

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

**AN INVESTIGATION INTO THE FUNDING GAP ON OPERATIONS: A CASE
STUDY OF AFRICAN SUN LIMITED.**

BY

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FULFILLMENT OF THE REQUIREMENTS FOR ACCOUNTING HONOURS
DEGREE**

GWERU, ZIMBABWE

YEAR: 2016

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DEDICATIONS

This report is dedicated to my family and friends.

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I thank GOD, my parents Mr and Mrs Mapa and siblings Felix, Rutendo and Amanda for the moral support all the way. Special mention goes to Mr Kapumha, Mr Mutore and all my friends who were there for me through the final semester.

ABSTRACT

This research was undertaken to investigate the impact of funding shortages on the operations using the case study of African Sun Ltd. The background to the study, research problems and objectives were identified which included the identification of possible sources of funding, determining the existence of a funding policy at African Sun Ltd and determining the best funding practices possible. Funding related literature was reviewed with major authors Dzirutwe (2015) asserting that the existence of stringent regulatory settings and tight policies in an economy, ministry or sector discourage the flow of funds especially through Foreign Direct Investments (FDIs) and Garg (2014) arguing that it is a firm's debt level and its creditworthiness that attract or discourage investors. The main sources of data used in the research were primary and secondary sources of data. One research design method was used which is the descriptive research design method. Questionnaires were administered to middle management and the finance department staff. Major findings showed that majority of the employees are not fully aware of the funding policy of African Sun and respondents asserted that the prevailing economic conditions have also been the major reason why the funding gap has widened overtime.

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CHAPTER 1

1.0 Introduction

This chapter outlines the background of the study, statement of the problem, main topic, sub-research questions, and research objectives. It presents the significance of the study, delimitations and limitations. It ends by outlining the definition of key terms to be used in the study and a summary to the chapter.

1.1 Background of the study

African Sun Ltd represents leading hotel properties in Zimbabwe with a vision of becoming the benchmark hotel operator in Zimbabwe. The hotels cater for both leisure and business travelers. The group operates seven city hotels which offer restaurants, conference facilities and casinos ([http://www.africansunhotels.com/15/01/16\(10:15\)](http://www.africansunhotels.com/15/01/16(10:15))).

The directors agreed that capital projects shall be funded using a projects reserve to which 4% of the total revenue is contributed to the reserve yearly. The reserve would only be debited once the board agrees on which projects the funds shall be financing (minutes board meeting 2010)

In the minutes of directors meeting held in June 2012 the chairman underscored on the need to reduce funding gap by the end of 2014. The company's managing director indicated that organization failed to implement key capital projects worth 8million as revenue collected left a gap to finance both capital and operational expenses as shown in the table below (*2015 mid-term report*).

2011	refurbishments	35 000 000	1 400 000	2 400 000	-1 000 000	-42%
2012	Air Conditioners	31 000 000	1 240 000	3 000 000	-1 760 000	-59%
2013	Beds and refurbish	29 000 000	1 160 000	3 000 000	-1 840 000	-61%
2014	Repairs and repaints	20 000 000	800 000	4 000 000	-3 200 000	-70%

The tourism industry suffered a great deal of loss of revenue in the African market due to the Ebola diseases which affected most parts of Africa. This in turn resulted in decrease of revenue of Sun African in the years that the case study was undertaken. The decrease in revenue resulted in decrease of the contribution to the project reserve and this in turn resulted in the organization's failure to complete refurbishment of the hotels in the years under study. This is evidenced by the continual decrease in international tourists who checked in the country as the Minister of Tourism stated that since 2012 international tourists decreased by 30% up until the end of 2014([http://zta.org/15/01/16\(10:30\)](http://zta.org/15/01/16(10:30))). Therefore there is need for the organization to find alternative source of funds to finance both operational and capital expenditure in times of disasters as the one mentioned above.

The company's debt has increased from \$20 million in 2011 to \$35 million by the end of 2014 which has increased the company's recurrent expenditure by 30% due to costs of servicing the loans (*2013-14 Annual Report*). The loans are being used to fund the construction of a new hotel in Ghana. This has had an adverse effect on the organization as the gearing ratio is reported to be pegged at 55% in 2014 and this has made investment in African Sun unattractive to investors. Business operations are being heavily financed by debt which has been eroding profits in the years under study due to payments made to service the loans and with no investments organization has been failing to fund both capital and operational expenditure in time.

Over the years Amber Hotel Mutare has been ranked as four and a half star hotel but of late ranking of the hotel has decreased to a three star hotel as the Zimbabwe Tourism Authority revoked the rating after the closure of the casino. ZTA also argued that the

standards at the hotels have gradually been decreasing as organization had failed to implement structural upgrades at the hotel. This has been evidenced by the decrease in guest satisfaction index from 80% in 2012 to 75% and 70% in 2013 and 2014 respectively and hotel occupancy has also decreased to 53% over the years. (<http://www.africansunhotels.com/15/10/15> (15:30))

Beightbridge Express hotel and Amber Hotel have failed to reach the set monthly targets of operations which has been ruled as failure to comply by the board. This has been evidenced by the closure of Beightbridge Express Hotel after a unanimous vote by all the board members to shut down operations of the branch as they agreed that the branch is milking off funds from the other branches and had become a burden to the other branches due to its continual losses (*minutes of board meeting December 2014*).

1.2 Statement of the problem

African Sun Ltd is failing to execute its planned operational and capital expenditure from revenue. The group has been facing a finance gap between collected revenue and expenditure on both operations and product improvement. The funding of day to day operations has also suffered a setback resulting in operational inefficiencies hence the failure by the group to meet customer expectations. This has resulted in the hotel outsourcing funds in order to cover the finance gap created which has resulted in an increase of over 30% of recurrent expenditure. The research therefore seeks to find ways to reduce the funding gap.

1.3 Main Topic

The main issue of study is to make an investigation into the funding gap on operations of African Sun Ltd.

1.4 Sub research questions

- What is the funding policy at African Sun Ltd?
- What are the funding policy guidelines?
- What personnel capabilities are in place to implement the guidelines?

- What are the challenges faced in the implementation of the policy?
- What control measures are in place to manage the funding policy?
- What best practices must be in place to bridge the funding gap?

1.5 Research objectives

- To establish the existence of the funding policy at African Sun Ltd.
- To assess the funding policy implementation guidelines at African Sun Ltd.
- To identify personnel factors that influence implementation of policy.
- To identify the challenges faced by African Sun Ltd in the implementation of the funding policy.
- To identify control measures in place to manage the funding policy.
- To outline and explain best practise of the funding policy.

1.6 Significance of the study

❖ To the researcher

The research will help to improve the researcher's skill and will enable the fulfilment of the requirement for the Bachelor Commerce Honours Degree in Accounting at Midlands State University

❖ To Africa Sun Ltd

The research will make recommendations to be considered for adoption by African Sun Ltd

❖ To University

The research will provide literature to be used as reference by other scholars.

1.7 Delimitation of study

- The research will be limited to African Sun Ltd during period 2012 to 2014.
- The data collected and analyzed is based on responses from management and staff at African Sun Ltd.

1.8 Assumptions

The researcher assumed the following:

- There is no immediate intention by management to change the funding policy during the course of the researcher's study.
- The respondents provided relevant and reliable responses

1.9 Limitation of the study

- There is limited time for the completion of the research since it is being executed simultaneously with other modules. The researcher shall work beyond the provision of normal learning hours to overcome this problem.

Confidentiality of information

- The researcher faced challenges in collecting and gathering data as respondents feared exposing confidential information relating to the hotel. The researcher had to sign a confidential clause to assure management that information gathered during the research will not be disclosed to third parties.

Financial Constraints

- The researcher had limited financial resource in carrying out the researcher. Costs such as travelling, printing and communicating had to be incurred. The researcher had to make personal financial sacrifices.

1.10 Definitions of terms

- **Funding gap-** this arises when the financial needs of an entity are not met by its available capital injection.
- **Policy-** a plan, strategy or principle to guide decision and outline guidelines on the implementation and maintenance of a plan

1.11 Chapter Summary

This chapter covered the historical background of the study, statement of the problem, main research question, sub research question, the research objectives, delimitation, limitations, assumptions and summary. The following chapter covers literature relevant to the study

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the related literature on the investigation in the funding gap on the operations, the funding policy, policy implementation guidelines, personnel factors in the policy implementation, internal controls in the policy implementation, challenges that were faced in the implementation of the policy and best practices in bridging the funding gap are discussed.

2.1 Existence of the funding policy

Definitions and policy framework

Jongbloed (2011) states that a funding policy as a planned arrangement of standards which is used in guiding financial decisions to be made by those charged with governance of the organization. Richards (2011) also defines funding policy as a set of rules and procedures that must be followed and these rules can be viewed as internal control which is a measure that champion's organization goals. Noble (2009) agrees with the statement and believes that funding policies forms a basis or the distribution of resources in an organization to finance projects of the organization.

Christie and Crompton (2001) propounded that the funding policy in the tourism sector plays a critical role in development and poverty alleviation in most African countries. Tourism is a major source of foreign currency and because it is labor intensive, it makes a large contribution in the reduction of unemployment rate. The World Bank (2006) identifies tourism industry as a key sector for achievement of shared economic growth in most parts of Africa.

2.1.1 Types of funding policies

According to Jonathan (2011) There are two types of funding policies that firms can apply and these are the aggressive finance policy and the conservative finance policy.

When an organization adopts the aggressive funding policy, organization would be financing long term working capital project with short term debts or borrowings. Jennings (2013) postulates that aggressive funding policy focuses most on current liability as opposed to long term financing of organizations capital expenditure.

Conservative policy is a funding policy that allows organization to finance its long term capital projects using long term debt. As the name suggest it is conservative hence it reduces funding risk and this is the risk that may result in the firm incurring some future distress should the firm fail to refinance its debt on time.

2.1.2 The risk of implementing the funding policy

It is difficult for an organization to determine an optimal capital structure of a company as there are a number of factors which influence the structure to be implemented by the organization as there are variations amongst industries (Pandey 2009). Due to these variations a structure that might be ideal for one organization might not yield the same results if used on another organization. When considering the gearing of an organization, financial managers are tasked with finding a structure that is suitable for the organization which also maximizes the shareholders value.

Weaver (2010) identifies a number of problems that may arise during policy formulation which results in poor policy implementation and these are interpretation, target group compliance and timeline issues amongst others as the key risks of a new policy implementation.

2.1.2.1 Interpretation issues

In some cases, policies and programs are legislated with many key elements left undefined and this may occur for several reasons for example in some cases the policy makers may feel that they don't know enough to dictate to policy implementers or they may simply be unable to agree amongst themselves. Leaving policies open for latter interpretation maybe costly as there would be lost in time in debates on how objectives should be interpreted especially if there are multiple steps to be followed when implementing a policy. It can also result in "mission drift" as implementation officials seek to turn organizational mission toward their own objectives.

2.1.2.2 Target Compliance Issues

Even when resources and funding for policy implementation is not an issue the targeted group for policy implementation may fail to behave in the way anticipated by policy designers which is necessary if the policy objectives are to be met. There is need to engage broader community as this is useful to inform the community of ‘what is going on’, as well as helping secure a greater level of ‘buy-in’.

2.1.2.3 Timeline Issues

Pandey (2009) postulates that even where the required human capital, technology and other resources required for successful implementation can be funded, it takes time to put all of the desired systems in place and make sure that they work efficiently. Usually once policy implementers have found a problem they generally want an immediate results which results in them underestimating the organizational and resource challenges associated with the policy change. This may prove to be a problem when policy reform leads to a creation of a different new department which needs to be staffed and develop their own procedures.

2.2 Funding Policy Implementation

Implementation is a means of putting in place and cementing the chosen policy taking note of the goals and objectives of the policy (Hornby 2010). Burke, Morris and McGarrigle (2012) state that implementation is a process where there are different conditions, requirements and activities at each level or stage of adopting and solidifying a policy as an organization’s. Peller et al (2011) supports the above view and advocates that policy implementation refers to activities that are carried out in light of the established policy and it refers to process involved in translation of policy into practice. It also involves the actions of and interaction among internal and external organizations of the organization as well as service users and the general community. King (2013) stated that the true meaning of a policy can only be realized when it has been implemented and implementation of a policy is critical and management should carefully craft appropriate and effective policies. This entails that management should channel adequate attention and resources to implementation activities.

For a policy to be implemented successfully the implementers should take into consideration of a number of factors which include leadership, planning, communication, participation of stakeholders, monitoring, review and evaluation (Fowler 2012).

2.2.1 Leadership

Michael (2010) postulates that the implementers are the early adopters of change in the policy and they have to take positive actions in order for them to influence the other member to participate in the policy implementation process and provide direction for implementation as well as overcoming challenges faced during the process. Galikoca (2011) advocates that leadership is the most critical factor in implementation process as it encourages a culture of ownership and participation in the implementation by stakeholders and honors is upon the policy formulators to sell the policy to the leaders of the organization for it to be successful.

2.2.2 Planning for Implementation of policy

Planning is essential for the implementation and success of any policy that organization would be putting in place. Adequate control of risk can only be achieved through coordinated action by all members of the organization (Watt 2014). Effective planning is concerned with prevention through identifying and controlling risks at implementation stage. Planning sets out clearly the objectives of the policy, specific tasks that relate to its implementation, the individuals responsible for accomplishing the tasks and the timeline they are expected to finish.

2.2.3 Communication with Staff

Finch K(2010) postulates that effective on-going communication is crucial in motivating subordinates, overcoming resistance to change as there would be a sound and effective two way communication which aids feedback. Communication ensures that there would be trust between management and the subordinates as they are fully aware of the change. Fowler (2012) notes that having internal systems and process which supports effective communication is therefore imperative in ensuring successful implementation of a policy.

2.2.4 Engagement of Stakeholders in Policy Implementation

Consultation with the affected stakeholders is essential for organization to successfully implement policy (Gable 2003). Engagement should be done at an early stage and stakeholders should be made aware of the reason why they are being consulted having a

realistic expectation about their capacity to influence implementation. The author further emphasizes the need to engage broader community as this is useful to inform the community of 'what is going on', as well as helping secure a greater level of 'buy in'. Broader community engagement can also help overcome an overly narrow concentration on issues management, and potentially yield important information to help shape the policy and guide implementation.

Michael (2010) also postulates that there is need to tailor different approaches in engaging stakeholders as different stakeholders will buy-in a policy when the policy addresses their interests. There is need to consider the contributions that have been contributed by the stakeholders in the implementation of the policy and entail the stakeholders how their contributions may be used and why it may not always be possible to do so.

2.2.5 Monitoring, Reviews and Evaluation

Implementation should not be regarded as having been completed at the time of delivery as what has been planned would not work exactly as intended (McPhee 2014). For implementation to be successful there is need for an ongoing and active management. Continues monitoring, review and evaluation ensures that entity continues to provide adequate resources to flow towards the activity and enables leadership to access the implementation progress, identify and address problems and review the ongoing relevance and priority of the initiative. Leadership should be actively engage the affected stakeholders who would be directly affected by the change at early stages of implementation as regular engagement with the stakeholders will foster a culture of acceptance and learning from the outcomes which may either be positive or not.

2.3 Personnel Factors Influencing Policy Implementation

According to Mohammed (2011) for a policy to be implemented successfully it depends on the knowledge of those vested with the planning and managing of the implementation process. Personnel is important in policy formulation and implementation and successful organizations should view personnel as valuable resources which should be nurtured, developed and managed in order for any policy to be implemented successfully. Drury (2008) states that it is imperative for any organization to invest in training and

development of its personnel so that they are equipped with skills to implement policies and programs.

For an organization to achieve a successful policy formulation and implementation the organization should consider the following factors staff commitment, value training of staff and organizational environment (Brynard 2009).

2.3.1 Employee Commitment

Greenberg and Baron (2010) advocates that employee commitment is an extent to which an employee identifies and is involved with his organization and willingness to achieve organizational goals. In that same respect Robbins & Coutler (2005) advocates that employee commitment is in fact an employee's orientation towards the organization in terms of his loyalty and involvement in the organization. Robbins & Coutler identifies two forms of employee commitment which are: affective commitment—employee's emotional and philological attachment and involvement in organizational achievement of goals and continuance commitment—employees continual commitment is inspired by the cost and benefit of them leaving the organization. From the above affective commitment is most desirable in policy implementation to be successful as employees are more likely to willingly contribute to the organizational performance and productivity, and even do more than it is expected from them Meyer, & Allen (2005). Brynard (2009) states that management should foster commitment by motivating employees to ensure that implementation phase objectives are successfully achieved.

2.3.2 Value Training

Training is a planned activity to modify or transfer knowledge and skills through learning experience which gives subordinates confidence hence empowering them to accomplish objectives efficiently (Mathews 2006). It is only through training that subordinates are able to understand the policy as it is intended by the policy formulators as translation of the policy ensures that objectives are understood. Inadequate training of workforce has resulted in poor policy implementation in most organizations as employees fail to develop a sense of ownership of policy due to misunderstand of the policy Younis (2004).

2.3.3 Organizational Environment

Mathews (2006) highlighted that organizational culture depicts employee's behavior towards successful policy implementation in an organization. There is need to actively engage staff in policy implementation as organizations which engages employees in policy formulation have got a higher chance of attaining set policy obligation as implementers by engaging staff would be able to highlight changes to be effected in the policy and address them thereby ensuring a successful policy implementation. If organizations develop a culture of engaging employees they achieve set goals as workforce is motivated towards attaining goals.

2.4 Control Measures in place to Manage Policy

According to www.strategic-control-24xls.com (3/11/2016;10.57) management control refers to the procedures by which organizations influences members to behave in a manner that guides it to accomplishment of organizational goals. Management control is a systematic effort to set performance standards with planning objectives, to design information feedback systems, to compare actual performance with these predetermined standards, to determine whether there are any deviations and to measure their significance, and to take any action required to assure that all corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives (Mockler J 2009).

There three types of control that an organization can use to ensure that organization attains a successful implementation of a policy which include controls before implementation commences (feed forward), controls while implementation is ongoing (concurrent controls) and controls after completion of implementation (feedback controls)(Stoner 2012).

2.4.1 Feed-forward Control

According to www.strategic-control-24xls.com (3/11/2016;10.57) feed forward control focuses on the regulation of inputs (manpower, material and financial resources flowing into the organization) to ensure that they meet requirements necessary for policy formulation. This kind of control is most desirable as it allows management to prevent the problem rather than trying to curb them it in a later stage. Stoner (2012) argues that

even though feed forward controls are desirable they are costly to implement and they also slow down the process of planning during policy implementation.

2.4.2 Concurrent Control

Stoner (2012) is of the view that concurrent control is a control that is takes place while the implementation process is in motion and observations are made in real time. The management implements a set of processes to monitor implementation of policy to realize and resolve problems or possible problems in a timely manner. Concurrent control involves the regulation of ongoing activities that are part of transformation process to ensure that they conform to the organization's set standards to ensure that there is successful implementation.

2.4.3 Feedback Control

Feedback control is a process of adjusting future actions basing on past performance information (<http://www.yourarticlelibrary.com> 03/11/16; 13:16). Feedback controls involves measuring of actual performance against organizational set standards, identification and analysis of deviations from the expected and formulation of a program for corrective action and implementation of such a program to ensure that desired performance is achieved by organization. If the management fails to properly implement the program for corrective action which they would have developed management cannot make corrective actions.

2.4.4 Risk Assessment

It is a process of identifying and analyzing related risks to accomplishment of entity's goals and formulating the corrective appropriate actions and management of risk (Jackson and Stent 2010). Policy implementers should formulate objectives before they can identify and take steps to manage risk. The process of identifying and analyzing risk should be an ongoing process and is a critical component of a sound and effective internal control. Management should make regular reviews to confirm on effectiveness of control activities and should make necessary changes where they would have identified control failures.

2.4.5 Monitoring

Internal controls should be monitored regularly and this is a process of assessing the effectiveness of the system's performance over time (Emile Woolf 2010). Monitoring

should be an ongoing process and includes management supervision which would help in assessing the quality of internal control system performance.

2.5 Challenges in Policy Implementation

Policy implementation is not an easy task and they rather encounter numerous challenges which results in the failure of the policy to address the desired goals and objectives (Michael et al 2010). Implementation of a policy is rather costly as the true cost of implementation includes cost of resources, infrastructure and equipment as well as risk exposure at different stages of implementation.

2.5.1 Strong Leadership

According to Mcphee (2014) he states that implementation of a policy at times involves several entities and it is of paramount importance that they establish clear governance and accountability underpinned by commitment to work cooperatively. It is the duty of senior management to demonstrate leadership by example which would promote cooperation between the different entities and also avoids territoriality. Greenberg and Baron (2000) defines commitment as an extent to which an employee identifies and is involved with his organization and willingness to achieve organizational goals. Those charged with governance also have a crucial role to play in monitoring the progress made by management as they can actively engage and question management to ensure that there is collaboration in implementation of policy.

2.5.2 Poor Planning For Policy Implementation

Planning is a very important phase toward a successful policy implementation as it provides a road map of how the policy will be implemented addressing issues like timeframe, phases of implementation, roles and responsibilities and compliance with legal and policy requirements (Mcphee 2014). For implementation to be successful it should be broken down into manageable steps as this would allow management to note barriers to successful implementation and take corrective measures. Management should decide on the best approach to implement policy as, Erasmus (2008) stressed out that most organizations use the top down model when implementing policy as it allows for coordination and control which would be exercised by top management.

2.5.3 Human Resource Inadequacy

Successful implementation of a policy is dependent on both management and staff having the necessary knowledge and ability to implement the policy (Chomba 2013). Howard (2013) suggests that for a policy to be successful there is need for the workforce to possess the requisite skills and expertise to execute their roles and this can only be achieved after training of the staff. However Boloyi (2011) argues that even though training of staff aids in the successful implementation of policy high staff turnover is instrumental in failure of policy implementation.

2.5.4 Cost of Implementing Internal Controls

Cost of implementing or setting up internal controls should not outweigh the benefits which the organization expects to derive from such a control (Bragg 2010). The frequency of internal audit in an organization is critical as it ensures a sound control environment. Picket (2010) advocates that organizations should strike a balance between cost and benefits derived from setting up a control and that internal audit done by an organization is important in policy implementation as it measures rate of success of the policy.

2.5.5 Human Error

Another barrier to a successful policy implementation is human error as mentioned by Visage (2009) who highlighted that human error is mostly attributed to failure by the policy implementers to interpret intension of the policy, attitude and misunderstanding of orders. Maclean (2003) identifies misinterpretation of policy as one cause of human error. There is need for training and supervision of employees by management to overcoming human error as supervision helps early detection of errors at an early stage.

2.5.6 Time of Policy Implementation

Time of implementation of a policy is important as there are risks associated with both early and late application of a policy in any organization. Macphee (2014) is of the idea that policy implementation should be broken down into manage segments and implemented in stages to ensure early detection of errors and take corrective measures at an earlier stage. Early implementation poses risk of creation of fear and resistance within organizational employees and late application poses a risk of loss of enthusiasm.

Therefore management should find the correct timing of introducing the policy to overcome the risks associated with early and late implementation of a policy.

2.6 Best Practice of Funding Policy

According to www.investopedia.com (3/14/2016:11.23), best practice is defined as a method or technique that constantly yields more superior results compared to those achieved by other means and is then adopted as a benchmark. “Best practice” may involve becoming better as alterations are made to improve it. Hale (2011) advocates that a best practice can be implemented by management to close the funding gap to ensure that there is enough financial resources in the organization to finance for both operational and capital expenditure requirements.

There are three sources of funding that an organization can use in financing both operational and capital expenditure these are temporary, permanent and spontaneous sources of finance (Keown (2011). There is need for organizations to make use of the combined sources to finance business operations so as to create financial stability and maximization of shareholders returns. Firms rely heavily on internal sources (cash flows and retained earnings) to finance operations leaving out external sources open to organization. Temporary and permanent sources of funds are external and spontaneous sources are internal sources.

2.6.1 Temporary Sources

According to www.efinancemanagement.com (3\14\2016:12.26), temporary sources of finance can be divided into internal (tax provision and dividend provisions) and external sources (inter-corporate loan, bank overdraft and short-term loans among others). Temporary sources of financing may seem to be much attractive and easy to obtain for medium and big organizations for financing of short-term investments and working capital requirements but are an expensive source of financing as compared to permanent and spontaneous sources in terms of interest rates. Maclean (2010) argues that even though they are expensive source of funding they have a great time flexibility and financial manager can use the funds and pay interest on the funds which the firm would have used and can repay the amount when the organization has generated the cash and

prove to be much cheaper than long term sources as organization may have to hold funds even when the funds are not required.

2.6.2 Permanent Sources

According to Keown (2011), permanent sources can be divided into two categories which are internal (retained earnings and provisions) and external sources (share capital, long-term loans). Retained earnings and provisions are funds available for organization at explicit cost as these are funds earned and owned by the organization and can be used to finance expansion and working capital requirements.

2.6.2.1 Share Capital (Authorized and Issued Shares)

Share capital is the amount of money invested in an organization by shareholders and in return the shareholders gain a share of the ownership of the organization (Limm 2011). Shareholders benefit from the limited liability clause thus they are only liable up to the amount that they invest in an organization not the company's total debt. The shareholders earn a return of their investment through dividends which are paid out. Companies can issue out shares for them to finance long-term projects or investments.

According to Slate (2008) the amount raised through the issue of ordinary shares is not an amount that the organization needs to pay back but rather a permanent source of financing capital projects. Organizations need only to pay returns on investments to shareholders in the form of dividends and are only paid out once organization has made a profit.

Despite the advantages of issuing ordinary shares the cost of issuing the shares are more costly as the organization has to issue a prospectus inviting public to purchase shares, advertising costs and underwriting costs which in total might prove to be more costly to organization. There is also dilution of control as ordinary shareholders have voting rights in annual general meetings.

2.6.2.2 Long-term Loans

Ferry (2008) states that in a loan, the borrower agrees to make payments to the lender using a pre-schedule either at a floating or fixed interest rate. The debt can be paid back the lower the amount that the organization has to pay monthly or annually giving the organization more funds to complete projects as little is set aside for loan redemption.

Organization can use the amounts set aside to finance other short term investments while they wait for the debt to mature.

Also by using long term loans to finance capital projects the organizations limits dilution of control as loans allows organization to engage in capital projects while it maintains its current level of control. This is an advantage compared to raising funds through the use of share issue as there will be no redistribution of control.

2.6.3 Optimal Capital

In an attempt by organizations to try and bridge the funding gap, organizations have adapted a number of methods to do this and one of the methods is the use of the Pecking Order Model which was propounded by Myers. The model states that there is a financing hierarchy where organizations prefer internal finance and where internal financing is inadequate to finance both revenue and capital expenditure firms will issue the safest security first when raising external finance. The pecking order model is mainly a behavioral explanation of why certain organizations finance in the way they do. It is consistent with the view that most profitable organizations within any industry tend to have the least amount of leverage.

The model explains why bulk of external financing comes from debt. The order that the model follows is as follows, first preference is internal sources of finance (retained earnings and or provisions). If there is need for external finance, firms issue the safest security first that is they start with debt then possible hybrid securities such as convertible bonds then equity as the last resort.

The model predicts that organizations with large financing needs will end up with high debt ratio due to the fact that management would be reluctant to issue equity. Fama and French (2002) postulate that high-growth organizations consistently use less debt in their capital structure that is organizations that choose to fund with equity today will leave less expensive sources of funding for the future. Those that choose debt over equity today tend to have only more expensive source of funding in the future. Corporate managers are more likely to follow the financing hierarchy model than aim to maintain a target- equity ratio.

2.7 Chapter Summary

This chapter mainly focused on the literature review which was relevant to the study on what other authors said about funding gap. Information was accessed from journals, internet and books. Chapter three focuses on the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter is a consideration of methods and techniques that were used in the assembling of data and information. This chapter highlights how data will be processed, analysed and interpreted. The chapter also spells out the research design, population, sampling techniques, sample size, and data collection instruments.

3.1 RESEARCH DESIGN

According to Esteves (2010) research design is a framework for the collection and analysis of data. It is a blueprint which is based on the research objective, goals and questions. Esteves (2010) noted that this blueprint ensures that validity and reliability are achieved, bias and distortions are avoided, and that the sampling process and sample size are determined appropriately. The significance of studying research design is to ensure that the objectives are matched with the appropriate research design

3.1.2 Descriptive Research design

Descriptive research is that type of research design, designed to answer questions about current state of affairs and it gives the researcher a snapshot of the employee's thoughts, feelings or behavior at a particular place and time (Stangor 2014). In executing the research the researcher also considered Andrew et al (2011)'s views which stated that the research design uses survey, interviews or observations to describe characteristics of a population as the design allows one to combine both qualitative and quantitative techniques.

For the purpose of this research, the researcher made use of descriptive research design method as it allowed for the description of the reviewed and analyzed data which was collected from the respondents. The researcher also made consideration to McGrath (2010) who asserts that descriptive research design method is more preferred to others as it has the ability to give a conclusive description of the research findings. The research therefore allowed for a descriptive analysis on the findings on the impact of the lack of funding on the performance of the organization.

3.1.3 Descriptive case study

Malhotra (2009) highlights that a case study research involves an in depth study of an individual or group of individuals.

Case studies regularly lead to testable hypothesis and allow the study of a rare phenomenon as discussed by Kumar (2010) .It focuses on a particular group and this abetted the researcher to have a correct understanding of a specific unit and explain it. A case study appreciates a natural advantage and serves a confirmatory role. It then became more convenient in forming descriptive conclusions.

The descriptive case study approach demonstrated to be appropriate in the sense that it focused on one case study which is African Sun Ltd thus providing the constriction and attention that is appropriate for this kind of study. It fits well with the research problem since it requires study of an operating entity that has a decentralized organization structure.

3.2 POPULATION

Population is the universal set of all the existing people, units, items or events that contain a certain character which is of interest as well as all the set of possible data values for a subject under study (Neelankavil 2015). The target population of this study consist of 40 people who include top management, heads of departments and general employees of the finance department of African Sun.

3.2.1. Sample Size

Samph (2011) defines a sample as a reflection of the whole population or a subset from the total population chosen to represent the whole population. It shows a manageable number from the total population because it is difficult to conduct research on the whole population but a significant sample is considered. A sample size is therefore a representation of a population under study. Laser (2010) asserts that the sample may not represent all the views of the population but at least an average can be deduced from the responses of the sample size. For the purpose of this study, researcher used a sample of 25 respondents of the target population mentioned above and this comprised of the General Manager, 6 Head of Departments, 6 Employees Purchasing department and 7 supervisors from the organization amongst other employees.

3.2.2 Sampling Methods

According to Burns and Burns (2012) there are basically two main types of sampling methods, which are probability sampling and non-probability sampling. For the purpose of this research the researcher opted to use non probability sampling in particular judgemental sampling.

3.2.3. Judgemental or Purposive

Sim and Wright (2011) define judgmental sampling as a non-probability sampling method that involves the sampler using own knowledge and wisdom to choose a sample that has knowledge about the area of research and who can possibly provide responses relevant to the study. For the purpose of this study the finance department employees was mainly used as the sample since they had knowledge pertaining to funding shortage issues in the organization and other policy makers in the management and administration department.

Table 3.1 Research Population

	Population	Sample	Percentage
Managing Director	1	1	100%
Finance Department	10	8	80%
Head of departments	10	5	50%
Procurement department	9	6	67%
Supervisors	10	5	50%
Total	40	25	63%

3.3 SOURCES OF DATA

Creswell (2009) identifies two distinctive sources of data that is primary and secondary data.

3.3.1 Primary and Secondary Data

Primary data is first-hand data obtained mostly through the researcher's own efforts and it is often used because of its freshness and originality in character (Boone and Kurtz 2015). This is raw data which has not yet been analysed or arranged and it is in its

original state. Primary data is reliable and easier to gather because of use of sample size that is usually concentrated around the same area.

With regards with the research in question, primary data was collected making use of questionnaires and interviews which was time consuming and risky as it is subjective to the to the respondents' attitude towards the subject matter. The researcher had to make appointments with the respondents and interviews had to be done during respondents spare times were there was no interference with their daily tasks. Due to the expensive nature of carrying out data collection the researcher made use of information from secondary data which was easily accessible from financial statements and management reports on the performance of the organisation.

Secondary data is data which has already been gathered and is readily available from company annual reports, management accounts, and audit reports (Kumar, 2010). It serves as a compliment to primary data. Secondary data was easy to obtain since it was data readily available and was also less expensive to acquire compared to primary data. For the purpose of this research secondary data was also used and the data was collected from company documented policies, audit reports, management reports and published financial statements. This was the only research method that evidence from the past was used in relation to current study. However, reliability of some of these sources for example audit reports used was questionable as some of the information contained was not relevant to the problem in question.

3.4 DATA COLLECTION INSTRUMENTS

Wiid and Diggins (2010) define research instruments as methods and procedures that have been structured or to help with the acquisition of data. The researcher used both questionnaires and interviews to obtain data that assisted in analysing the funding gap on operations of African Sun.

3.4.1 Questionnaire

Remenyi (2012) defines questionnaires as a set of questions used to attain information from respondents. Azzara (2010) states that the design of a questionnaire should meet research objective by obtaining valid data from respondent .According to Thomas,

Nelson and Silverman (2011) a questionnaire consist of closed and open ended questions. Open-ended questions are those questions which allow respondent to answer in their own words and these were used to obtain further suggestions on how to close the funding gap that the organization was experiencing. In carrying out the research the researcher opted to use the questionnaires as this allowed for confidentiality of responses answers thereby providing more accurate data. Thomas, Nelson and Silverman (2011) advocated for the use of questionnaires as they allow the researcher to reach many people within a short space of time.

Tullis and Albert (2010) define a likert scale as a statement to which the respondent rates their level of agreement. A 5-point scale of agreement like the following is used

Table 3.2: Likert Scale

Attitude	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Scale	1	2	3	4	5

Source: Tillis and Albert (2010)

The likert scale was adopted as it proved to be a much easier method to measure attitude and collect data. The data that was collected from the respondents could be easily compared, analyzed and understood. Respondents' responses could be easily quantified making computation easy as it does not force a respondent to take a side on a research topic because it does not provide yes or no answers. The questionnaires were standardized which made it easy for the respondents to respond as there was no need to explain any point which made interpretation of the question simpler to the respondents.

3.4.2. Interviews

Interview is an information acquisition technique that involves questioning a topic (Thomas 2011) defines. Wood and Ross-kerr (2011) highlighted that interviews allow the interviewer to probe for responses from the interviewee and enables the interviewer to bring about additional observations about the interviewee such as body language. For the purpose of this research individual interviews were chosen over group interviews as the

former allowed the interviewee to clearly state their mind without being influenced by responds from the other respondents.

Personal interviews proved to be more expensive and time consuming to the researcher as some of the interviews had to be done over the phone as part of the employees were deployed to various branches of the organization. Some of the respondents felt unease in responding to questions due to consequences that they might face should it be known that they had disclosed such information.

3.5 RELIABILITY AND VALIDITY

Abbot and Mckinney (2012) defines reliability as the extent to which results are consistent over time and as an accurate representation of the total population under study. If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Burns and Burns (2012) argue that validity is the extent to which an instrument measures what it is purported to measure. It is based on the examination of an instrument such as a questionnaire whether it measures exactly what it was designed to measure.

3.5.1 Measures taken to ensure reliability and validity

To pre-test reliability and validity of the instruments designed, questionnaires were pilot tested. This was done through pre – distribution of the questionnaires and all areas that were poorly structured were corrected. The research objectives and questions were considered during the development of the instruments and the researcher learnt from similar studies that were done by past researchers.

3.6 DATA ANALYSIS PROCEDURE

Data presentation is a way of presenting gathered and analyzed data using tables, pie charts, pictures or diagrams (Lewis, 2012). There was however need for the researcher to first edit, divide or segment, summaries and prove the data collected for it to be useful for the research. Data collected was analyzed thoroughly so as to check for completeness and accuracy of data responses obtained. The researcher organized and presented the data using tables, bar graphs, doughnuts, pie charts and percentages were calculated to show the various responses of the respondents for each question.

During the interview the researcher took notes while respondent answered the questions. The responds were then analyzed and interpreted whilst linking the responds to the objectives of the study. The information was then summarized after completing the interpretation. Interviews were interpreted, analyzed and summarized in conjunction with questionnaire responses.

Kumar (2010) describes data analysis as the reduction of gathered data into a manageable size, developing it into summaries and searching for patterns and the solicitation of statistical analysis. Analyzing the data assisted the researcher in describing facts, detecting patterns and developing explanations and in the end getting meaning out of it. Percentages were used to analyze the results.

3.7 CHAPTER SUMMARY

The chapter outlined the research design, target population, sampling, research instruments and data sources. The researcher used questionnaires and interviews to collect primary data from the respondents. The next chapter, chapter four covers data analysis, presentation and discussion of the results.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0. INTRODUCTION

The chapter is an overview of the data that was obtained from the principal research instruments that were used in carrying out the study and these are questionnaires, interviews and secondary data analyzed. The findings are presented, interpreted and analyzed in accordance with each research objective. The data will then be presented by means of tables, graphs and charts.

4.1 QUESTIONNAIRE RESPONSE RATE

In carrying out the research the researcher distributed 25 questionnaires to respondents in the finance department and head of departments in the marketing, purchasing, production and human resources of African Sun Ltd. Overall response rate was 20 questionnaires out of the 25 (80%) issued and this was a clear indication that findings were sufficient and adequate for conclusions to be drawn from them as suggested by Dawson (2012) who postulated that a sample size of 30% or more can be viewed to be a representative of the population sample that would have been used.

Table 4.1 Questionnaire response rate

Questionnaires	Number		Percentages (%)	
Distributed	25		100	
Returned		20		80
Unreturned		5		20

4.1.1 Level of Education of Responds

The aim of the question was to determine whether the respondents were eligible to give sound responses based on their academic qualifications. From the table below it reviews that of the 20 questionnaires that were returned no one had O' level, 1 had A' level, 5 had

diplomas, 10 were undergraduates, 4 were postgraduates and none of them had a doctorate.

Table 4.2 Academic Qualifications

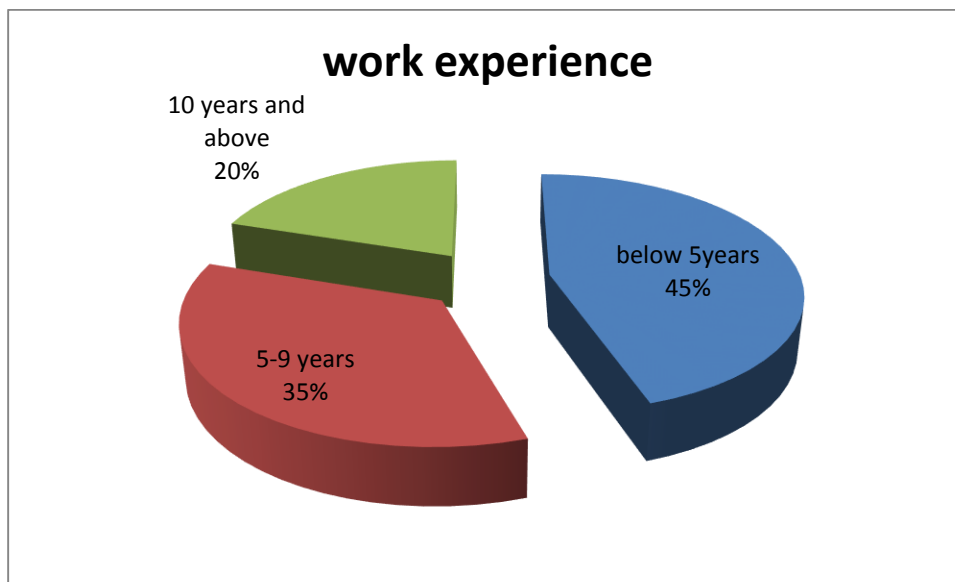
Respondents' feedback	Number of responds
O' level	0
A' level	1
Diploma	5
Undergraduates	10
Postgraduates	4
Doctrate	0
Total	20

Based on the information provided above it can be noted that the majority of the employees according to the sample were mostly undergraduates and this made the information provided by them reliable and conclusions could be drawn from it.

4.1.2 Number of years spent as an employee of African Sun

Aim of the question was to find out from the respondents the number of years the respondents worked for African Sun.

Figure 4.1 respondent's years of working for African Sun

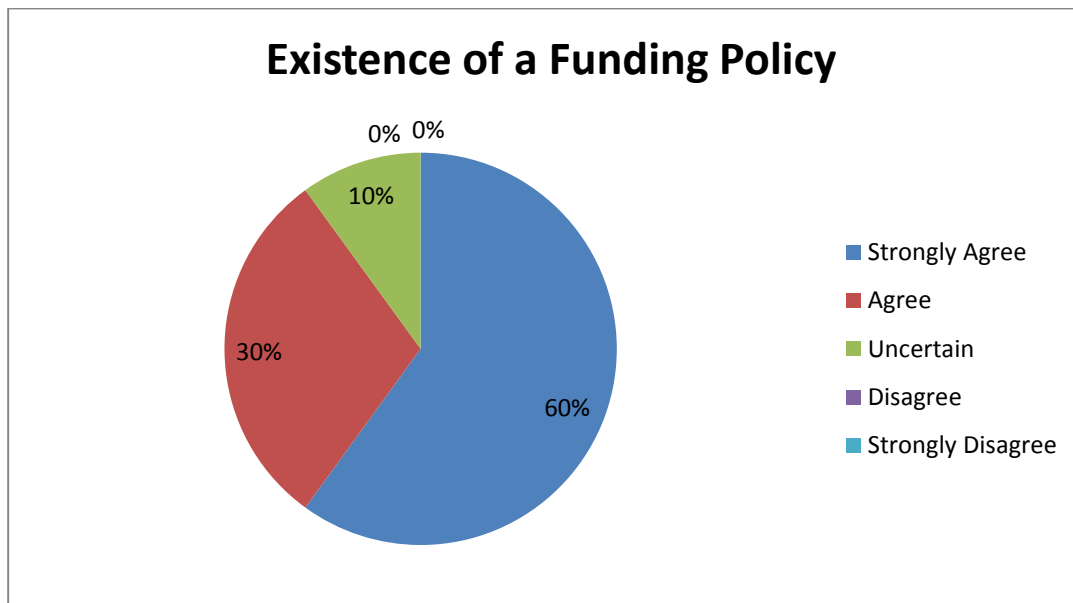


Information from figure 4.1 above indicates that 45% of the respondents have been employees of African Sun and have been actively employed for less than 5 years, 35% have between 6-9years work experience in African Sun while 20% of the respondents have 10+ years work experience. On overall 45% of the employees have worked for more than 6years and this ensures that the data collected is of high quality and can be relied on to draw conclusions and it also proves that the respondents were highly qualified to answer questions pertaining to the funding gap on operations of African Sun.

4.1.3 The Existence of a Funding Policy

The question sort to find out from the respondents if there is a funding policy that the organisation uses in financing for both capital and revenue expenditure.

Figure 4.2Existence of a Funding Policy

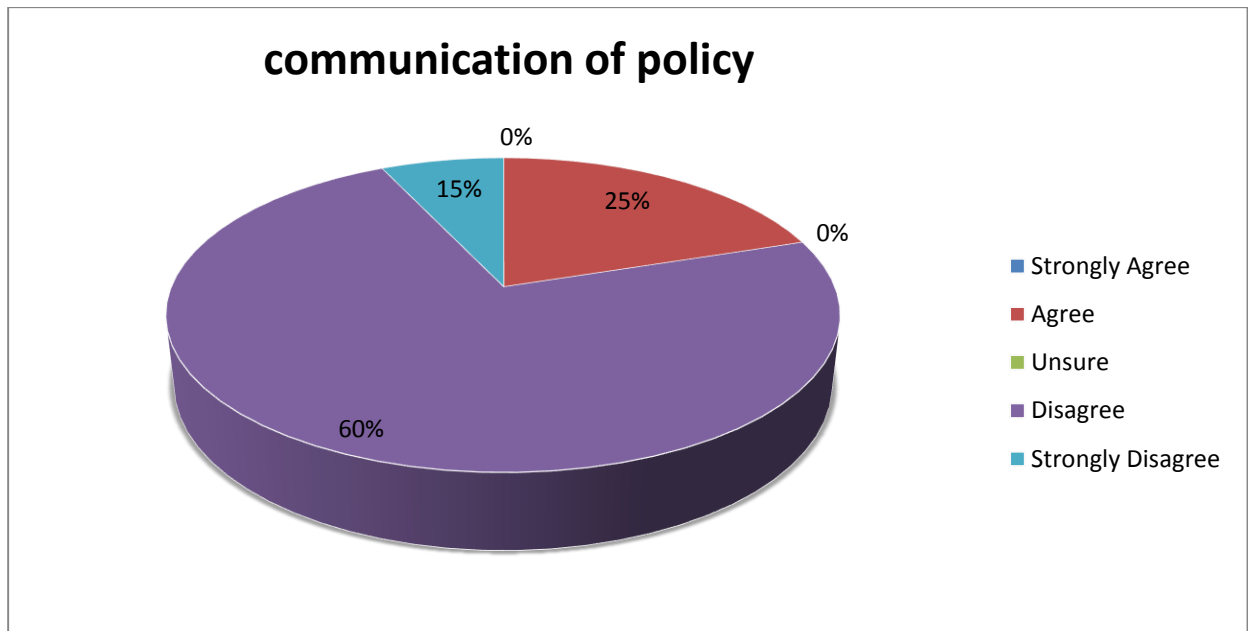


From the given responses from the employees of African Sun, 60% of the respondents strongly agreed that indeed there is a funding policy that the organisation adopts when making decisions on funding, 30% agreed, 0% was uncertain, 0% disagreed and 0% strongly disagreed. From the responses given a mode of 60% agreed that there was existence of a funding policy at the organization.

4.1.4 Communication of Policy to Employees

The aim of question was to find out whether information pertaining to funding policy is communicated to all the employees of the organization regardless of the various departments that they fall under.

Figure 4.3 Communication of Policy

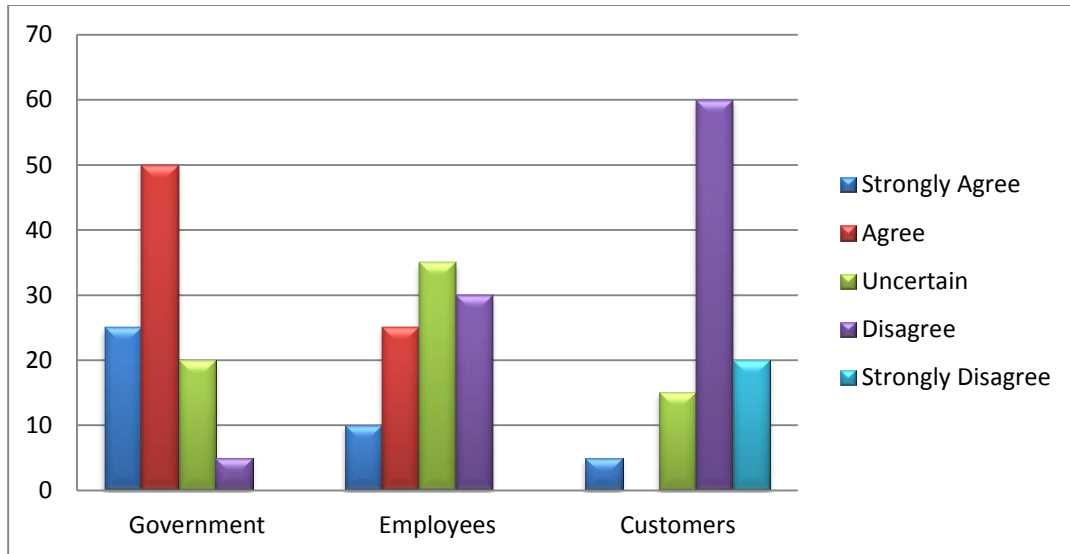


From the responses gathered only 15% strongly agreed, 25% agreed, 0% was uncertain, 60% disagreed and 0% strongly agreed. Of the responses given, the majority of the respondents disagreed to the fact that the funding policy was communicated to all the employees. It can be clearly noted that the funding policy is not effectively communicated to the employees. Stoner (2010) postulated that for organizations to successfully accomplish their goals there is need for effective communication of the objectives within the organization.

4.1.5 Involvement of stakeholders in policy formulation

The purpose of the question was to ascertain whether the government, employees and the customers were involved in the process of formulating the funding policy.

Figure 4.4 Involvement of stakeholders in policy formulation



The graph reviews that 25% of the respondents strongly agreed, 50% agreed, 20% was uncertain, 5% disagreed and 0% strongly disagreed on the involvement of government in policy formulation. From the information provided it can be noted that when formulating funding policy the government is consulted.

From the above graph it can be noted that 10% strongly agreed, 25% agreed, 35% was uncertain, 30% disagreed and 0% strongly disagreed on the issue of involving employees in policy formulation. The results indicated that there is little involvement of employees when formulating policies.

Of the responses given, 5% of the respondents strongly agreed that customers are consulted when the organization formulates funding policy, 0% agreed, 15% was uncertain, 60% disagreed and 20% strongly disagreed. It can be deduced from the information provided that there is no involvement of customers when formulating funding policy within the organization.

Gable (2003) states that consultation with the affected stakeholders is essential for organization to successfully policy formulation. This ensures that the stakeholders develop buy-in behavior as they become aware of the organizations 'intension.

4.1.6 Existence of guidelines to facilitate policy implementation

The question aimed to determine if there was a policy guideline to facilitate the process of policy implementation.

Figure 4.5 responses on guidelines for facilitation of policy implementation

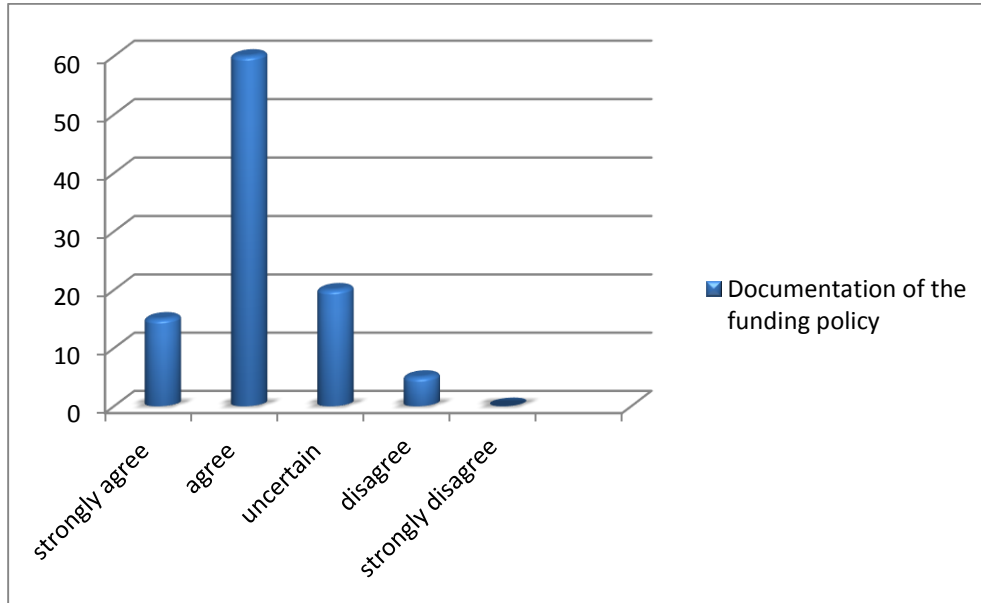


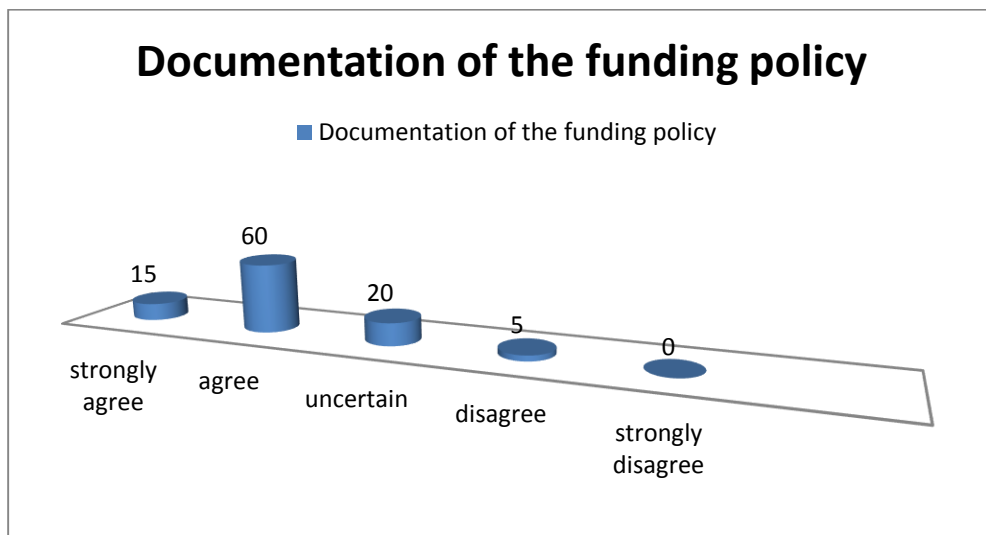
Figure 4.5 shows that 25% strongly agrees, 60% agree, 0% was uncertain, 15% disagreed and 0% strongly disagrees that there is existence of policy guidelines that is used to facilitate the process of policy implementation in the organisation. From the above information that is provided it can be deduced that there is indeed existence of policy guidelines for facilitation of policy implementation as propounded by Hale (2011) who states that every organisation should have standard procedures when implementing a policy.

4.1.7 Documentation of the funding policy

The aim of the question was to establish whether the funding policy of the organization was documented and known to all those charged with the execution of implementing the policy.

Figure 4.6 below reviews that 15% of the respondents strongly agree that the funding policy that would be in use at Africa Sun was documented, 60% agree on the notion, 20% was uncertain, 5% disagreed and 0% strongly agreed. From the responses given it can be noted that the funding policy was documented and was known by those charged with execution of implementing the policy. It is essential to document a policy as it helps the organization to set up steps that they would take to achieve the desired goal at the end (Hammond 2010).

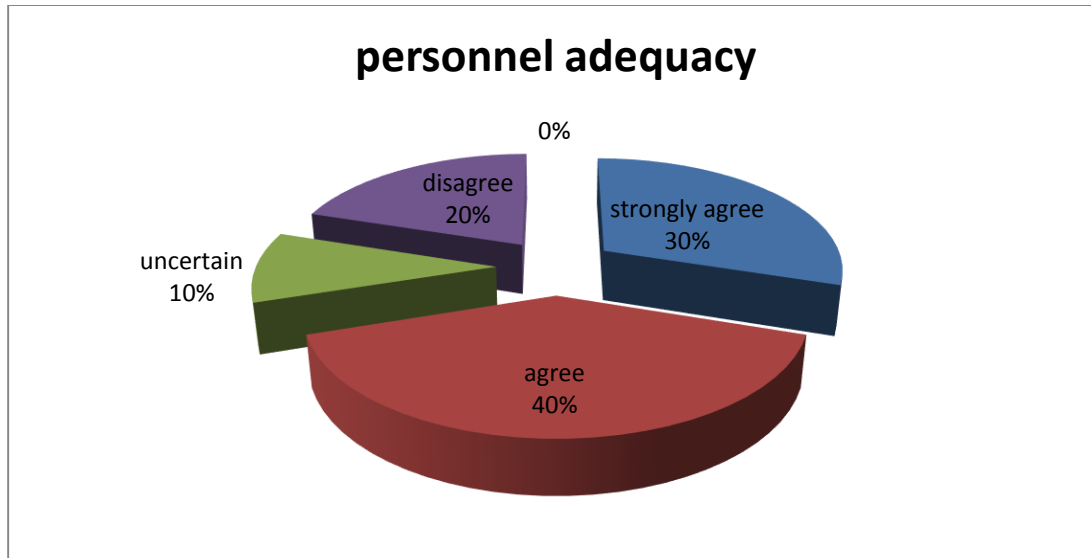
Figure 4.6 Documentation of the funding policy



4.1.8 The organization has adequate and qualified staff to implement policy

By asking this question, the researchers' aim was to find out if the organisation had adequate and qualified personnel that are capable of implementing the policy seeing it through from formulation phase till implementation is achieved successfully.

Figure 4.7 Responses on personnel adequacy in policy implementation

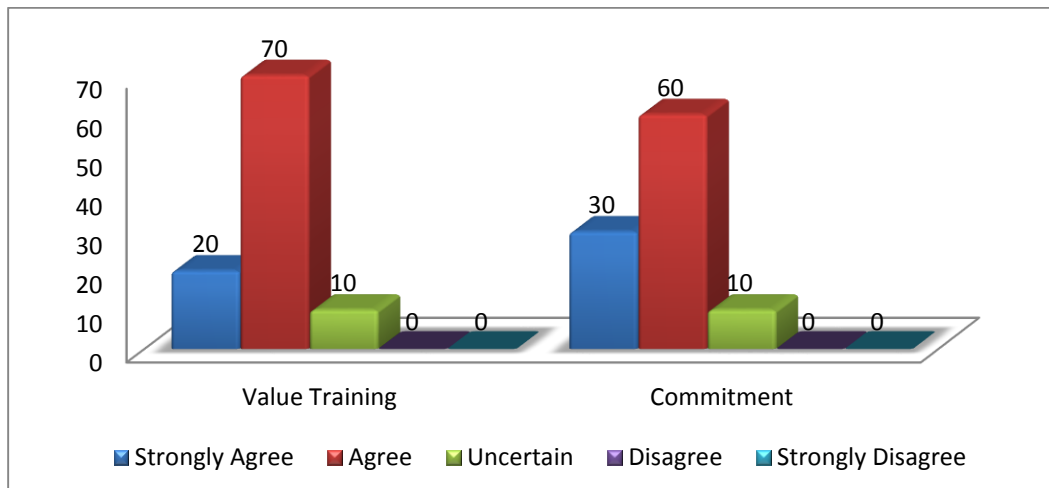


The overall responses highlighted that 30% strongly agreed, 40% agreed, 10% was uncertain, 20% disagreed and 0% strongly disagreed. From the aforementioned responses it shows that the organisation has adequate and qualified personnel that are able to carry out the task of implementing the policy. For an organisation to achieve the desired goals there is need to have adequate and qualified personnel (Mohammed 2011).

4.1.9 Personnel factors influencing implementation of funding policy

This question sort to ascertain whether value training and commitment of employees have a positive effect in organizations' attainment of successfully implementing the desired funding policy.

Figure 4.8 Personnel factors influencing implementation of funding policy



From the above results shown in figure 4.8 it shows that 20% of the respondents strongly agree, 70% agrees to the notion that training of personnel helps the organisations in attaining a successful policy implementation,10% was uncertain,0% disagreed and 0% strongly disagreed. It is through training that subordinates are able to understand the policy as it is intended by the policy formulators as translation of the policy ensures that objectives are understood (Mathews 2006).

Coming to the issue of commitment 30% strongly agrees, 60% agrees, 10% was uncertain, 0% disagreed and 0% strongly disagrees on the notion that employees' commitment is vital for the organizations' achievement of successful policy implementation. Brynard (2009) states that management should foster commitment by motivating employees to ensure that implementation phase objectives are successfully achieved.

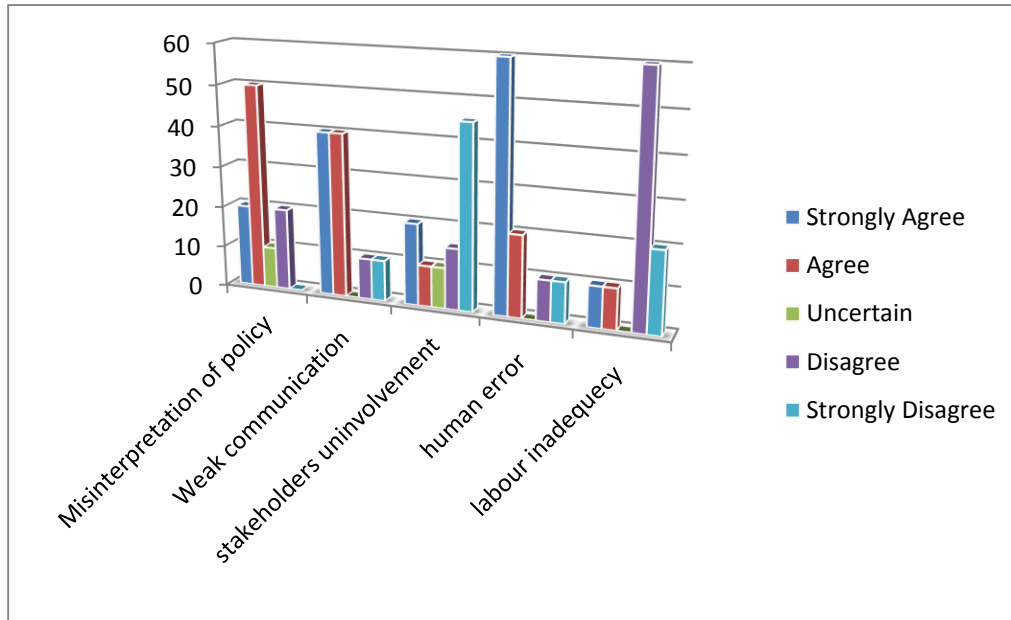
Personnel are important in policy formulation and implementation and successful organizations should view personnel as valuable resources which should be nurtured, developed and managed in order for any policy to be implemented successfully.

4.1.10 Challenges encountered during policy implementation

The question aimed to find out from the respondents the challenges that they encountered in policy implementation at African Sun Ltd.

From figure 4.9 below, it can be noted that 20% strongly agreed on the issue that there was a challenge on misinterpretation of the policy, 50% agreed, 10% was uncertain, 20% disagreed and 0% strongly disagreed. It can be deduced that the employees faced a challenge in interpretation of the policy and this could have been curbed by training the employees so as to equip them with the necessary skills to effectively implement the policy.

Figure 4.9 Challenges encountered during policy implementation



On the issue of communication 40% strongly agreed, 40% agreed, 0% was uncertain, 10% disagreed on the issue and 10% strongly disagreed. From the research conducted it can be noted that there was poor dissemination of information regarding to alterations made to the policy to all the employees. Fowler (2012) notes that having internal systems and process which supports effective communication is therefore imperative in ensuring successful implementation of a policy.

Constant consultation and involvement of the stakeholders is essential for the organization to successfully implement the desired funding policy as it helps in creating a greater level of policy buy-in (Gable 2003). The research results indicated that 20% strongly agreed, 10% agreed, 10% was uncertain, 15% disagreed on the notion and 45% strongly disagreed. It can be noted that when implementing and reviewing funding policies stakeholders affected are consulted and involved to ensure that organization achieves a successful policy implementation.

An analysis of the notion that human error posed a great threat on organizations' successful implementation of the funding policy reviewed that 60% of the respondents strongly agreed on the notion, 20% agreed, 0% was uncertain, 10% disagreed and 10% strongly disagreed. From the findings it can be deduced that human error was one of the major challenges that organization faced in trying to implement the funding policy. Maclean (2003) identifies misinterpretation of policy as one cause of human error and suggests training and supervision of the employees by management as a remedy of overcoming human error.

From the responds returned it can be noted that 20% strongly agreed, 60% agreed, 0% was uncertain, 10% disagreed and 10% strongly disagreed. It can then be presumed that poor planning for policy implementation was one other challenge that the organisation faced during policy implementation. Planning is a very important step towards a successful policy implementation as it provides a blueprint of how the policy shall be implemented addressing issues like timeframe, roles and responsibilities and compliance with legal requirements (Mcphee 2014).

4.1.11 Controls set by management to ensure policy success

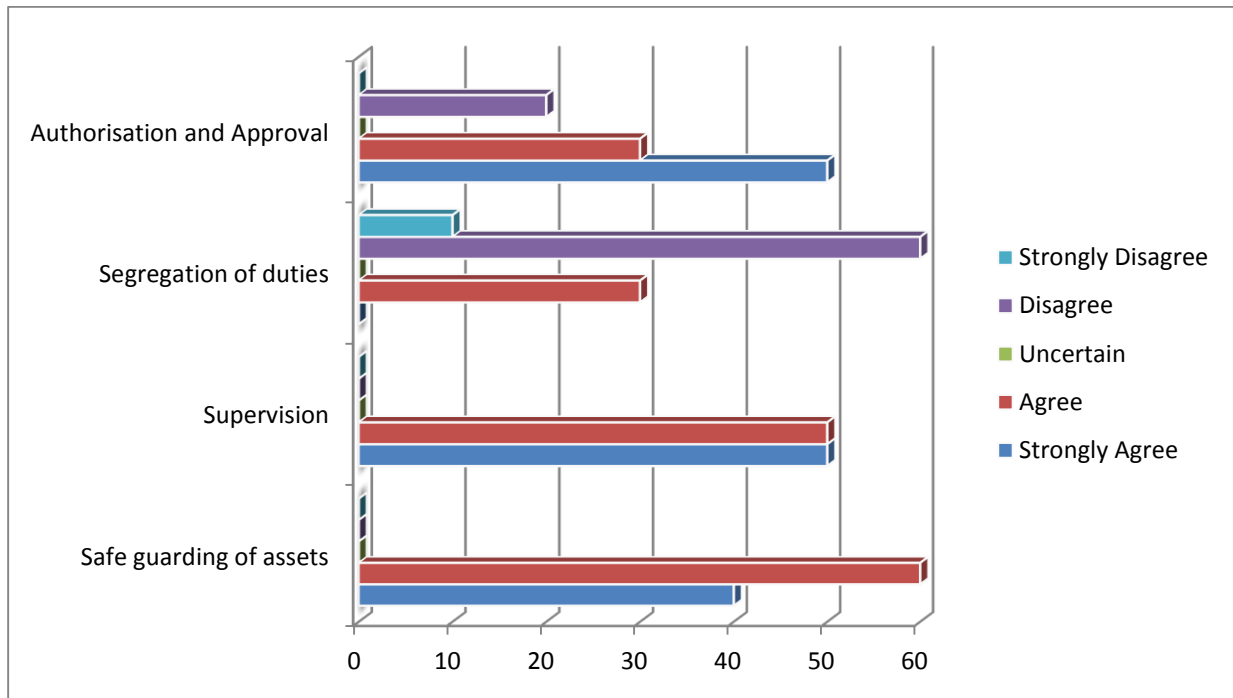
The aim of the question what to sort out whether there were controls put in place by management to ensure that implementation of the policy would be successful.

The graph below indicates that 40% of the respondents strongly agreed, 60% agreed, 0% was uncertain, 0% disagreed and 0% strongly disagreed that management of African Sun had put controls over the safeguard of assets. It can be presumed that there were controls put up to safeguard assets of the company and the controls are known to all employees.

In the case of supervision it can be noted that 50% of the respondents strongly agreed, 50% agreed, 0% was uncertain, 0% disagreed and 0% strongly disagreed. It can be deduced from the findings that there is constant supervision of employees by management to ensure that organization obtains a 100% success on policy implementation. Maclean (2003) identifies supervision as a remedy of overcoming errors during policy

implementation and this is what the organization is adopting to ensure successful policy implementation.

Figure 4.10 Controls put in place by management to ensure a successful policy implementation



Segregation of duty as identified by Keown (2013) is the concept by which in an organization there is more than one person who is required to complete a task and this is an internal control which is intended to prevent fraud or errors. From the results obtained it can be noted that 0% of the respondents strongly agreed, 30% agreed, 0% was uncertain, 60% disagreed and 10% strongly disagreed. It can be deduced that there is little or no segregation of duty within the organization which clearly shows that decision making is centralized and vested to a few individuals making it difficult for sectional managers to make decisions on their own without consulting those vested with authority.

Figure 4.10 reviews that 50% of the respondents strongly agreed, 30% agree, 0% is uncertain, 20% disagree and 0% strongly disagree. It can be noted that for changes to be effected to the funding policy there is need for the changes to be authorized and

approved by those charged with governance and this ensures that fraudulent activities are detected before the changes are implemented.

4.1.12 Operations of African Sun are funded the by following sources

The aim of the question was to find out from the respondents the sources of funds that the organisation uses to finance both revenue and capital expenditure.

Figure 4.11 Sources of funds used to fund operations at African Sun

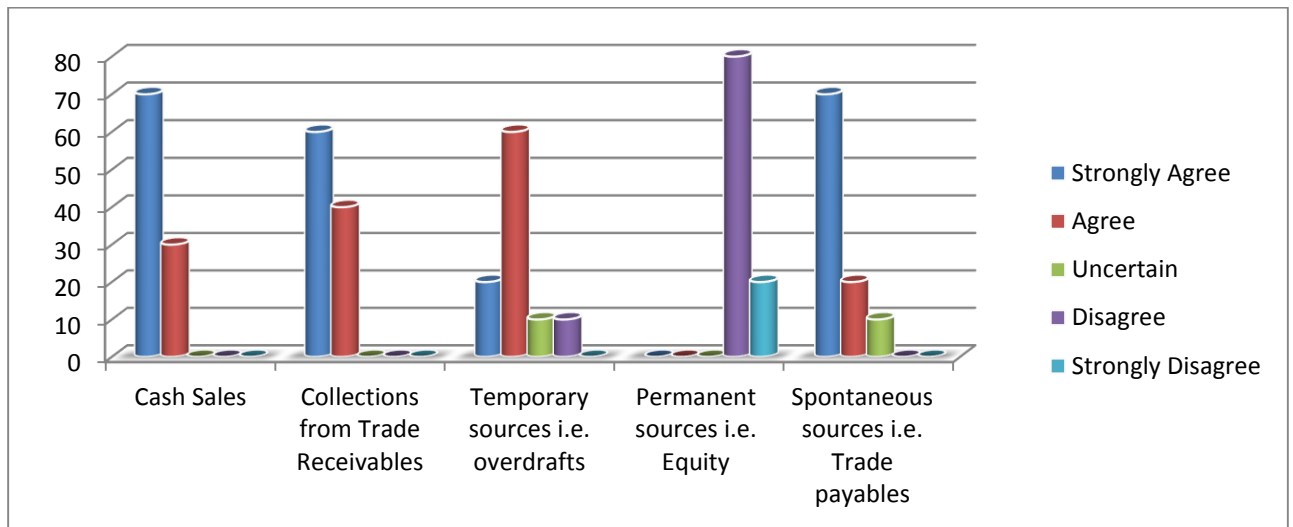


Figure 4.11 reviews that 70% of the respondents strongly agree, 30% agree, 0% was uncertain, 0% disagreed and 0% strongly disagreed that cash receipts were used to finance operations of African Sun Ltd. It can be noted that operations at Africa Sun are partially funded by cash receipts amongst other sources of funds that are available to the organization.

The above diagram clearly shows that 60% of the respondents strongly agree, 40% agrees, 0% was uncertain, 0% disagreed and 0% strongly disagreed to the notion that operations in the organization are funded by revenue collected from trade debtors. From the above it can be noted that operations are funded partially by revenue collected from trade debtors.

Temporary sources of finance are sources of finance which the organization can use to finance expansion and these include unsecured bank loans amongst others. It can be noted from the above diagram that 20% strongly agreed, 60% agreed, 10% was uncertain, 10% disagreed and 0% strongly disagreed. From the above research results, it can be noted that operations at African Sun are partially financed by temporary sources.

Permanent sources of funds are funds that are available to the organization at explicit cost as they are earned and owned by the organization and can be used to finance expansion and working capital requirements. 0% of the respondents strongly agreed, 0% agreed, 0% was uncertain, 80% of the respondents disagreed and 20% strongly disagreed. Therefore we can safely presume that operations of African Sun are not financed by permanent sources.

On the case of spontaneous sources of funds, it can be noted that 70% of the respondents strongly agree, 20% agreed, 10% was uncertain, 0% disagreed and 0% strongly disagreed. It is evidenced by the research that operations at African Sun are partially financed by spontaneous sources.

Permanent assets which the organization invests in should be financed by permanent sources that are available to the organization while temporary investments are funded by temporary sources of finance (Keown 2003).

4.2 INTERVIEW RESPONSE RATE

The researcher also conducted interviews and was able to conduct three successive interviews from the 5 head of departments within the organization and failed to conduct interviews with the other two as they had meetings during the time that the researcher had scheduled to interview them. Table 4.4 below shows the interview response rate.

Table 4.3 shows interview response rate

Response category	Interview arranged	Interview conducted	Response Rate %
Management	5	3	60%
Total	5	3	60%

From table 4.3 it shows a response rate of 60% which shows that the findings from the interviews were adequate and sufficient to draw conclusions and made the study effective.

4.2.1 How does African Sun fund its operations?

The question sought to ascertain sources of funds that are used by the organization in financing both revenue and capital expenditure. From the responses given during the interviews, all the three interviewees cited that funding of the operation mainly consists of internal sources in form of collection from debtors and short term debt loans. The first respondent cited that the organization had been using an aggressive financing policy as propounded by Jonathan (2011) who describes it as a funding policy which uses short term debt to finance long term working capital projects. Two of the respondents described the revenue of the organization to be seasonal being high during the festive season and first quarter of the year. During the off peak seasons when revenue is low the organization's operations are then financed using short term borrowings.

The questionnaire respondents concurred with the interview respondents as shown in 4.1.2 were 70% of the respondents strongly agreed, 30% agreed, 0% was uncertain, 0% disagreed and 0% strongly disagreed to the notion that operations in the organization are financed through the use of cash receipts, collection from trade debtors and temporary sources.

Keown (2003) argued that when financing business operations, permanent sources that are available to business should be used to finance permanent sources while temporary investments are used to finance temporary investments.

4.2.2 What are the challenges that the organizational faced in sourcing funding?

The question sought to ascertain challenges that the organization has faced in its attempt to raise funds to finance both revenue and capital expenditure. Two of the respondents concurred that the harsh economic conditions and the political instability has affected funding as the banks and other eligible lenders are constrained and this is evidenced by the closure of banks due to them failing to meet the gazetted threshold set by the reserve

bank. The other manager cited that indigenization policy was one other factor that has affected funding as the policy is unfavorable to foreign investors who some after it was announced withdrew their investments. He also mentioned that the company was constrained by high volumes of debt which has been continuously rising and this has discouraged investment on the stock exchange as the investors regard the investment in the organization to be risky.

Both questionnaire respondents and interview respondents agreed that the harsh prevailing economic conditions and political instability affected efforts made by the organization to source funds. Richard (2009) supports this view and asserts that when investors foresee the risk of excessive government interference the investment becomes unfavorable as investors would want to enjoy a certain level of freedom in running or managing their investments.

4.2.3 What controls have been setups on funding policy?

The question sort to find out from the respondents if there was any controls setup by the organization to safeguard the funding policy's success. The first respondent cited that the board of directors had setup a board committee which would work hand in hand with the finance committee to oversee the company's funding policy. The second respondents pointed out that the board resolved to appoint a steering committee upon engaging into a project. The steering committee mentioned would oversee the commencement of the project on behalf of the board and the committee would issue out a report on the operations to the board after every half year. The third respondent cited that any project that the organization undertakes would have to be authorized and approved by the board of directors to assess its viability before engaging into the project.

From 4.1.11 the questionnaire respondents agreed with the interview respondents that there are controls in the organization as there is need for authorization before an event is approved and there is constant supervision by management when the task is being carried out. It can be deduced from both interview and questionnaire respondents that there are controls setup by the organization to ensure that there is effective policy implementation as 50% of the questionnaire respondents strongly agreed, 50% agreed, 0% was uncertain, 0% disagreed and 0% strongly disagreed to the notion that there are controls present in

the organization to safeguard the funding policy. Management control refers to the procedures by which organizations influences members to behave in a manner that guides it to accomplishment of organizational goals (Browns 2012).

4.4.4 What are the challenges that the organisation is facing during policy implementation?

The question sort to find out from the respondents the challenges that the organisation encountered during policy implementation. The first respondent cited human error as one of the problems that led to poor policy implementation. The second respondent identified poor planning as another challenge that the organisation faced as planning provides a blueprint of how policy is to be implemented. The third respondent cited cost of implementing internal controls as another challenge that organisation faced inn trying to implement the funding policy.

The interview and questionnaire respondents both agreed that there were challenges that the organization faced in implementing the funding policy as 60% of the respondents strongly agreed on the notion, 20% agreed, 0% was uncertain, 10% disagreed and 10% strongly disagreed to the notion that human error hampered successful implementation of the funding policy. Michaels (2010) states that policy implementation is not an easy task and rather encounters numerous challenges which would result in the failure of the policy to address desired goals.

4.3 Secondary Data

The researcher collected secondary data from African Sun Ltd’s financial statements for the half year ending 30 June 2015 and discovered that costs were increasing. In addition to this a note from the internal audit’s report (2015) recommended that the company need to manage its costs in order to promote a cost effective and efficient environment.

Table 4.3: Extract from African Sun Ltd financial statements

	2013 (\$ millions)	2014 (\$ millions)	2015 (\$ millions)	2016 (\$ millions)
Total Cost	8.52	9	10.5	13.1

Source: Extracted from African Sun Ltd financial statements June 2015

The table above reveals that costs of the organization continued to rise and this is due to the company's continual accumulation of short term debt. Jarenpaa (2009) highlighted that information provided by management is important in assisting in taking decision that give rise to lower costs and implicitly to higher profits.

4.4 Chapter summary

This chapter covered the presentation, analysis and interpretation of research findings from the respondents. The data was obtained from questionnaires and interviews held. Data was presented in the form of graphs, pie charts and tables. Interview responses were summarized.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the major findings from the research carried out and conclusions that were drawn after investigations of research objectives as well as recommendations on the course of action to be taken by the organization in an effort to bridge the funding gap.

5.1 Summary of Chapters

Chapter one mainly focused on the challenges that the organization was facing due to funding inadequacy and the effects on service delivery, it concentrated on the funding gap challenges that were experienced at African Sun Ltd. This chapter covered the background of the study, statement of the problem, the main topic, sub research questions, research objectives, eliminations of the study and assumptions.

Chapter two focused mainly on views of various authors in relation to the outlined objectives. It explored contributions from various authors some which supported, others argued against and certain conclusions were drawn from them concerning the research objectives.

Chapter three dealt with the research methodology that was used to gather data in the field and this is the means and ways that were developed to gather data relevant to the study. It also focused on the research method used, population sampling techniques, validity and reliability of the data collected.

Chapter four focused on data presentation, analysis and the interpretation of the data gathered from chapter three. The data analyzed and presented was obtained from interview questions and questionnaires. The data was then presented in the form of tables, graphs and charts. Conclusions made in chapter four were based on the mode.

5.2 Research Findings

❖ The existence of a funding policy

The researcher found that the funding policy exists at African Sun. The organization rely mostly on internal (debtors collections) and temporary funding (short term debts) for financing both revenue and capital expenditure which has proven to be inadequate.

❖ The policy guide lines in place

The researcher noted that there are policy guidelines in place.

❖ Personnel factors influencing implementation of policy

The researcher discovered that training of the employees and commitment as personnel factors that influence a successful policy implementation.

❖ Challenges faced by the organization during policy implementation

The researcher also noted that there is little or no involvement of stakeholders and high rate of human error during process of policy formulation and implementation.

❖ Identification of control measures put in place

Control reviews are not being done in time as they are only reviewed by the board member during their meetings which are not held frequently.

5.3 Conclusion

From the findings mentioned above, it can be concluded that the research was successful as the researcher was able to answer all research questions. It can be noted that there was no communication about policy changes between management and subordinates and there no stakeholder involvement in matters concerning policy formulation.

5.4 Recommendations

- Mathews (2006) states that it is through training that the employees are able to understand the policy as intended as translation of the policy ensures that

objectives are understood. Training ensures that the employees are equipped with knowledge so as to attain the desired goals.

- The researcher recommends the organization to have effective on-going communication with employees as Finch K(2010) postulates that effective on-going communication is crucial in motivating subordinates, overcoming resistance to change as there would be a sound and effective two way communication which aids feedback.
- The researcher also recommends the organization to adopt the conservative policy as propounded by Jonathan (2011) who described the conservative policy as a policy which finances all capital projects using permanent sources of financing instead of short term debts which usually causes financial distress when they fall due.
- The researcher suggests that the organization should review the controls half yearly or quarterly within a year instead of in years. Taylor (2007) emphasize that investors also get concerned about the projected funded as they require review and the progress being done or carried out regularly

5.5 Suggested Area of further study

In carrying the research the researcher discovered that the organization's operations were being financed more by cash collected from debtors and temporary sources of finance which results in financial distress when the temporary debts fall due. Therefore researcher agrees other scholars to research on the viability of long term funding and its effect on operational performance of the organization.

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APPENDIX A: LETTER OF INTRODUCTION



Midlands State University

Department of ACCOUNTING

P. Bag 9055

Gweru

26 March 2016

Dear Sir/Madam

RE: RESEARCH PROJECT ASSISTANCE

I am-a 4th-year student-at the Midlands-State-University studying B. Comm. Honours-degree in Accounting. I am carrying-out a research on the research topic entitled, **An investigation into the funding gap on operations of African Sun Limited**. This is in partial-fulfillment of the requirements of the Bachelor of Commerce Accounting (Honours) degree that I am currently undertaking.

I kindly ask-you and a few chosen employees to assist on the interviews that I need to conduct. The information you provide as well as your personal views will be solely for this academic research only and will be treated with confidentiality.

Your contribution to this research is greatly appreciated

Yours faithfully

Norman Mapa [R124053B]

Appendix B

QUESTIONNAIRE TO MANAGEMENT AND STAFF

i) Please tick the appropriate response box

1. Current position held within the firm.....

2. Tick your highest level of qualification

O' Level { } A' level { } Diploma { } Degree { } HND { } Masters { } Phd{ }

3. How long have you been working in the organisation

Less 5 years [], 5-10 years [], 10 years and above []

4. African Sun has a funding policy.

Strongly Agree [] Agree [] Unsure [] Disagree [] Strongly Disagree []

5. The funding policy is communicated to employees.

Strongly Agree [] Agree [] Unsure [] Disagree [] Strongly Disagree []

6. Were the following stakeholders involved in policy formulation?

Stakeholder	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Government					
Employees					
Customers					

7. How frequent is the funding policy reviewed.

Less 4 years [] 4-8 years [] 8 years and above []

8. The company has policy guidelines to facilitate policy implementation.

Strongly Agree [] Agree [] Unsure [] Disagree [] Strongly Disagree []

9. The funding policy of African Sun is documented

Strongly Agree [] Agree [] Unsure [] Disagree [] Strongly Disagree []

10. The hotel has adequate and qualified personnel to implement the policy.

Strongly Agree [] Agree [] Unsure [] Disagree [] Strongly Disagree []

11. The following are the personnel factors that influence the implementing the funding

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Value Training					
Commitment					

12. The following are the challenges in implementing the funding policy

Challenge	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Misinterpretation of policy					
Weak Communication					
Stakeholder un-involvement					
Human error					
Labour inadequacy					

Others (specify)

.....

13. What factors do you think have been affecting funding?

.....

14. The following are the controls put by management to ensure the success of the policy.

Controls	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
safeguard of assets					
Supervision					
segregation of duties					
Authorization of events					

Others(specify).....

15. The operations of African Sun are funded by the following.

Sources of finance	Strongly agree	uncertain	Disagree	Strongly disagree
Cash sales				
Collection from debtors				
Temporary sources (unsecured loans, overdrafts)				
Permanent sources (equity, debt)				
Spontaneous sources (creditors, other payables)				

Others specify

16. What strategies can organization implement to reduce funding gap?

.....

**APPENDIX B:
INTERVIEW GUIDE**



Questions:

1. How does African Sun fund operations?
2. What challenges are being faced when sourcing funds?
3. What controls are in place on the funding policy?
4. What challenges are being faced by organization during policy implementation?