 83% instead of 100% illustrates one of the disadvantages of questionnaires that were outlined in the previous chapter. However Saunders et al (2009) stated that a 50% response rate is reasonable for academic and organizational research purposes and can generalize the entire population.

Therefore the researcher was satisfied with the 83% response rate as a basis of sound and unbiased financial performance analysis of Croco Motors

The respondents were asked to indicate their relevant department of operation, highest level of education and duration with the organisation. The following table shows employee duration with the organisation;

Table 4.2 Duration with the organisation

Duration within the department	0-3 yrs	3-6 yrs	6-10yrs	Over 10yrs	Totals
Number of respondents	6	11	6	2	25
Percentage of respondents	24	44	24	8	100%

Source: Primary data

6/25 (24%) respondents had been with the organisation for less than 3 years, 11/25 (44%) for 3 to 6 years; 6/25 (24) 6 to 10 years and 2/25 (8%) for more than 10 years. The researcher was satisfied with the duration of respondents with the organisation as the larger percentage of the population had been with the organisation for more than 3 years making them reasonably suitable or in a position to furnish reliable data in relation to the research topic.

The following table shows the biographic academic qualifications of respondents;

Table 4.3 Academic qualifications of respondents

Academic Qualification	0' level	Diploma	Degree	Masters	Doctorate	Totals
Number of respondents	2	6	15	2	0	25
Percentage of respondents	8	24	60	24	0	100%

Source: Primary data

2/25 (8%) respondents held O' level certificates, 6/25 (24%) Diplomas; 15/25 (60%) Degree; 2/25 (8%) Masters.

Based on the analysis of the academic qualifications presented in the table above, the researcher considered the respondents to be eligible to furnish the research with quality data to address the research topic.

The researcher scheduled interviews with the Finance Director, Technical Director, Marketing manager, Customer service manager and Internal Audit manager. All interviews were successfully conducted.

The responses to the questions that were asked are as follows:

Question 1

Financial policy

Table 4.4 Existence of financial policy

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	8	10	7	0	0	25
Percentage	32	40	28	0	0	100%

Table 4.1 shows that 8/25 (32%) strongly agreed; 10/25 (40%) agreed; 7/25 (28%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

On the whole 18/25 (72%) of the respondents agreed whilst 7/25 (28%) disagreed.

Interview findings revealed that 5/5 (100%) agreed whilst 0/25 (0%) disagreed.

From the statistics above it can be concluded that Croco Motors has a financial policy.

Kennedy (2011) and Hussey and Hussey (2012) concur that a business firm should have financial policies that govern the board and executive management to set the baseline standards for how the organisation can be managed financially.

Question 2

Formulation of Croco Motors' policy

Table 4.5 Croco Motors' financial policy is formulated by:

		Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Board of Directors	**Rate**	3	15	7	0	0	25
	Percentage	12	60	28	0	0	100%
Finance Director	**Rate**	0	7	3	15	0	25
	Percentage	0	28	12	60	0	100%

Board of Directors

3/25 (12%) strongly agreed; 15/25 (60%) agreed; 0/25 were uncertain; 7/25 (28%) disagreed and 0/25 strongly disagreed.

Finance Director

0/25 (0%) strongly disagreed; 7/25 (20%) agreed; 3/25 (12%) were uncertain; 15/25 (68%) disagreed and 0/25 (0%) strongly disagreed.

A total of 18/25 (72%) of the respondents agreed that board of directors formulates the financial policy whilst 7/25 (28%) disagreed.

7/25 (28%) agreed that it is the Finance Director who formulates the financial policy whilst 18/25 (72%) disagreed.

Interview responses indicated that the financial policy is formulated by the board of directors not by the Finance Director alone.

With regards to the responses that were given it can be concluded that Croco Motors' financial policy is formulated by its board of directors.

Wickstrom (2012) and Trivedi (2010) confirmed that financial policy is formulated by the board of directors.

Question 3

Documentation of financial policy

Table 4.6 Financial policy is formally documented

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	0	2	3	18	2	25
Percentage	0	8	12	72	8	100%

0/25 strongly agreed; 2/25 (8%) agreed; 3/25 (12%) were uncertain; 18/25 (72%) disagreed and 2/25 (8%) strongly disagreed.

An overall percentage of 92% (21/25) disagreed whilst 8% (2/25) agreed.

3/5 (60%) of the interview responses disagreed whilst 2/5 (40%) agreed.

The researcher concluded that the financial policy is not formally documented based on 92% mode that disagreed.

Byrd and Moon 2011 indicated that policies should be documented and communicated to finance staff as they rely on those financial policies to successfully perform their assigned responsibilities.

Question 4

Financial policy is adhered to

Table 4.7

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	7	3	15	0	25
Percentage	0	28	12	60	0	100%

0/25 strongly agreed; 7/25 (28%) agreed; 3/25 (12%) were uncertain; 15/25 (60%) disagreed and 0/25 strongly disagreed that the financial policy is adhered to.

In aggregate 7/25 (28%) agreed whilst 18/25 (72%) disagreed.

It can be concluded the financial policy of Croco Motors is not adhered to.

Hunjra and Rehman (2010) highlighted that adherence to financial policies should be promoted as it is an important financial management practice.

Question 5

Established financial performance guidelines

Table 4.8

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	13	7	5	0	25
Percentage	0	52	28	20	0	100%

0/25 strongly disagreed; 13/25 (52%) agreed; 7/25 (28%) were uncertain; 5/25 (20%) disagreed and 0/25 (0%) strongly disagreed that there are established financial performance guidelines.

On whole 13/25 (52%) agreed whilst 12/25 (48%) disagreed.

Interview findings that revealed 3/5 (60%) agreed and 2/5 (40%) disagreed.

It can be concluded that Croco Motors has established financial performance guidelines.

Question 6

Objectives of financial performance guidelines are known by management and staff.

Table 4.9

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	13	7	5	0	25
Percentage	0	52	28	20	0	100%

0/25 strongly disagreed; 13/25 (52%) agreed; 7/25 (28%) were uncertain; 5/25 (20%) disagreed and 0/25 strongly disagreed that objectives of financial performance guidelines are known by management.

On whole 13/25 (52%) agreed whilst 12/25 (48%) disagreed.

Interviews revealed that 4/5 (80%) agreed and 1/5 (20%) disagreed.

It can be concluded that management and staff are aware of the objectives of financial performance guidelines.

Question 7

Implementation of financial performance guidelines is by: a. Finance staff

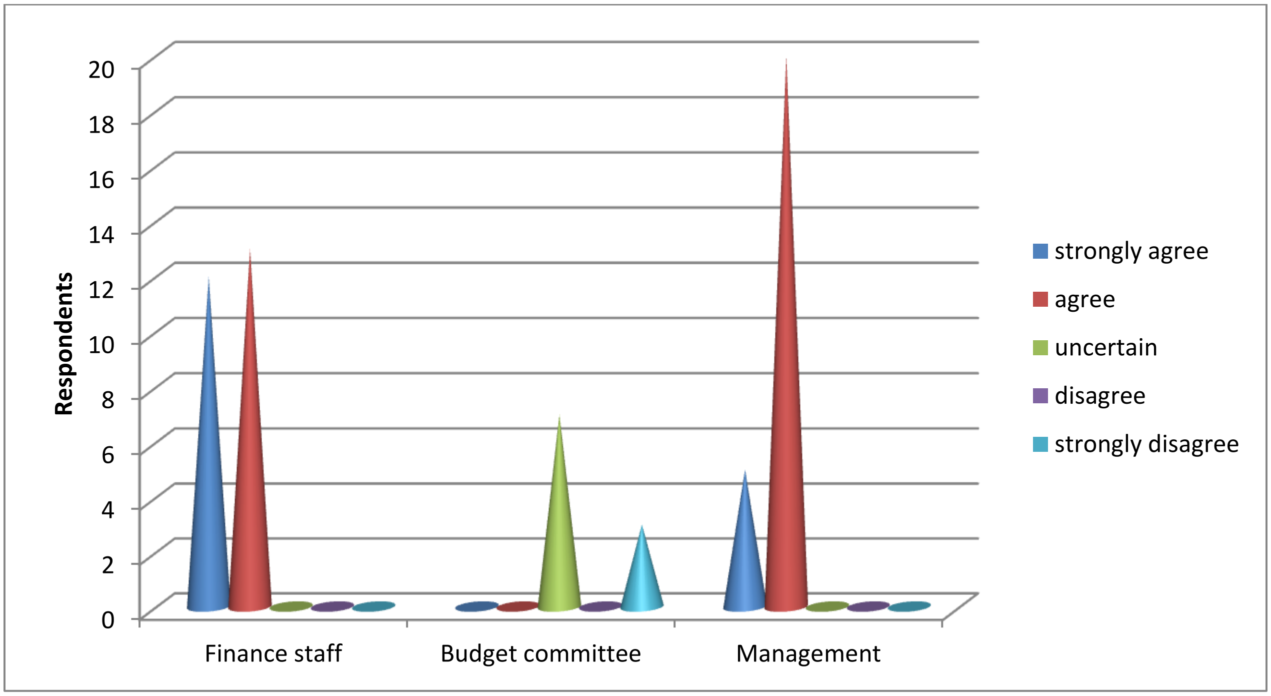
b. Budget committee

c. Management

Table 4.10

		Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Finance staff	**Rate**	12	13	0	0	0	25
	Percentage	48	52	0	0	0	100%
Budget committee	**Rate**	0	0	7	15	3	25
	Percentage	0	0	28	60	12	100%
Management	**Rate**	5	20	0	0	0	25
	Percentage	20	80	0	0	0	100%

Figure 4.1 Financial performance guidelines are implemented by:



Finance staff

12/25 (48%) strongly agreed; 13/25 (52%) agreed; 0/25 (0%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

100% (5/5) of the interviewees agreed whilst 0% (0/5) disagreed.

Based on 100% mode the researcher concluded that Finance staff uses the financial performance guidelines.

Budget committee

0/25 (0%) strongly agreed; 0/25 (0%) agreed; 7/25 (28%) were uncertain; 15/25 (60%) disagreed and 3/25 (12%) strongly disagreed.

On the whole 0/25 (0%) agreed whilst 25/25 (100%) disagreed.

Interview revealed that there is no budget committee.

Based on 100% mode the researcher concluded that Budget committee does not use the financial performance guidelines.

Management

5/25 (20%) strongly agreed; 20/25 (52%) agreed; 0/25 (0%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

100% (5/5) of the interviewees agreed whilst 0% (0/5) disagreed.

Based on the 100% mode the researcher concluded that Finance staff uses the financial performance guidelines.

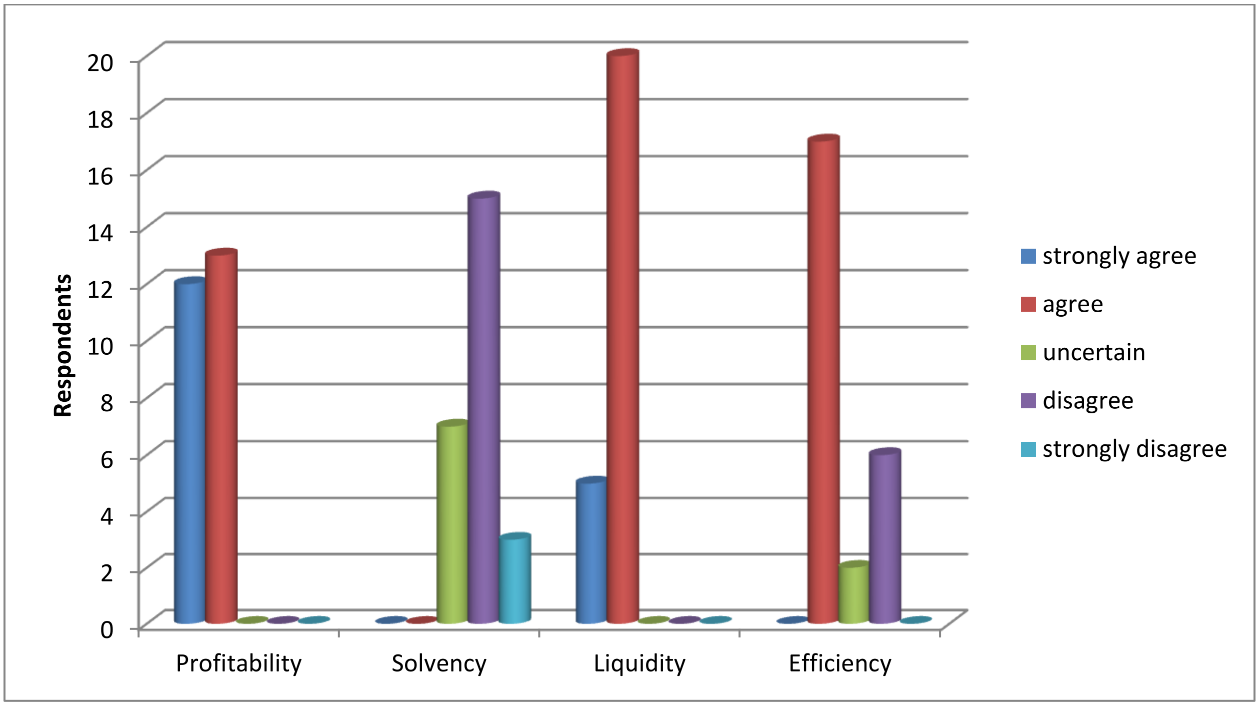
Question 8

Key financial performance measures

Table 4.11

		Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Profitability	**Rate**	12	13	0	0	0	25
	Percentage	48	52	0	0	0	100%
Solvency	**Rate**	0	0	7	15	3	25
	Percentage	0	0	28	60	12	100%
Liquidity	**Rate**	5	20	0	0	0	25
	Percentage	20	80	0	0	0	100%
Efficiency	**Rate**	0	17	2	6	0	25
	Percentage	0	68	8	24	0	100

Figure 4.2 Key financial performance ratio measures



Profitability

12/25 (48%) strongly agreed; 13/25 (52%) agreed; 0/25 (0%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

On the whole 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

Based on 100% mode the researcher concluded that profitability ratios are used.

Lan (2015) supported profitability ratios as one of the key ratios as they give users a good understanding of how well the company utilized its resources in generating profit and shareholder value.

Solvency

0/25 (0%) strongly agreed; 0/25 (0%) agreed; 7/25 (28%) were uncertain; 15/25 (0%) disagreed and 3/25 (12%) strongly disagreed.

In aggregate 25/25 (100%) disagreed whilst 0/25 (0%) agreed.

Interviewees 5/5 (100%) disagreed whilst (0/25) 0% agreed.

Based on 100% mode the researcher concluded that solvency ratios are not used.

Maguire (2015) and Penwell (2012) supported solvency ratios as they determine whether the company can or cannot handle additional debt.

Liquidity

5/25 (20%) strongly agreed; 20/25 (80%) agreed; 0/25 (0%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

On the whole 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

Based on 100% mode the researcher concluded that liquidity ratios are used.

Rosario (2012) and Drake (2013) confirmed the effectiveness of liquidity ratios as they measure the company's ability to meet its short term obligations.

Efficiency

0/25 (0%) strongly agreed; 17/25 (68%) agreed; 2/25 (8%) were uncertain; 6/25 (24%) disagreed and 0/25 (0%) strongly disagreed.

On the whole 17/25 (68%) agreed whilst 8/25 (32%) disagreed.

It can be concluded that efficiency ratios are used based on the 68% mode.

Rosario (2012) and Hussey (2012) confirmed the effectiveness of efficiency ratios as they measure how well companies utilize their assets to generate income.

Question 9

Adequacy of personnel to implement financial policies

Table 4.12

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	3	0	5	17	25
Percentage	0	12	0	20	68	100%

0/25 strongly agreed; 3/25 (12%) agreed; 0/25 (0%) were uncertain; 5/25 (20%) disagreed and 17/25 (8%) strongly disagreed.

In aggregate 3/25 (12%) agreed whilst 22/25 (88%) disagreed.

80% (4/5) of the interviewees agreed whilst 20% (1/5) disagreed.

Based on 88% mode the researcher concluded that there are inadequate personnel.

Shiamwam et al (2014) argued that human resource, workers or labor elements are prime determinants of the organizations' success.

Question 10

Personnel is suitably qualified to implement financial performance policies

Table 4.13

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	11	1	10	3	25
Percentage	0	44	4	40	12	100%

0/25 (0%) strongly agreed; 11/25 (44%) agreed; 1/25 (4%) were uncertain; 10/25 (40%) disagreed and 3/25 (12%) strongly disagreed.

In aggregate 11/25 (44%) agreed whilst 14/25 (56%) disagreed.

3/5 (60%) interviewees admitted that personnel is incompetent whilst 2/5 (40%) disagreed.

Based on the above results it can be concluded that personnel is not suitably qualified.

Question 11

Training and development programs are facilitated for all departments

Table 4.14

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	7	0	18	0	25
Percentage	0	28	0	72	0	100%

0/25 (0%) strongly agreed; 7/25 (28%) agreed; 0/25 (0%) were uncertain; 18/25 (72%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 7/25 (12%) agreed whilst 18/25 (72%) disagreed.

Interviews revealed that 60% (3/5) of the interviewees agreed whilst 40% (2/5) disagreed.

Based on the mode the researcher concluded that training and development programs are not facilitated for every department.

Rahmah (2010) argued that among other things there is a positive relationship between training and development and work performance hence management should put effort on training existing employees.

Question 12

Challenges faced at Croco Motors

Table 4.15 Increased operational costs

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	3	19	3	0	0	25
Percentage	12	76	12	0	0	100%

3/25 (12%) strongly agreed; 19/25 (76%) agreed; 3/25 (12%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 22/25 (88%) agreed whilst 3/25 (12%) disagreed

It can be concluded that increases in operational costs account for the current performance at Croco Motors.

Golts (2011) stated that operational inefficiencies pose a risk to performance of the business.

Table 4.16 Management incompetence

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	5	12	3	5	0	25
Percentage	20	48	12	20	0	100%

5/25 (20%) strongly agreed; 12/25 (48%) agreed; 3/25 (12%) were uncertain; 5/25 (20%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 17/25 (68%) agreed whilst 8/25 (32%) disagreed.

The researcher concluded that management's incompetence is one of the challenges faced by Croco Motors based on the 68% mode that agreed.

Schaefer (2011) confirmed that many businesses cite poor management as the number one reason why businesses fail.

Table 4.17 High labor turnover

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	7	13	2	3	0	25
Percentage	28	52	8	12	0	100%

7/25 (28%) strongly agreed; 13/25 (52%) agreed; 2/25 (8%) were uncertain; 3/25 (12%) disagreed and 0/25 (0%) strongly disagreed that high labor turnover contributes to the financial performance challenges.

In aggregate 20/25 (80%) agreed whilst 5/25 (20%) disagreed.

It can be concluded that high labor turnover is a challenge faced by Croco Motors.

Sims (2007) confirms that labor turnover of skilled labor is a challenge to a firm as manpower is a main asset to any enterprise.

Table 4.18 Competition

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	7	13	2	3	0	25
Percentage	28	52	8	12	0	100%

7/25 (28%) strongly agreed; 13/25 (52%) agreed; 2/25 (8%) were uncertain; 3/25 (12%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 20/25 (80%) agreed whilst 5/25 (20%) disagreed.

Based on 80% mode the researcher concluded that competition is a challenge.

Table 4.19 Depressed state of economy

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	5	13	7	0	0	25
Percentage	20	52	28	0	0	100%

5/25 (20%) strongly agreed; 13/25 (52%) agreed; 7/25 (28%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 18/25 (72%) agreed whilst 7/25 (28%) disagreed.

The researcher concluded that the depressed state of economy is affecting the financial performance of Croco Motors based on the 80% mode that agreed.

Table 4.20 Incompetent personnel

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	7	12	6	0	0	25
Percentage	28	48	24	0	0	100%

7/25 (28%) strongly agreed; 12/25 (48%) agreed; 6/25 (24%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 19/25 (76%) agreed whilst 6/25 (24%) disagreed.

Based on 76% mode that agreed the researcher concluded that incompetent personnel are one of the challenges of Croco Motors.

Table 4.21 Poor planning

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	13	5	2	5	0	25
Percentage	52	20	8	20	0	100%

13/25 (52%) strongly agreed; 5/25 (20%) agreed; 2/25 (8%) were uncertain; 5/25 (20%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 18/25 (72%) agreed whilst 7/25 (28%) disagreed.

Based on the 72% mode the researcher concluded that there is poor planning.

Schaefer (2011) pointed out that businesses struggle as a result of fundamental shortcomings in the business plans.

Table 4.22 Over expansion

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	3	10	6	6	0	25
Percentage	12	40	24	24	0	100%

3/25 (12%) strongly agreed; 10/25 (40%) agreed; 6/25 (24%) were uncertain; 6/25 (24%) disagreed and 0/25 (0%) strongly disagreed.

On whole 13/25 (52%) agreed whilst 12/25 (48%) disagreed.

Based on the 52% that agreed the researcher concluded that Croco Motors is over expanding.

Kamo (2015) confirmed that poor strategic planning of growth and expansion are paths to business failure.

Table 4.23 Reduction of clientele base

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	7	18	0	0	0	25
Percentage	28	52	0	0	0	100%

7/25 (28%) strongly agreed; 18/25 (52%) agreed; 0/25 (0%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

Interviews revealed 5/5 (100%) agreed whilst 0/5 (0%).

Based on the 100% mode the researcher concluded that reduction in clientele base is affecting the performance of Croco Motors.

Table 4.24 Decrease in revenue

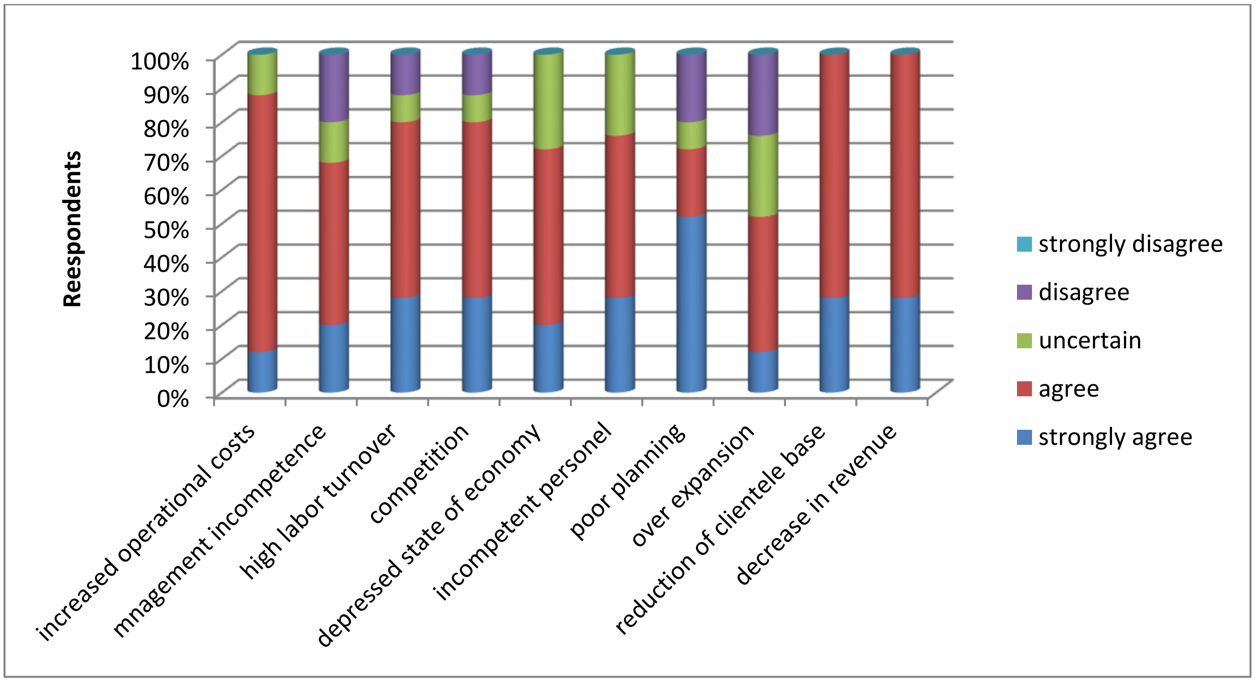
	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	7	18	0	0	0	25
Percentage	28	52	0	0	0	100%

7/25 (28%) strongly agreed; 18/25 (20%) agreed; 0/25 (0%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

Based on the 100% mode the researcher concluded that decrease in revenue has affected Croco Motors financial performance.

Figure 4.3 Challenges faced at Croco Motors Service Stations



Question 13

Controls in place at Croco Motors Service stations

Table 4.25 Segregation of duties

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	3	4	2	16	0	25
Percentage	12	16	8	64	0	100%

3/25 (12%) strongly agreed; 4/25 (20%) agreed; 2/25 (8%) were uncertain; 16/25 (60%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 7/25 (32%) agreed whilst 118/25 (68%) disagreed.

Based on the 68% mode of respondents that disagreed it can be concluded that segregation of duties is not effectively implemented.

Jackson and Stent (2005) explained that segregation of duties reduces errors, wastes or fraud and the risk of not detecting such.

Table 4.26 Access controls

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	7	8	10	0	25
Percentage	0	28	32	40	0	100%

0/25 (0%) strongly agreed; 7/25 (28%) agreed; 8/25 (32%) were uncertain; 10/25 (40%) disagreed and 0/25 (0%) strongly disagreed.

On whole 7/25 (28%) agreed whilst 18/25 (72%) disagreed.

Interview revealed that 2/5 (40%) agrees whilst 3/5 (60%) agreed.

The researcher concluded that access controls are weak.

Table 4.27 Source document design

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	10	4	11	0	25
Percentage	0	40	16	44	0	100%

0/25 (0%) strongly agreed; 10/25 (40%) agreed; 4/25 (16%) were uncertain; 11/25 (44%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 10/25 (40%) agreed whilst 15/25 (60%) disagreed.

Based on the 60% mode the researcher concluded that source documents are poorly designed.

Table 4.28 Job description

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	0	10	2	13	0	25
Percentage	0	40	8	52	0	100%

0/25 (12%) strongly agreed; 10/25 (40%) agreed; 2/25 (8%) were uncertain; 13/25 (52%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 10/25 (40%) agreed whilst 15/25 (60%) disagreed.

Based on the 60% mode of respondents that disagreed it can be concluded that there are no job descriptions.

Table 4.29 Reconciliations

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	0	18	7	0	0	25
Percentage	0	72	28	0	0	100%

0/25 (0%) strongly agreed; 18/25 (72%) agreed; 7/25 (28%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 18/25 (72%) agreed whilst 7/25 (28%) disagreed.

It can be concluded that reconciliations are done.

Table 4.30 Authorization of transactions

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	18	7	0	0	0	25
Percentage	72	28	0	0	0	100%

18/25 (72%) strongly agreed; 7/25 (28%) agreed; 0/25 (8%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

Based on the 100% mode of respondents that agreed it can be concluded that transactions are authorized.

Table 4.31 Back up sources

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	25	0	0	0	0	25
Percentage	100	0	0	0	0	100%

25/25 (100%) strongly agreed; 0/25 (20%) agreed; 0/25 (8%) were uncertain; 0/25 (60%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

Based on the 100% mode it can be concluded that there is back up of sources.

Question 14

Best practices that may be adapted to improve financial performance

Table 4.32 Marketing practices

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	3	18	4	0	0	25
Percentage	12	72	16	0	0	100%

3/25 (12%) strongly agreed; 18/25 (72%) agreed; 4/25 (8%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 21/25 (84%) agreed whilst 4/25 (16%) disagreed.

Based on the 84% mode of respondents that agreed it can be concluded that marketing practices revised.

Andres et al (2009) established that firm performance is directly dependent on efficient marketing practices.

Table 4.33 Strategic planning improved

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	5	20	0	0	0	25
Percentage	20	80	0	0	0	100%

5/25 (20%) strongly agreed; 20/25 (20%) agreed; 0/25 (0%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 25/25 (100%) agreed whilst 0/25 (0%) disagreed.

Based on the 100% mode strategic planning can be improved.

Young (2003) cited that strategic planning steers an organisation to focus on critical issues thereby improving organisation's performance.

Table 4.34 Budgetary control

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	10	10	5	0	0	25
Percentage	40	40	20	0	0	100%

10/25 (40%) strongly agreed; 10/25 (40%) agreed; 5/25 (20%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 20/25 (80%) agreed whilst 5/25 (20%) disagreed.

Based on the 80% mode strategic planning can be improved.

Webster confirmed that budgets distinguish areas of responsibility and enable managers to be responsible for achieving the budget set goals thereby enhancing performance.

Table 4.35 Management audit conducted

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	13	10	2	0	0	25
Percentage	52	40	8	0	0	100%

13/25 (52%) strongly agreed; 10/25 (40%) agreed; 2/25 (8%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 23/25 (92%) agreed whilst 2/25 (8%) disagreed.

Based on the 92% of respondents who agreed it can be concluded that management audit can be practiced.

Table 4.36 Management of Information systems

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	4	10	11	0	0	25
Percentage	16	40	44	0	0	100%

4/25 (16%) strongly agreed; 10/25 (40%) agreed; 11/25 (44%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

On the whole 14/25 (56%) agreed whilst 11/25 (44%) disagreed.

The researcher concluded that management of information systems can be practiced.

Lakshim (2010) supported management information systems as they play a role of information generation, communication, problem identification and helps in the process of decision making, planning and control.

Table 4.37 Benchmarking performance

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	5	15	5	0	0	25
Percentage	20	60	20	0	0	100%

5/25 (20%) strongly agreed; 15/25 (60%) agreed; 5/25 (20%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 20/25 (80%) agreed whilst 5/25 (20%) disagreed.

Based on the 80% mode benchmarking can be implemented.

Table 4.38 Internal Audit Department

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	10	12	3	0	0	25
Percentage	40	48	12	0	0	100%

10/25 (40%) strongly agreed; 12/25 (48%) agreed; 3/25 (12%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 22/25 (88%) agreed whilst 3/25 (12%) disagreed.

It can be concluded that Internal Audit can be introduced in the organisation.

Table 4.39 Risk management practices

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Rate	13	10	2	0	0	25
Percentage	52	40	8	0	0	100%

13/25 (52%) strongly agreed; 10/25 (40%) agreed; 2/25 (8%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 23/25 (92%) agreed whilst 2/25 (8%) disagreed.

The researcher concluded that risk management practices can be implemented.

Table 4.40 People management practices

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	13	7	5	0	0	25
Percentage	52	28	20	0	0	100%

13/25 (52%) strongly agreed; 7/25 (28%) agreed; 5/25 (20%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 20/25 (88%) agreed whilst 7/25 (28%) disagreed.

Based on the 88% mode people management can be practiced.

Patterson (2005) stated that managers eager to promote productivity ad profitability should pay close attention to the attitudes of their employees and how they can be influenced to be more positive.

Table 4.41 Performance management practices

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**	**Total**
Rate	5	18	2	0	0	25
Percentage	20	72	8	0	0	100%

5/25 (20%) strongly agreed; 18/25 (72%) agreed; 2/25 (8%) were uncertain; 0/25 (0%) disagreed and 0/25 (0%) strongly disagreed.

In aggregate 23/25 (92%) agreed whilst 2/25 (8%) disagreed.

It can be concluded that performance management can be practiced.

Armstrong (2007) confirmed that performance management systems help to create a high performance culture.

4.2 Summary

This chapter focused on data presentation, analysis and discussion of research findings. Demography of respondents who furnished the research with data was evaluated. The response rate was assessed. Tables and pie charts were used to present data. The next and final chapter covers summary, conclusion and recommendation of the study.

CHAPTER 5

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The objective of the research was to investigate the financial performance on the operations of Croco Motors Service Stations. This chapter provides a summary of chapters, major findings, conclusions made from the study, recommendations, suggested areas for further study and summary of the chapter.

5.1 Summary of Chapters

Chapter one centred on introducing the research topic, back ground of the study, statement of problem, research questions and research objectives in respect of the research topic. Background of the study outlined the current financial performance of service stations of Croco Motors. The research was prompted by a trend of losses from 2012 to 2014. Justification of the study was highlighted, delimitations and limitations of the study and how they were taken control of was covered.

The focal point of Chapter two was to review literature by other authors, scholars and researchers pertaining to financial performance. It mainly outlined arguments and same views and opinions of authors concerning financial performance policies, measurement and guidelines, adequacy and capabilities of personnel to implement financial performance policies, challenges faced by Croco Motors Service Stations and controls in place over financial performance and best practices that can be implemented to improve financial performance. Trivedi (2010) defined financial performance as the degree to which financial objectives have been accomplished and as a measure of a firm’s overall financial health over a given period of time. According to Fisher (2012) ratio analysis is one widely accepted method of assessing financial performance using financial statements.

Chapter three discussed the research methodology that was used for this research. A descriptive research design was employed and both questionnaires and interviews were used to collect data.

The researcher used a census of the target population. Data presentation and analysis plan was drawn up and data reliability and validity was provided.

Chapter four presented and analyzed research findings. Data collected from questionnaires, interviews and secondary data was presented and analysed in the form of tables and charts. A basis for summary, conclusions and reconciliation was established. Data analysis and interpretation of findings was based on the mode.

5.2 Major findings

- Croco Motors has a financial policy and it is formulated by the Board of Directors. The financial policy is not well documented and it is not adhered to.
- There are established performance guidelines which are used by Finance department and Management. Croco Motors does not have a budget committee. Key financial ratios used by Croco Motors are profitability ratios, liquidity ratios and efficiency ratios.
- Personnel are inadequate and not suitably qualified. Training and development programs are not facilitated for every department. Labor turnover is high.
- Financial performance challenges being faced by Croco Motors are increased operational costs, decline in revenue, stiff competition which has resulted in reduction of clientele base, management incompetence, high labor turnover, depressed state of economy, incompetent personnel, poor planning and over expansion of operations.
- Internal controls are weak. There is no segregation of duties, no access controls, source documents are poorly designed and there are no job descriptions. Transactions are authorized and reconciliations are done.
- Best practices that can be implemented to improve financial performance are improved marketing practices, revised strategic planning, budgetary control, management audit, management of information systems, benchmarking performance, risk management practices, people management practices, and performance management.

5.3 Conclusion

Overally the research was a success; it highlighted factors that are contributing to the organisation's current financial performance as well as the best possible practices that can be implemented to address the problems.

5.4 Recommendations

- Financial policy should be well documented, communicated to every employee and adhered to. Croco Motors may consider the implementation of solvency ratios which determine whether a company can or cannot handle additional debt.
- Management should ensure that personnel are adequate as it is the main asset of any organisation. Training and development programs should be facilitated for every development and if possible for every employee. Recruitment and selection programs should ensure that highly skilled, experienced and competent workers are hired.
- In a highly competitive environment a number of profit and survival strategies should be adopted for example cost cutting measures and a cost conscious culture adopted, outsourcing, improved service quality and keeping an eye on ever changing customer preferences and strong customer relations should be maintained.
- Management should prioritise and promote a sound internal control system and quickly attend to any breakdowns.
- The organisation should consider improving marketing practices, revise strategic plans, and implement budgetary control, management audit, management of information systems, benchmarking performance, risk management practices, people management practices and performance management.

5.5 Areas of further study

Research maybe undertaken on the impact of implementing viable cost cutting initiatives on a firm's operations.

5.6 Summary

This chapter focused on the summaries, major research findings, conclusion, recommendations area of further study.

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APPENDICES

Appendix 1

Cover Letter

Midlands State University

Established 2000

Midlands State University

Faculty of Commerce

Department of Accounting

Private Bag 9055

Gweru

26 September 2015

The Finance Director

Croco Motors

1 Telford

Harare

Dear Sir/ Madam:

RE: REQUESTING FOR PERMISSION TO CARRY OUT RESEARCH IN YOUR ORGANISATION.

I am a student at Midlands State University seeking your permission to conduct a research in your organisation. The research is AN INVESTIGATION OF THE FINANCIAL PERFORMANCE ON OPERATIONS OF CROCO MOTORS. The research is carried out in partial fulfilment of the Bachelor of Commerce Accounting Honours Degree.

I assure you highest level of confidentiality and your information is only used for academic purposes only.

Your assistance will be greatly appreciated

Yours faithfully

Kavhai Auline

Appendix II

Questionnaire

Established 2000 **Midlands State University**

Questionnaire for Management and Staff

An investigation into Financial Performance on operations of Croco Motors

Instructions

1. Do not write your name on the questionnaire.

2. Show your response by ticking the respective answer box and fill in the relevant spaces provided.

Section A: Personal Questions

1. State your relevant department of operation

Finance ☐ **Administration** ☐ **Workshop** ☐ **Internal Audit** ☐

Customer service ☐

2. Highest level of education

O' level ☐ **Diploma** ☐ **Degree** ☐ **Masters** ☐ **Doctorate** ☐

Others (specify)………………………………………………………………………………

3. State your duration with the organisation

0-3 years ☐ **3-6 years** ☐ **6-10 years** ☐ **Over 10 years** ☐

Section B: Questions

1. Financial Policy of Croco Motors.

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
a) Croco Motors has a financial policy.					
b) Financial policy is formulated by					
i. Board of Directors					
ii. Finance Director iii. Group Chairman					
c) Financial Policy is formally documented.					
d) Financial policy is adhered to					

2. Financial performance guidelines

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
a) Croco Motors has established financial performance guidelines.					
b) Management and staff know the objectives of the financial performance guidelines.					
c) Financial performance guidelines are used by: i. Finance staff					
ii. Budget committee					
iii. Management					
iv. Every employee of the organisation					
d) The following are the key financial performance measures or guidelines: i. Profitability					
ii. Solvency					
iii. Liquidity					
iv. Efficiency					

3. Personnel capacity of Croco Motors

	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
a) Croco Motors has adequate personnel to implement financial policies.					

b) Croco Motors' personnel is suitably qualified to implement the financial performance policies.					
c) Croco Motors facilitates training and development programs for all departments.					

4. Financial performance challenges faced at Croco Motors are as follows:

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
a) Increased operational costs					
b) Management incompetence					
c) High labor turnover					
d) Competition					
e) Depressed state of economy					
f) Incompetent personnel					
g) Poor planning					
h) Over expansion					
i) Reduction of clientele base					
j) Decrease in revenue					

5. Croco Motors financial performance controls

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
The following controls are in place;					
a) Segregation of duties					
b) Access controls					
c) Source document design					
d) Job description					
e) Reconciliations					
f) Authorization of transactions					
g) Back up sources					

6. The following maybe adopted to improve financial performance:

	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
a) Marketing practices revised					
b) Strategic planning improved					
c) Budgetary control					
d) Management Audit conducted					
e) Management of Information Systems					
f) Benchmarking performance					
g) Internal Audit Department					
h) Risk management practices					
i) People management practices					
j) Performance management practices					

Any other factors:

Thank you.

Appendix III

Interview Questions

Established 2000 Midlands State University

1. What is the financial performance policy for Croco Motors?
2. What financial performance guidelines are in place for Croco Motors?
3. What personnel capacity does Croco Motors have to implement the financial performance policy?
4. What financial performance challenges are being experienced at Croco Motors?
5. What controls are in place over the financial performance for Croco Motors?
6. What best practice can be put in place for financial performance at Croco Motors?