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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

B.Com Accounting Honours

**An investigation on the effectiveness of cost control techniques on operational performance.
A case study of Interfresh ltd (Mazoe Citrus Estate)**

Submitted by

THANDEKA NKOMO

Student Number R102639T

*This dissertation is submitted in partial fulfillment of the requirements of the Bachelor of
Commerce Honors Degree in Accounting in the Department of Accounting at MSU.*

Gweru: Zimbabwe, May 2014

RELEASE FORM

Name of Student	Thandeka Nkomo
Dissertation Title	An investigation on the effectiveness of cost control techniques on operational performance. A case of Interfresh Ltd (Mazoe Citrus Estate).
Degree Title	Bachelor of Commerce (Honours) Degree in Accounting
Year this Degree Granted	2014

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Signed

Permanent Address	15666 Zviyedzo rd Zengeza 5 Extention Chitungwiza
Date	May 2014

APPROVAL FORM

The undersigned certify that they have supervised the student Thandeka dissertation entitled **An investigation on the effectiveness of cost control techniques on operational performance, A case of Interfresh Ltd (Mazoe Citrus Estate)** in fulfillment of the requirements of the Bachelor of Commerce (Honours) Degree in Accounting at Midlands State University.

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DEDICATION

This dissertation is dedicated to my son Brayden , my mother and father for their encouragement, moral and financial support. May the Almighty keep blessing you.

ACKNOWLEDGEMENTS

I would like to articulate my outermost gratitude to my supervisor Mr R.K Noko who helped in the compilation of this research study. You were more than just a supervisor but a source of inspiration. Your advice suggestions, comments patient and unwavering support and assistant went a long way in bringing this project a reality. I would not have managed the difficult task alone.

I feel greatly indebted to my husband to be and my friends Ropafadzo and Dionie who assisted me in this research project. I am also thankful to my brother, sisters and extended family for giving me the courage to pursue my studies.

Above all I would like to thank the almighty for guiding me through my academic progression up to this stage. If it was not for the Lord this story of my life would have ended a long time ago but His sympathies are new every morning. I say thank you Lord for the countless blessings.

ABSTRACT

The researcher aimed at investigating on the effectiveness of cost control techniques on operational performance at Interfresh Ltd (Mazoe Citrus Estate). The company has been associated with high repair and maintenance costs, wastage and spoilage cost, labor cost without a proportional increase in revenue and negative significant variance which arose time and again within department thereby decreasing operational performance. This pointed out that cost control techniques employed by Interfresh Ltd which includes budgeting, Activity based costing, Balance score card and Standard costing were not effective as these techniques are meant to maintain cost by considering effectively the use of facilities, materials and employees within the organization. The study was carried out for the period of 2011 to 2013. The researcher mainly assessed literature by Scarlet 2006 who provided guidelines on cost control techniques and performance evaluation. Descriptive research design was used to fully satisfy the objective of the study because it gave room for the researcher to obtain important and useful data which was valid and reliable. Secondary and primary data were both used to obtain data. Secondary data such as audit reports and annual final report were used. Primary data collected data making use of questionnaires and interview questions to obtain data. The researcher found out that Interfresh Ltd was employing cost controls ineffectively as negative variance continuously occurred and costs such as repair and maintenance, wastage and spoilage increased resulting in a decrease in its operational performance. The cost control techniques were found not to be motivational to employees since only the top management and some middle management are involved. The study recommended that there should be workers involvement, benchmarking against competitors, make use of lean six sigma, training to be provided for employees, incentive programs to be implemented, control reports to be enhanced as they inform management on the activities taking place in the entity and implement just in time so as to improve on operational performance and effective cost control techniques.

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LIST OF ACRONYMS

ABC -Activity Based Costing

BSC -Balance Scorecard

HOD -Head of Department

MCE -Mazoe Citrus Estate

SWOT -Strength Weakneses Opportunities and Threat

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CHAPTER ONE: INTRODUCTION

1.1 Chapter Introduction

This chapter aimed at giving a detailed analysis on the subject research i.e. investigation on the effectiveness of costing control technique on operational performance. This chapter highlights the background of the study, statement of the problem, research objectives, research questions, delimitations and limitations.

1.2 Background of the Study

Interfresh ltd has been associated with high cost resulting in the company failing to meet its requirements. There has been high labor cost, wastage and spoilage, repair and maintenance resulting in the reduction of operational performance.

The company has been making continuous losses for the past years and its financial position is at stake due to increased cost. In addition to this the chairperson pointed out that the company was experiencing working capital constrains resulting it to have difficulties in trading during the four months of 2012. Revenue from day to day activities of the company fall from 23% and mainly constituted revenue from agricultural operations (Interfresh annual report 2012). The following table gives a detailed analysis of losses from 2011 to 2013.

Losses made due to increased cost from 2011 to 2013

Table 1.1 Citrus

	2011	2012	2013
	(USD)\$	(USD)\$	(USD)\$
Revenue	663 981	775 274	464 302
Cost of sales	483 585	454 876	235 895
Gross profit/(loss)	180 396	320 398	228 407
Overheads	207 992	389 159	466 584
Finance cost	128 448	82 779	103 962
Profit/(loss)	(156 044)	(151 540)	(342 139)

(Source: Citrus plantations consolidated income statement)

Table 1.2 Horticulture

	(USD)\$	(USD)\$	(USD)\$
Revenue	176 676	188 552	42 993
Cost of sales	219 319	285 057	54 179
Gross Profit/(loss)	(42 643)	(96 505)	(11 186)
Overheads	111 614	193 574	266 241
Finance cost	16 009	13 744	8 724
Other income	4 361	1 207	14 785
Profit/(loss)	(165 905)	(302 616)	(271 966)

(Source: Horticulture income statement)

Table 1.3 Interbev

	2012	2013
	(USD)\$	(USD)\$
Revenue	523 177	505 420
Cost of sales	385 031	478 140
Gross profit	138 146	27 280
Overheads	267 802	295 731
Finance cost	34 339	64 770
Other income	0	10 606
Profit/(loss)	(163 995)	(322 615)

(Source: Interbev income statement)

For 2011 to 2013 all departments incurred its cost. Interfresh ltd has been trying to implement program to reduce cost that is retrenching some of the employees. In the 2013 internal audit report the audit manager indicated that “management reviews the staffing level to match the status quo. The human resource was to come up with a strategy to ensure that divisions do not continue to accrue staff cost of idle employees who are not fully utilized as the company is operating below capacity. Below is a detailed analysis of labour cost

Table 1.4 Labour cost for 2011 to 2013

	2011	2012	2013
Labour cost	(USD)\$	(USD)\$	(USD)\$
Citrus	58 985	67 984	83 609
Horticulture	28 581	36 800	48 058
Interbev	108 675.10	155 148.25	196 035.32

(Source:MCE salaries and wages reconciliation account)

Idle employees who were not fully utilized between the years 2011 to 2013 increased costs resulting in the reduction in operational performance. Labour cost increased whilst revenue did not respond the same way it actually decreased.

With the presence of high wastage and spoilage cost it necessitated the investigation on the cost control techniques used by Interfresh. All three departments have been experiencing high wastage and spoilage of citrus fruit; crops and beverage's increase are shown below:

Table 1.5 Wastage and spoilage for 2011 to 2013

	2011	2012	2013
	(USD)\$	(USD)\$	(USD)\$
Citrus	7436.97	19 9448	13 420.50
Horticulture	5 515.67	6 885.25	12 476.57
Interbev	21 599.18	1 400	47 374.15

(Source: MCE Internal audit report)

1.3 Statement of the Problem

Interfresh Ltd incurred high labor cost, repair and maintenance cost and wastage and spoilage which reduced operational performance. The researcher sought to give a full detailed analysis of the effects of cost control techniques employed by Interfresh Ltd on operational performance.

1.4 Research Objectives

- Ascertain effectiveness of cost control techniques employed by Interfresh
- Determine the effects of weak cost control techniques
- Determine the effectiveness of cost control techniques data in influencing decision making
- Examine if cost control techniques enhance workers motivation
- Strategies that can be implemented to enhance effective cost control technique and increase operational performance.

1.5 Research Questions

- What are cost control techniques employed by Interfresh Ltd?
- What other approach can be engaged which can result in efficient control technique?
- Are the cost control techniques employed by Interfresh Ltd effective?
- What are the effects of weak control techniques employed?
- Does cost control techniques data influence managerial decision making?
- Can cost control technique enhance management and subordinate motivation?

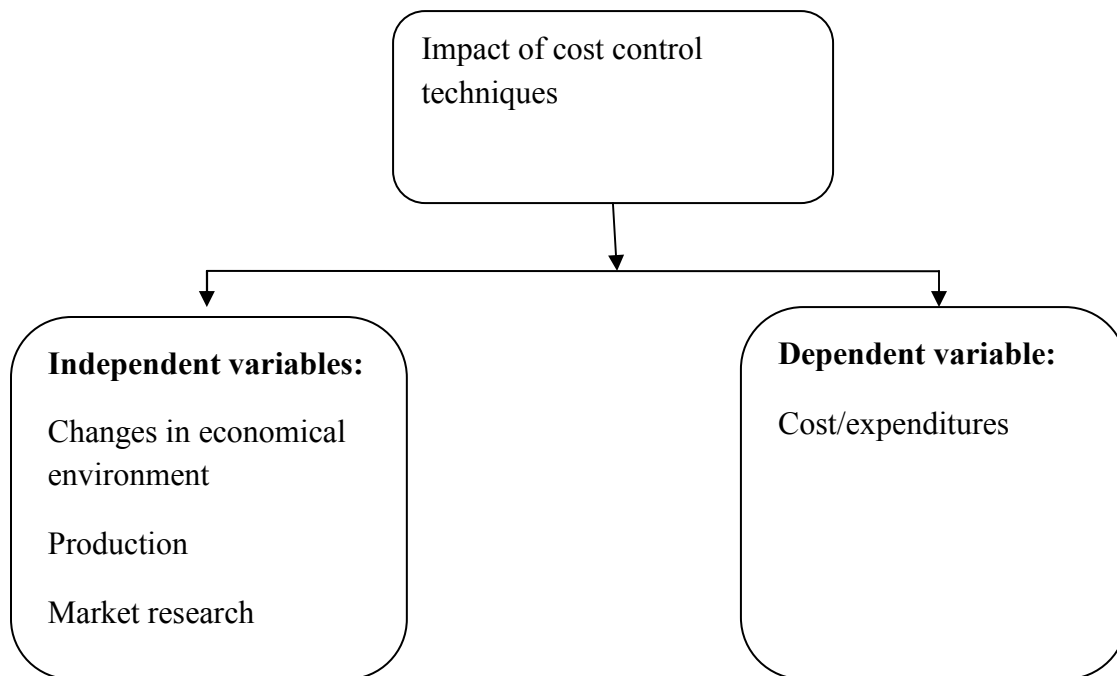
1.6 Significant Of the Study

The researcher will help Interfresh ltd to identify weaknesses in their cost control techniques and other effective and efficient strategies that can be employed so as to reduce costs and increase operational performance.

1.7 Delimitations of the Study

This proposal research was limited to agro manufacturing business firms with emphasis on Interfresh (MCE) ltd located in Zimbabwe. The research focused on the firm's ability to implement cost control techniques to reduce cost. The study was limited from 2011 to 2013.

1.8 Conceptual Framework



Independent variables are self determined components which include production, market research , changes in economical environment. Dependent variables are those that rely on other components. Cost or expenditure is dependent to production. The more the company is willing to produce the more the costs. Costs increases as production increases too.

1.9 Limitations

- Some respondents were not willing to give sufficient and essential information that enabled the research to be successful. However other respondents were cooperative and provided the researcher with information to resume with her research.
- Management where not willing to release some confidential information. The researcher convinced them that the information was going to be used for academic purposes only.
- Lack of adequate time to carry out the research because of pressure of work, hence the researcher had to put much focus on major areas.
- Financial constrains.

1.10 Definition of Terms

- Cost control is the process used to maintain cost by relating them to business activities and can be achieved by making use of techniques which indicate variance between standard set and actual cost incurred.
- Performance is the attainment o a certain specified assignment of a given task calculated against available identified standard of accuracy, completeness, cost and speed. It is also act of measuring appraising and comparing the operational results of different profit centers of an organization.
- Spoilage means damage inventory or material that cannot be sold at a normal price.
- Waste is defined as the loss of material incurred when manufacturing goods.
- Labor cost is the amount of expenditure borne by the organization for employing or hiring personnel in exchange of services.
- Control techniques are methods that are implemented within an organization to enhance cost control associated with organizational activities or processes.
- Cost is the amount of expenditure incurred on or attributable to a specific activity.

1.11 Chapter Summary

The chapter managed to give the background of the study and the statement of the problem which the research was based on. The two highlighted cost incurred which reduced operational performance within the organization thus necessitating the research on cost control techniques employed by Interfresh. The chapter also managed to give objectives which the research seek to achieve and the limit within which the research is set. In addition it also focused on the research questions, significant of the study, delimitation, theoretical framework and limitations to the research. Chapter two took a careful analysis of the existing bodies of literature on the subject of the research. Thus the researcher will be acknowledging ideas from other existing literatures making use of books, journals, articles and website.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

University of Toronto defines literature review as a description of what other recognized academic scholars has published on a certain theme. It refers to the body of research both hypothetical and pragmatic that the researcher must make use so as to assess the research, expand, examine and appreciate. The purpose of writing literature review is to scrutinize on thoughts and information that other recognized academic scholars developed on certain theme, their views, approach advantages and disadvantages.

2.2 Scope

This chapter will take a careful analysis of the existing bodies of literature on the subject of the research. Thus the researcher will be acknowledging ideas from other existing literatures making use of books, journals, articles and website.

2.3 Concept of Cost Control

According to <http://www.businessdictionary.com> accessed (24/03/2014 3:47) Cost control is a process used to maintain cost by aligning or relating them to business activities. The cost control can be achieved by making use of techniques which indicates variance between budgeted and actual cost. If a significance variance arise there will be need to determine the causes of variance and corrective measures need to be taken by management to mitigate the variance next time it arise.

<http://www.jstor.org.com> (18/03/2014:06:21) and <http://www.jstor.org.com> (18/03/2014:06:25) also stated that cost control is maintained efficient expenditure not only holding cost within which management expects and plan for. It considers the effective use of facilities within the organization, raw materials and employees and if cost control is not effectively planned the goal of profit maximisation and increase in operational performance may not be attained. However sound and good cost controls must be in a position to keep a good or improved operational

performance and be able to detect any weak techniques employed which may lead to deviations from the objective of increasing operational performance. It must also detect any problems that may arise which can affect operational performance and solutions and recommendation should be provided for.

2.4 Ascertain the effectiveness of cost control techniques employed.

2.4.1 Budget preparation

Budget preparation is of paramount importance as it is used to control cost. According to Scalert (2006), Horngren (2005), Walther and Skousen (2009) and Drury (2006) budget is a planning tool which is to be prepared for a related period of time within the organization. It provides planned estimates within which management must consider when performing activities of the organization thus performance can be evaluated. Management makes use of budget to help them plan ahead and measure past performance. They also use budgets to compare actual performance against estimated budget as budget is used as a benchmark of the two. Management must plan everything that they make use of in the organization from raw materials, facilities, employees so as to utilize the resources in a more profitable and less expensive way for the attainment of profit maximization goal. Budgets are able to detect problems that may arise in the organization before they come to hand thus departments are deemed to be performing well if the entity achieves its budget turnover. Costs must be controlled in every organization to increase and improve operational performance therefore budget preparation must be adopted as it detect any deviation from the operation performance goal and corrective measures are implemented before problems comes at hand.

For example an observation was made during audit assignments when the author was in the internal audit department. It was noted that a comparison between the actual performance and the budget illustrated that all was not well within Interdev department as the variance was of significance and thorough investigation was needed for the negative variances and implementation of corrective action. The bottling plant was being underutilized and was idle for the whole month of April 2012. The table below shows a comparison of the budgeted figures against actual performance for the four months ending April 2012.

Table 2.1 Marlon Orange Crush – 2 Litre Bottles

Details	Jan. 2012	Feb 2012	Mar 2012	April 2012
Budget	39 000	39 000	39 000	42 000
Actual	23 448	42 366	23 327	0
Variance	(15 552)	3 366	(15 773)	(42 000)

Table 2.2 Revenue (Sales) Jan. to April 2012

	Budget(\$)	Actual \$)	Variance(\$)	Variance%
Local	1 300 730	256 362	(1 044 368)	(80%)
Export	285 150	202 997	(82 153)	(29%)
Total	1 585 880	459 359	(1 126 521)	(71%)

(Source:MCE Internal audit report)

There was an unfavorable variance within the departments for the four months which show a decrease in operational performance of the organization.

An observation was also made during the execution of accounting duties that when actual are compared to budgeted and a variance occur mostly the HOD's were liable. The HOD had to compile a report stating with reasons why there was such a significant variance. At times meetings were held with directors so that they discuss the cause of the variances and how it can be avoided next time and they will even disclose all those significant variances in the financial statements. If it was noted that variance was due to negligence or was on purpose management will call for a hearing and some certain punishment will be given to the person liable.

2.4.1.1 Purpose of budgets

According to Scalert (2006) a budgets provides a yardstick against which actual performance can be maintained as it is used to compare the actual performance to the planned performance. It also gives room to managers to spend to a certain extent as costs are budgeted for.

Drury (2000) suggested that the purpose of budgeting as follows:

- Budget helps management to plan. They plan taking into account environmental factors that may change and helps managers to reflect on problems earlier than they arise.
- It motivates workers by making use of participative budget which states that every employee is to be involved and improving activities suitable to their level in the organization.
- Controlling of activities. Budgets make a comparison between budgeted and actual identifying if there is any variance.
- Helps in communicating to all departments as everyone in the organization have to understand what they are expected of so that budget objectives can be achieved.
- It coordinates activities .For a budget to be successful cooperation by management and employees are important and examining operations by other department is necessary.
- Measures management performance. This is achieved by managers meeting targets that would have been set previously so if these targets are met managers are informed of it and can result in them given incentives.

2.4.1.2 Budget criticism

Krishna. (2010) stipulated that :

- Budget make organization to play along with historical events as budgets are always prepared making use of past performance rather than what is ahead of it thus creating a false feeling of what is being planned.

- The process of budgeting is time consuming.
- Employees may be demotivated as budget may be prepared and implemented by the top management.

For example, it was noted that at Interfresh Ltd when budgets were being prepared not every HOD was included worse still the low level management. The low level management waited for instructions on how they are going to execute their duties for the attainment of organizational goals. Management never thought it can be of paramount importance to include them or have their point of view in decision making and implementation of cost control techniques as low level management contribute more to the input, processing and output and know what works and how to make a process better. In most cases when employees are de-motivated unnecessary wastage and spoilage may arise and quality of product is compromised as managers will adopt the view that they are not important in the making and start viewing the organization differently thus resulting in a decrease in operational performance.

Grapevine was the source of their information off which grapevine is not a good source that can be relied on as it leads to conflicts within departments and de-motivating employees leading to a decrease in operational performance.

- Cost may be overstated by those preparing the budget i.e. management as they will be trying to push the blame from them if they do not manage to attain the target set.
- Wastage and spoilage could occur because managers may view it differently. They may think that its better they spend or else they will lose so as to improve the department status.
- Conflicts within department may arise as they will blame each other if targets are not met due to conflicts of resources.

For example, an observation was made during audit assignments that Interfresh Ltd had two departments that mostly fumigate their produce that is Citrus and Horticulture so chemicals were budgeted for the two departments as one, conflicts arose when Horticulture lost its produce to pesticides as Citrus was said to have consumed more of the chemicals.

Salarzahi and Kord (2010) and Otley (2007) also noted that budgeting is becoming a very inefficient and ineffective tool of cost control technique as it is no longer that suitable in a rapidly changing environment nowadays. They become outdated before they are used in the year which they are intended for because the time taken to cum up with the budget is too long.

2.4.2 Balance scorecard

Hornigren et al (2005) and Scarlet (2006) cited that BSC is an approach that provides information to management to help them achieve and formulate strategic policies. This approach specifies the need to give the user all important information which concentrates on areas that are important in a balanced approach. BSC is said to be a performance measure and a reporting system. It provides clear identification to the variety of organizational goal and relates performance to rewards.

BSC gives emphasis to performance measurement taking note of the four perspectives which includes financial, customers, internal processes and learning and growth activities. These perspectives each of them provides necessary feedback on the effective implementation of strategic plan and if there are any necessary adjustment to be taken care of. Improvement of operational performance is one of the objectives of BSC as a performance measure as the organization can only control what it can measure and it is of importance for the organization to maintain its activities so as to verify its SWOT (Salem :2010)

Hornigren et al (2005) suggested that BSC have advantages which include that the understanding of the correlation involving non financial measures is clear to all line managers which measure the outcome of their own actions and financial measures linked to organizational goals. Another advantage is of BSC focusing on measuring performance from financial, customers, internal process and learning and growth activities. This provides learning process as managers learn from their actions and how these actions lead to the goal attainment and improve operational performance.

2.4.2.1 Balance scorecard criticism

Salarzahi and Kord (2010) and Smith (2010) argued that BSC have a problem that it does not make available realistic direction for organizational operations and management see it as a fast process that the organization can simply set up without encountering any problems yet BSC is not a once off task and is an ever changing process which needs commitment for an extensive time.

2.4.3 Standard costing

Scarlet (2006) and Lucey (2002) defined standard costing as a technique which compares standard cost that is an estimated predetermined cost of product prepared for each and every unit to the actual cost incurred by the organization . When the two are compared a variance may arise. This stimulate to improved performance because when a significant variance arise there is need for explanation for the variable by those responsible and measures are identified to mitigate the variance when next it may arise.

A standard cost is a cost which should be attained. For example an observation was made during the audit assignments that Interfresh limited compromised the quality of their products so as to meet the targeted cost. During the year 2012 Tiger brands one of the biggest customer of Interfresh ltd returned all concentrate lemon worth of USD (\$) 350 000, 00 due to the fact that the drums were of low quality that they licked and rusted and some of the concentrate they examined where not as per required .Management wanted to work within the standard set and ended up buying poor quality raw materials. When quality is compromised customers are compromised too with the competitive advantage as well which increase unnecessary wastage and spoilage thereby decreasing operational performance.

2.4.3.1 Types of standard costing

Ideal standard

According to Scarlet (2006) and Morelli and Wiberg (2002) ideal standard is mostly used by management to fully monitor factors such as wastage and spoilage at their full cost as it does not

give room for normal loss ,inefficiency of equipment and wastage and spoilage that may occur. Ideal standards are more efficient in good operating conditions as it represent perfect performance of the organization.

Attainable standard

Victor (2010) and Morelli and Wiberg (2002) agreed that under estimated efficient level of operations and efficient operating conditions standards set maybe set at achievable levels as factors such as efficient breakdown, wastage and spoilage and normal loss are allowed for.

Basic standard

Morelli and Wiberg (2002) and Scarlet (2006) and said that standard set for control purposes are updated and prepared making use of the basic standard as it remain unchanged for a long time. Basic standard's advantage is that it provides a base to compare actual for a long period with the same standard and is useful when comparison of operational performance is to be made over a period of years since establishment of efficiency trends is possible.

2.4.3.2 Standard costing criticism

Scarlett (2006) and Morelli and Wiberg (2002) argued that standard costing was made use of when operating conditions did not change frequently and were more stable over a period of years. They can be difficult to set especially in excessive changing and high prone to change environment which most manufacturing companies are experiencing nowadays. In this case of today's business environment standard set will become outdated and has to be revised within a short space of time thus making it more expensive.

Causes of variances within departments as noted by the study.

It was noted that one of the factors that caused variance was stock holding levels within Interfresh ltd .Interbev had high stock levels of finished and semi-finished products such as

orange concentrate, lemon concentrate, and granadilla puree. The table below shows the finished goods stock holding levels as at the end of April 2012.

Table 2.3 Finished goods stock holding levels

Product	Qty In stock (kg)	Cost (\$)
65 Brix Orange Concentrate(Preserved)	10779.42	18 438.52
65 Brix Orange Concentrate	26 500.00	43 805.83
Orange Com Base 50 Brix	21 750.00	33 349.35
Orange peel 30 Brix – Concentrate	65 408.50	7 419.29
Lemon 30 Brix Concentrate	74 965.00	55 498.09
Guava Puree	42 735.95	21 599.18
Banana Puree	1 400.00	420.00
Granadilla Puree	25 733.32	39 934.86

(Source: Interbeverages Internal audit report)

However, high stockholding levels increased maintenance cost because the concentrates had to be stored in cold rooms at a certain degree level with electricity charging and cleaning facilities provided. It was also noted that some of the juice concentrate i.e. guava, banana and granadilla expired due to high stock holding levels compromising the variance of actual sales and budgeted and increasing cost of sales. The expired products were written off thus cost increased and there was a decrease in operational performance.

Diminished managerial supervision and compromised daily work targets was another cause noted by the study as daily work targets were now based on negotiations between the workers and management with the employee having more say at the end of the day since they were owed salaries for months. Management was unable to set high or reasonable targets for the day since their bargaining power have been diminished by the outstanding wages. As a result the targets set

and agreed on did not commensurate with management’s labour budgets hence negative labour variances arose. To try and supplement the labour variance due to inefficiency management contracts hired labour (Maricho) which resulted in the accrual of additional labour overheads that lead to over-expenditure on the labour budget and by then management has not put in place any measures to ensure that hired labour costs are commensurate with the budget.

Another cause noted was equipment inefficiencies within the juicing plant. The factory equipment has not been serviced for a very long time. As a result of this some components of the processing plant were causing inefficiencies resulting in low production. It also noted that the factory was experiencing constant breakdown of components emanating from lack of preventive maintenance thus resulting in variance in labour efficiency and reducing organizational performance.

Strikes and power outages within the horticulture department was noted as another cause of negative variances by the case study. These strikes and power shortage decreased the overall performance of the department there by reducing operational performance of the organization. A review of the SBU’s management accounts revealed that the SBU’s cost of sales was higher than the revenue for the period. This gave rise to a negative gross profit (gross loss). The following salient features illustrate the adverse results of the SBU for the period ending April 2012.

Table 2.4

Details	Budget (\$)	Actual (\$)	Variance (\$)
Sales	272 522	147 244	(125 278)
Gross Profit/ (Loss)	77 057	(31 708)	(108 765)
Net Profit (Loss)	(80 339)	(162 790)	(82 451)

(Source:horticulture audit report)

As noted by the case study it was argued that cost control techniques neglect the environmental factors that includes climate. It was noted that the horticulture department had to write off broccoli and cauliflower due to low market uptake. It was also noted that green mealies have been seriously affected by frost and no output will be expected leading to the crop being written

off , new crop of tomatoes at Bloomfield had been affected by frost before the completion of the green house and the cabbages had overgrown and were bursting due to unavailability of market leading to low revenue and high cost of sales to gross losses yet all have been budgeted for and standard cost control has been calculated thus decreasing the operational performance of Interfresh limited.

An observation was made that at Interfresh they were canteen facilities that were being provided by the company. The facilities were non- value adding activities which drove the company's costs without any increase in return hence operational performance was reduced. There was need to pay for permit and license for the canteen, salaries and wages of employees. Healthy and safety act require medical examination for employees after every six month and healthy inspection of the canteen which incur more cost.

2.4.4 Activity based costing

Dubihlela and Rundora (2014) and Mantera and Vaara (2008) defines ABC as a cost control technique that allocates cost drive to cost activities depending on the resources those activities use. ABC for each of the activities within the organization obtains overhead costs. Products, services and costs objects caused by certain activity are allocated costs thereby measuring performance of activities to produce and output resources thus improving on the operational performance of the organization.

According to the Institute of company secretaries of India (2013) when conducting ABC the following steps involved :

- There is need to identify an activity and classify the activities by categorizing them differently into relationships with parts production process for example labour related activities and machine related activities
- For each activity identified there is need to create cost pools which classify different activities into the same cost pool.

- Cost drivers need to be identified for each and every activity which is used to identify costs collected
- The fourth step is to calculate and interpret cost activities as activities which increase the cost of product are already identified
- The last step involved is that products or output are assigned to activity cost by dividing the actual cost of cost pool by actual activity level of cost driver. Activity driver assigns activity cost to products which is based on consumption of individual products and calculated by multiplying the actual activity level on quantity consumed by cost driver rate.

ABC aims at making available information that can be used for decision making within the organization taking note of non value adding activities during manufacturing of products which management can get rid of, product cost improvement, utilizing common resources thus making use of what they were intended for and finally giving a price to a product by calculating its final cost.

2.4.4.1 ABC criticism

Institute of company secretaries of India (2013) criticized ABC by arguing that it is costly to maintain as it requires a lot of resources and the technique is complicated therefore need a lot of recording and calculating. This in turn needs a well trained personnel for it to be effective because one can wrongly calculate or misinterprets information which can disrupt management in decision making causing increased cost and greatly affecting operational performance in a negative way. It also argued that ABC generates reports which are not accepted by GAAP thus this system must use two techniques which is one for external reports and the other for internal reports.

2.5 Determine the effects of weak cost control techniques

If cost control techniques are not effectively implemented they are higher chances that they will weaken the organization by decreasing operational performance. In most cases failure to implement cost control techniques effectively will lead to increased wastage and spoilage, repair

and maintenance cost and increase in labor cost. Increase in costs without a proportional increase in labor will automatically reduce operational performance.

2.5.1 Wastage and spoilage cost

According to kangiotou et al 2011 and www.accountingtool.com accessed (29.04.2014, 13:19pm) defined waste as the loss of material incurred when manufacturing goods. Waste is realized when comparison is made between the quantities used to manufacture the products and the quantity obtained that is the final product that have been manufactured. Waste can be identified differently that is normal waste and abnormal waste therefore normal waste is that which is estimated and budgeted for before production take place and abnormal waste is that which exceeds the normal loss causing an increase in costs as it may be due to negligence of employees.

Spoilage produces goods that cannot be sold at a normal price due to damage. Spoilage is also classified as normal and abnormal. Normal spoilage is the one that is estimated and anticipated and abnormal exceed the normal and investigations needs to take place if there are persistent occurrences of abnormal losses. However abnormal wastage and spoilage is an indication that cost control techniques are weak as the costs will decrease operational performance.

2.5.2 Repair and maintenance cost

Markus and frank (2012) suggested that repairs and maintenance cost are incurred to bring the asset in the condition it use to be before and keep it running like it use to. Repair and maintenance cost can be routine and are already anticipated for but some are not. Those not estimated for can be because of lack of supervision, negligence by employees, lack of training and high stockholding levels. Increase in repair and maintenance costs is an indication that they are weak cost control techniques as there is need for a planned maintenance which is predictable unlike shooting from the hip. There is need to service equipment against planned schedule and not to wait for breakdowns which are expensive.

2.5.3 Labor costs

Labor costs are amount of expenditure incurred by the organization for hiring or employing personnel in exchange of services for the attainment of organizational goals. Increase in labor cost shows that cost control techniques implemented have a loophole. Target set should commensurate with management labor budget otherwise significant labor variance will arise. Increase in labor cost can result from management trying to supplement labor variance due to inefficient management contracts ,instead hired labor may be used which will result in the accrual of additional labor overheads that lead to over expenditure on the labor budget which will in turn decrease operational performance [Rojas and Manricio (2007) and toulemonde and Eric (2003)].

2.5.4 Decrease in operational performance

According to Cardy and Leonard (2011) ,Evans (2014) and Staughton and Robert (2005) agreed that operational performance include the aligning of different strategic business units of the organization and their activities to make sure that the SBUs are contributing to the achievement of organizational goal. Decrease in operational performance can be as a result of cost control techniques not effectively and efficiently implemented.

2.6 Determine the effectiveness of cost control data in influencing managerial decision making

According to Thanh (2011) and Henri (2010) decision is a procedure which people make use of acting in response to threat and opportunities by investigating opportunities making decision about the goals and measures to achieve the goals. Decision making is said to be an improvement of processes of decisions by organizing, mixing of organizational resources and making use of what is required, setting performance and planning strategic goals thus bringing together different strategic business units to help in achieving the organizational goals.

Drury 2000 suggested steps involved in decision making which includes:

- Identification of objectives as management is supposed to recognize organizational goals so as to assess the effectiveness of the course of action to be taken.
- Alternative course of action to be identified. Management should investigate on course of actions considered effective in attaining organizational goals making use of SWOT analysis.
- Gathering of data about alternatives
- Selection of effective and appropriate course of action. Management (decision makers) should now select the best options that seem effective in achieving organizational goal.
- Management to implement the decision.

Balance scorecard focuses on strategic and operational performance measures that are important components which include input, processing, output and outcomes and these components are of important because decision makers are better informed at every level in the organization to enhance attainment of organizational goals (Rohm (2008).

According to Morelli and Wibery (2002) and Drury (2000) standard costing needs estimates for decision making purposes especially when it comes to pricing estimate future costs are required by decision managers. Helpful and important source of information is obtained from standard costs as it makes available future estimated costs as pricing decisions are made making use of standard costs.

2.7 Examine if cost control techniques enhance management and subordinate motivation

Latt (2008) and Ngozi (2013) agreed that cost control techniques such as budgeting and performance measure are tools designed to achieve the goal of motivating managers and employees so that the organization will be capable to achieve its goals. One purpose of budget is to measure performance and by measuring performance people are motivated to commit as such performance can be used as a basis for giving rewards to employees such as promotions, positive feedback from management ,possibility of advancement and independence of work.

Incentives and motivational purposes are derived from the target efficiency used in standard costing and once employees adapt to these standards performance will be able to be measured awarding bonuses and benefits to employees who go beyond standard that could have been set. One purpose of standard is to provide a target and such a target can have a beneficial effect on motivation. If a standard costing system is poorly implemented it can demotivate employees.

One purpose of standards is to provide a target, and such a target can have a beneficial effect on motivation. If a standard costing system is poorly implemented it can have a de-motivate people. For example, an observation was made when assignments were carried out that when targets were met continuously for the budget and standard costing within departments employees were being given incentives i.e. increase in salaries, accommodation, bonuses, gifts and some employees were being promoted.

Scarlet (2006) and Anthony (2007) agreed that participative budget should be used within the organization as all managers and those who will be involved with the setting of standard are given a chance to participate in setting the standard. This in most case enhances workers motivation and improves operational performance as workers are likely to put an extra effort as they would have been involved. This method is likely to enhance commitment to meeting budget objectives because where the budgeter is involved and will be able to accept the standard set leading to budget objectives achieved and improved operational performance.

It was noted that within Interfresh ltd the budget committee involved the top management and some very few individuals in the middle management level and the whole lot of the accounting department employees. Three quarters of the committee was accounts department because they believed that they are were ones involved with cash and understand the concept of cost control techniques more than anyone else. Some of the head of departments (HOD's) were not even included in the preparation of the budget thus de-motivating them . In most cases when employees are de-motivated unnecessary wastage and spoilage may arise and quality of product is compromised as managers will adopt the view that they are not important in the making and start viewing the organization differently thus resulting in a decrease in operational performance.

Muogbo (2013) and Stroh (2001) cited that a lot of organization believe that employees are not an important asset which can result in them succeeding or failing. Employee are more demotivated when they are not involved in some of the important staff that needs their responsibility and contribution. This uninvolved may lead to decrease in the level of production falling below their real potential. However, failing to utilize and present necessary challenges and imposing unattainable standards to employees by management cause employees to show a dysfunctional behavior leading to unnecessary wastage and spoilage, production of low quality products therefore compromising operational performance unless and until employees are satisfied

2.8 Strategies that can be employed which can result in efficient cost control techniques

Cost control techniques are said to be methods employed by an organization that hold costs within the limit of management and maximize revenue at lower cost. If cost control techniques employed by the organization are sound and efficient they must help improve operational performance as designed because if they fail the goal of increasing and improving operational goal will be unattainable. Some of the approaches that can result in effective cost control techniques include benchmarking, outsourcing of some non value adding activities, employee involvement.

2.8.1 Employee involvement

Apostolou A (2000) defines employee involvement as a process for empowering employees to participate in managerial decision-making and improvement of activities appropriate to their levels in the organization. Employee involvement means that every employee is regarded as an important person within the organization irregardless of levels, not just an idle machine which waits to be turned on and off whenever everybody feels like and each employee is involved in helping the organization meet its goals. Each employee's input is needed and appreciated by his/her management. Employees and management recognize that each employee is involved in running the business.

However, the company must keep improving or have good relations with its employees, ask for their opinion and suggestion in the implementation of cost control techniques and decision making. When the company employs its cost control techniques it must also consult with each and every employee who contributes in the input, processing and output as they are the ones who directly contribute to every aspect in the organization directly or indirectly.

Employees who have been given power, and acknowledged for their achievements view their work and the organization in a different as they will no longer punch a clock, do what they are told, and count the minutes until the weekend rolls around. The best way to obtain well committed employees is to include them in the projects from the beginning even if the ideas are not theirs. The process of planning and designing will automatically pull them in the stream of things.

2.8.2 Benchmarking

According to Accenture global management consultant (2011) benchmarking is a strategic technique used by an organization to compare its state which would have been obtained from data concerning its performance and cost incurred and compare it from the same data of its competitors. This is done so as to obtain information on how other companies are surviving ,how they are controlling their costs ,what control techniques are they using and how are they mitigating problems that may arise from weak cost control techniques as this world is full of competition. This information is of importance to the organization so to be sure if the company is achieving and whether techniques employed suits their business industry.

Scarlet (2005) ,Headly (2009) and Burgelman (2004) stated that benchmark is a tool which gives picture of how the company is performing compared to its competitors. It enhance efficient and effective cost control techniques as it focuses on the company's performance and the resources or costs involved which include average cost per product ,fixed and variable costs. Benchmarking also improve the effectiveness of operation by doing same activities better than allowing the company to better make use of resources available by producing quality products. The company should keep updated records of their competitors so as to see and compare which cost control techniques are they implementing and how they are implementing them. The

objective of the company must be to produce quality products that outdo that of the competitor at a lower cost to increase its competitive position.

2.9 Chapter summary

This chapter looked at the various literatures available pertaining to cost control techniques. It looked at various cost control technique employed by the company understudy. It also looked at the effectiveness and efficiency of cost control techniques in decision making and motivation of workers thereby enhancing operational performance of the organization. The chapter concluded with various strategies which have been proposed by authors on strategies that result in efficient cost control techniques. The next chapter looked at the method of data collection and the presentation and analysis formats used.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methods and procedures used to conduct the research. It presents the data collection and the tools and procedures for analyzing the data gathered for this study. The chapter is structured as follows: Research strategy, research design, target population, sampling, data collection instruments, data collection procedure, data analysis plan, and summary to conclude it.

3.2 Research design

According to Clarke (2005) research design is a plan that the researcher use to conduct the collection of data. It state the techniques that are to be used to collect data ,the nature of data to be obtained and where the data will be obtained that is primary source or secondary source. The descriptive research design was used to fully satisfy the objective of the study as the researcher wanted to investigate on the effectiveness of cost control techniques on operational performance within Interfresh ltd (Mazoe Citrus Estate). Descriptive research design was used because it gave room for the researcher to use different data collection methods that are questioners and interviews which allows the researcher to obtain important and usable data as they target experts in the field and well informed respondents. The design was also used because it comprehend the concept of triangulation by making use of both qualitative and quantitative data taking into account all variables that can impact on the research.

3.3 Qualitative research

According to Nweze (2010) qualitative research is characterized by the use of words instead of numbers to obtain and analyse data. In this case qualitative research approach was used based on the research questions. This approach was used because it is flexible as alterations can be made

at any time during the field research and data for quantitative research is easily interpreted and understood.

3.4 Target population

According to Kumar(2011) target population is a selected group of individuals which will be of interest to the researcher and the selected group will help in coming up with the conclusion of the research making use of data collection techniques. The target population constituted departments which were directly linked to cost control which are finance, internal audit, interbeverages, horticulture, citrus, marketing, human resource and general service departments.

3.5 Sample size

The sample chosen consisted of 40 individuals of which 28 responded to the questioners and 12 were interviewed. This sample size was regarded as reasonable enough to obtain reliable and relevant data to give a conclusion on the study and elements sampled were believed to be a representative of the whole population.

Table 3.1 Population and sample size

Department	Population	Sample size	% Representation
Internal audit	3	2	67
Finance	10	7	70
Interbeverages	6	4	67
Horticulture	7	4	57
Citrus	9	5	56
Marketing	13	7	54
Human resources	6	3	50

General service dept	15	8	53
Total	69	40	59

3.6 Sampling technique

Nweze(2010) suggested that sampling is a process used for selecting few items from the population and the responses of those selected items will indicate the point of view of the population. The researcher made use of stratified random sampling and judgmental sampling techniques. According to Gudo (2012) stratified random sampling look for variations in size, amounts of characteristics of items making the population i.e. employees from internal audit, finance, and marketing were involved in the sample. Stratified random sampling was used because all parts of the population are represented in the sample to enhance effectiveness and efficiency .Each class of workers and departments are presented from top management to low management.

Judgmental sampling was used in choosing departments and personnel to be given questioners and interviewed. The researcher used judgmental sampling based on the probability of obtaining information from chosen departments as well as knowledge and experience of the departments. Individuals were also chosen using this technique based on their ability to access relevant information and relevant experience and expertise in the field. The researcher felt that those with experience and expertise were in a good position to provide information as they know a lot of information on cost control techniques employed. Judgmental sampling was used because it is cheap and less time consuming. It is also capable of producing better results if the judgment of the researcher is sound and effective. Professional skepticism was used to interpret data obtained through judgmental sampling because reliability and validity are based on knowledge of professional judgment.

3.7 Data collection instruments

The researcher used both primary and secondary data so that reliable and relevant data could be obtained to give reliable and valid information for a meaningful conclusion. Primary and secondary data was collected from all three departments i.e. interbeverages ,horticulture and citrus ,some other data was collected from departments that are interlinked to the three departments which are internal audit ,finance ,marketing human resource and general service department.

3.7.1 Secondary data

Secondary data is historical data that can be obtained from records of the company i.e. financial statements, internal or external audit reports, annual financial reports, journals, cost control reports and company's procedure manuals (Eze and Agbo 2005). In This research data was obtained from consolidated annual financial statement published by Interfresh ltd and internal financial statements of departments published within Interfresh ltd both disclosed profits and losses made and increased cost within Interfresh and departmentally. Internal audit reports were also used as they identified in detail potential problems that arose within departments and risks associated with the potential problems identified. Cost control reports were also utilized as they identified activities that were not going as planned causing a negative variance to arise and increase in cost.

Secondary data was used because it was not time consuming as the information was readily available and there was guarantee of no duplication as the source were original copies.

3.7.2 Primary data

Primary data was obtained using questioners and interviews. The questioners were given to key personnel making use of the drop and pick technique and interviews were also conducted with managers and key staff. For questioners to be back in time appointments were made with managers followed by a follow up to respondents to see if they experienced any problems in answering the questioners and if there were vague questions that needed clarity. Completed questioners were collected. Interviews were held i.e. structured face to face and unstructured face

to face at the work place. Structured interviews were held with managers as key personnel and unstructured interviews were used to interview general workers.

Primary data was used because it makes use of current or latest information which gives an assurance to reliability and validity. Also face to face interviews helped in identifying whether the answer given was true or not by reading one's body languages for example facial expression can at times tell when one is lying (Cooper and Schindler 2003).

3.7.3 Questioners

The questioners were drawn from the objectives and questions of the researcher. The questioners were well designed so that they give the respondent clear conception of the questions so that questions can be avoided from respondents. Closed questioners were used to make sure that all information was obtained that enhanced the researcher to give a meaningful conclusion and made analysis of data easier as answers are limited to a fixed set of responses .

Questioners were used because respondents are able to express how they feel about the problem at hand. By making use of questioners every respondent was reachable especially those who are ever moving away from the workplace for business purposes because a drop and pick technique was used as time was given to them to respond, appointments were scheduled and follow ups were made. The data made available by questioners was straight forward thus easy to scrutinize and construe. The questioners also stated privacy and secrecy which led to reliable and faithful answers being given by the respondents. Above all questioners are a cheap way to obtain data from a large number of respondents and merely a realistic approach to contact a large number of units to permit easier examination of results.

3.7.3.1 Likert scale

Questioners were structured making use of the likert scale technique. According to Muchina (2012:26).” Likert scale is a psychometric scale that gives the respondents much autonomy to express their views”. It is made up of 5 different ratings and rankings as respondents are required to make an opinion on every question provided. They indicate clearly their level of agreement and disagreement. Below is the likert scale and the rankings.

Strongly Agree =5

Agree =4

Uncertain =3

Disagree =2

Strongly disagree =1

Likert scale was used because the data gathered is easily interpreted and less time consuming. The data can also be collected from a large population and give respondents variety response to choose from which can be comfortable for everyone.

3.7.4 Interviews

Interviews are said to be a technique which obtain information by interacting face to face with respondents (Nweze 2010). The researcher used structured face to face interviews and unstructured face to face interviews to further complement data gathered through questioners. Structured interviews were used for senior management and a key personnel i.e. heads of departments, directors and people in the accounts department. Structured interviews were used because they are more formal and for that reason all crucial and appropriate data valid and reliable to the study was collected.

Interviews were used because they gave the researcher a chance to convince senior managers to provide all answers for the questions which were being asked. They were also used as they gave the researcher i.e. the interviewer an opportunity to explain questions which were said to be vague by respondents and did not understand them clearly.

3.8 Pilot testing

Pilot testing is said to be a rehearsal done to determine if the data collection techniques to be used to carry out the study will obtain the information needed to give a meaningful conclusion to the research under study (Ruxton and Colegrave (2006) ,Simon 2011). Pilot testing helped the

researcher to identify ambiguities in the questioners and difficulties faced by respondents in responding to questioners provided. However, those questions which needed clarity were addressed and clearly explained. Pilot testing helped the researcher to ensure that the research instruments used were appropriate, reliable and not complex. The respondents took a week to respond to the questions that were given to them for pilot testing.

Table 3.2 Data collection for Pilot testing

Department	Total Questions administered	Approved	Not approved	Response %
Internal audit	12	12	0	100
Interbev	12	9	3	75
Finance	12	12	0	100
Marketing	12	10	2	83
General service	12	8	4	67

The questions that were not approved in the pilot testing were restructured so that they can be clearly understood by the respondents. Room was also provided for respondents to suggest questions pertaining to cost control techniques and help in the restructuring of questions for them to be clear.

3.9 Validity and reliability of instruments

3.9.1 Validity

According to Ngozi (2009) validity gives a conclusion whether the research findings are true and does the research really assess what it was meant to assess. The validity of data collection

instruments were pilot tested to check for errors and correcting them to get rid of problems within the data collection instrument so that subjects in the study will not experience any problem to complete and can give a warning about where the research can fail thus being clear. Also triangulation concept was used as different methods were used for data collection i.e. questioners and interviews. Comparison of the two methods enhances validity thus giving a meaningful conclusion.

3.9.2 Reliability

According to Ngozi (2009) reliability when same results are obtained by making use of different data collection techniques to give a conclusion. Pilot study helped the researcher to identify questioners and interviews which were vague and needed explanation as non verbal behavior of respondents in the pilot study gave significant information about discomfort experienced concerning the content or wording of elements in a question. Also questions were asked in different ways and more than once to see if the answers by the respondents will remain the same and for those that remained unchanged were said to be reliable.

3.10 Data presentation

The findings were presented through the use of both quantitative and qualitative techniques that include bar graphs, figures, pie charts and tables. These were used because they explain results obtained in a simple way which one can easily understand quickly.

3.11 Data analysis plan

The researcher analysed data making use of statistical model. Statistical models used include standard deviation, mean and mode. Standard deviation takes into account all series and provides a sensitive measure of dispersion ,mode is the most frequency score occurring and mean “is the arithmetic average of scores calculated by adding all series and dividing by the total number of series” (<http://www.researchrundown.wordpress.com> accessed 27.04.2014 12:01pm)

3.12 Chapter summary

This chapter looked at research methodology that is techniques used by the researcher to gather data. It made use of research design, qualitative research, and target population, sample size, sampling technique, data collection methods, validity and reliability and data presentation and analysis plan. The next chapter will focus on data analysis and presentation making use of data obtained from data collection methods used i.e. questioners and interviews.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter gives a detailed analysis and domino effect of the research. It presents the findings that the researcher obtained from the 28 questioners completed by the targeted population and interviews that were held with the management. The data acquired will be presented making use of pie charts, graphs, tables and descriptive analysis. The researcher first analyzed the response rate and demographic characteristic response and then attempted to summarize questions from questioners which tried to determine the effects of cost control techniques on operational performance.

4.2 Response rate

Table 4.1 Responses to questionnaires

Categories of responses	Targeted population	Fully completed	Returned	Response rate%
Internal Audit	2	2	0	100
Finance	5	5	0	100
Interbevarages	3	3	0	100
Horticulture	3	3	0	100
Citrus	3	3	0	100
Marketing	5	5	0	100
Human resource	2	2	0	100
General service	5	5	0	100
Total	28	28		100

Table 4.1 above indicate that 28 questioners were distributed to the targeted population and all 28 questioners were completed fully as every respondent was available and the use of drop and pick technique which gave respondents time to respond. Respondents were willing to contribute as the questions were straight forward and stated privacy and secrecy which lead to reliable and faithful answers being given by the respondents.

4.3 Demographic responses

4.3.1 Gender Profile

Fig 4.1 Gender profile of respondents

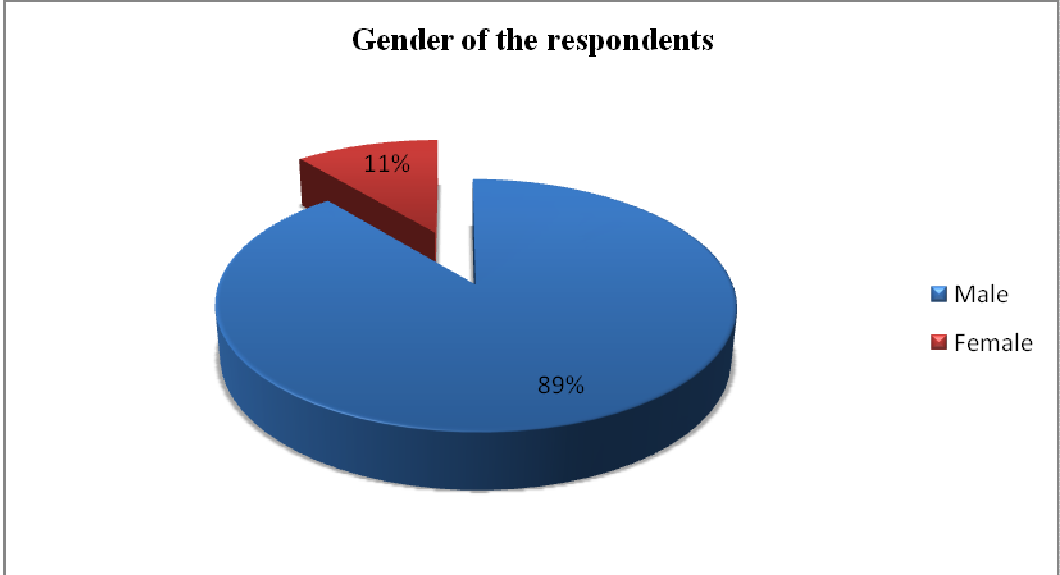
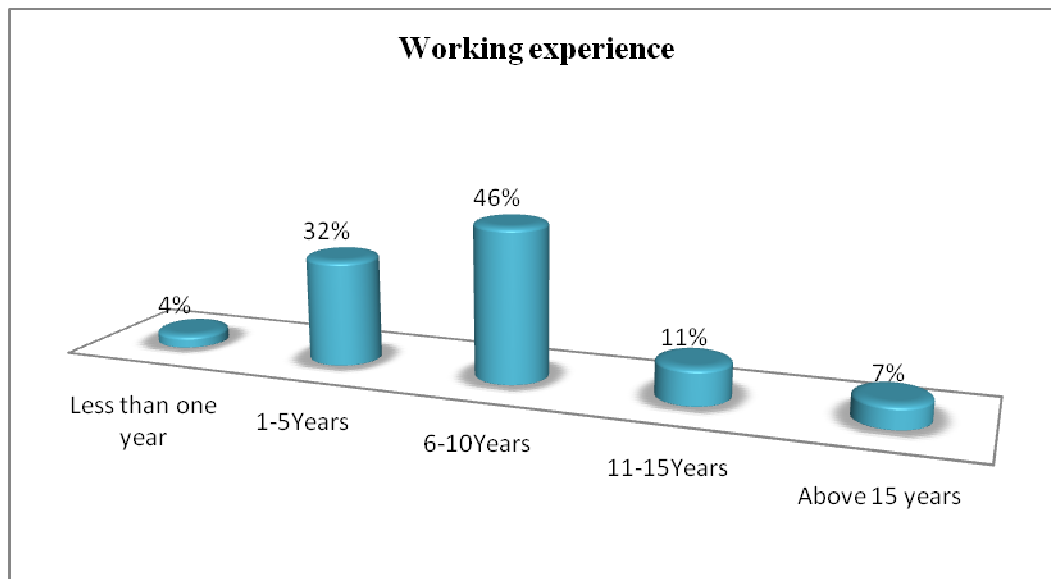


Fig 4.2.1 shows that males constituted the majority of the respondents being 89% and the remaining 11% were female. However ,this proved that most of the employees be it top ,middle and low level management at Interfresh ltd are males.

4.3.2 Work experience

How long a person have been in the organisation can be an indicator to his or her level of experience within the organisation. Below is a column graph which summarised the time respondents have been employed in the organised.

Fig 4.2 shows employees work experience



Data collected revealed that the greater part of the respondents have a working experience of between 6-10years (46%) then 1-5years (32%), 11-15years(11%), 15years and above (7%) and finally less than one year(4%). This is an indication that the majority of the respondents have a lot of working experience and are key informants that is they have a lot of information and are in a position to give valid and reliable data.

4.3.3 Management level

Table 4.2 Responses to management level

Responses	Number	Response rate
Top management	10	36%
Middle management	9	32%
Floor management	6	21%
General	3	11%
Total	28	100%

Table 4.2.3 above depict research result of the level of management respondents are involved. The results shows that 10 out of 28 (36%) are top level of management ,9 out of 28 (32%) middle management ,6 out of 28 (21%) are low level management and 3 out of 28 (11%) are general. This indicates that most respondents are top and middle management ie the key informantswho have the expert in the subject concerned and are likely to provide valuable information.

4.4 Ascertain the effectiveness of cost control techniques employed by Interfresh Ltd

4.4.1 Budget preparation

Fig 4.3 Response to Budget preparation

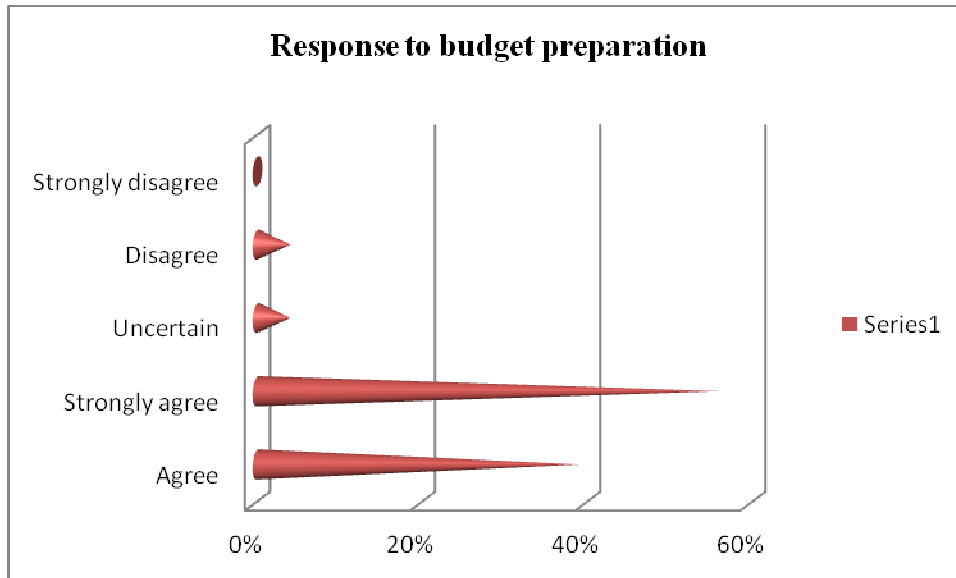


Fig 4.3 above shows that 11 out of 28 agreed (39%) ,15 out of 28 (56%) strongly agreed ,1 out of 28 (4%) was uncertain and 1 out of 28 (4%) disagreed that budgeting is a cost control technique employed by Interfresh Ltd.This is support by a mean of 5.6.

A standard deviation of 4.5 shows a high concentration of observation which express less dispersion from the mean indicating the greater percentage of response who agreed that budgeting is used as a control technique and conforms with Scarlet (2005) ,Horngreen (2005) and Drury (2006) that budgets are used as a benchmark against which operational performance can be measured and that for there to be an increase in operational performance cost have to be controlled making use of budgets as a technique.Budgets can be used to relate to control activities by comparing current performance and budgeted amounts so as to minimise costs and identify problems before they arise so as to improve on operational performance.

The remaining 2 out of 28 (7%) disagreed and these supported literature by Krishina (2010) ,Salarzahi and Kord (2010) and Otley (2007) that due to rapid change of environment budgets

becomes unsophisticated as it will be outdated thus creating a wrong impression of planned work which will mislead the organisation by making use of past information.

The respondents are sure that budgeting is employed within Interfresh Ltd as one of its control techniques but surprisingly negative variances are occurring and this have negatively impacted on the operational performance of the organisation.

4.4.2 Balance scorecard

Table 4.3 Balance score card

	Agree	Strongly agree	Uncertain	Disagree	Strongly disagree	Total
Responses	9	7	3	5	4	28
Response Rate %	32	25	11	18	14	100

Figure 4.4

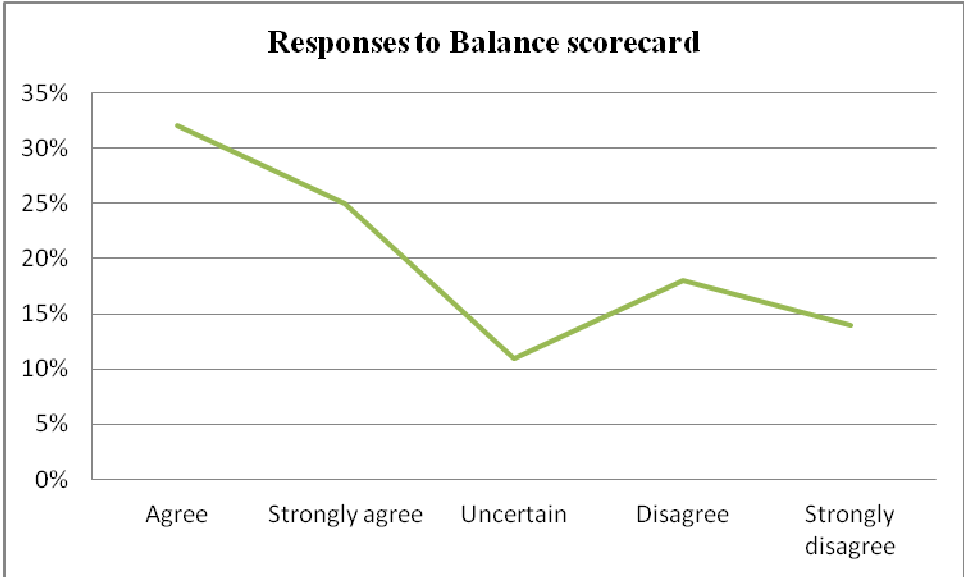


Table 4.3.4 above shows that 9 out of 28 (32%) agreed ,7 out of 28 (25%) strongly agreed ,3 out of 28 (11%) were uncertain ,5 out of 28 (18%) disagreed and 4 out of 28 (14%) strongly disagreed that balance scorecard is used as a control technique within Interfresh. The mean of

2.4 is the standard deviation obtained from the calculation of the result of the research. The standard deviation shows a moderately wide dispersion of the observation from the mean and indicates that the majority are aware that balance score card is used as a cost control technique. This justifies research by Hongren (2005) ,Salem (2010) and Scarlet (2005) who stated that balance score card is a performance measure and focuses on financial ,customer ,internal processes and learning and growth activities. The aim of this performance measure is to improve on operational performance of the organisation as the company can not manage what it can not measure.

48% (12/28) who disagreed justifies research by Salrazehi and Kord (2010) and Smith (2006) who argued that balance score card does not provide practical guidance for deployment and some management view it as a quick fix that can easily be installed in the organisation.

4.4.3 Standard costing

Fig 4.5 Standard costing

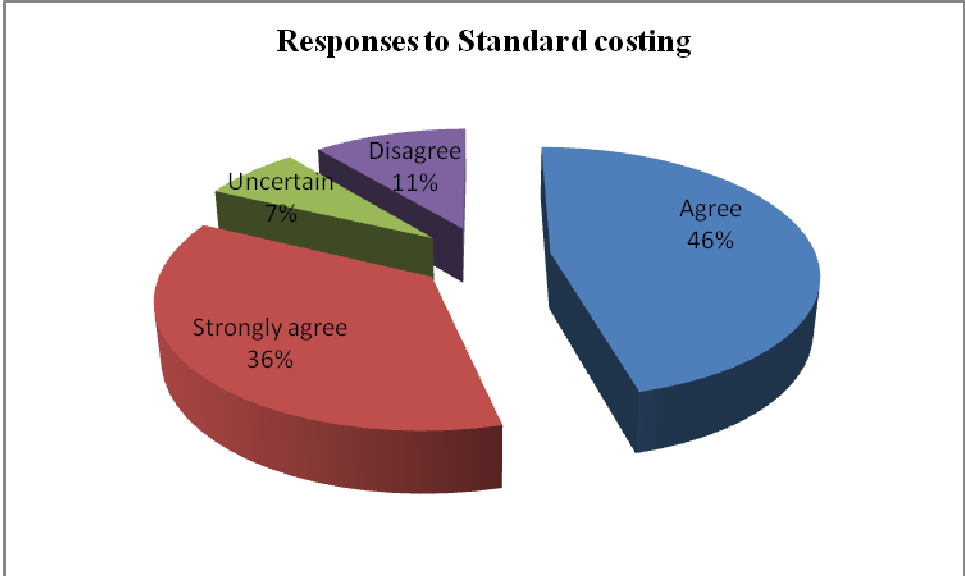


Fig 4.3.5 above shows that 13 out of 28 (46%) agreed, 10 out of 28 (36%) strongly agreed, 2 out of 28 (7%) were uncertain and 3 out of 28 (11%) disagreed that standard costing is a cost control technique used at Interfresh.

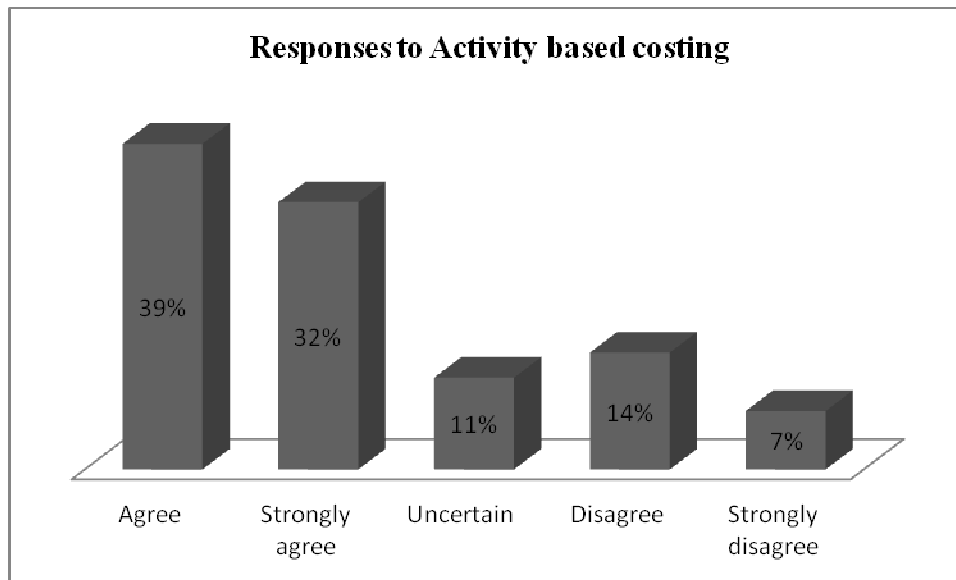
The standard deviation of 5.6 shows a high concentration of observation from the central values thus increasing confidence in the reliability and representativeness of the central value. This shows that a lot of respondents agreed that standard costing is commonly used within Interfresh. This agreed to academic research by Scarlet (2005) and Lucey (2002) who suggested that Standard costing is a technique which identifies estimated predetermined cost of goods and services and compare the cost to revenue obtained with actual cost incurred to obtain a variance and the variance are used to to improve operational performance of the organisation. Standard costing helps in the controlling of cost and identify problems which may arise and disrupt operational performance.

18% (5/28) disagreed and are in support of academic researcher Morelli and Wiberg (2002) who argued that standard costing is more suitable to the unchanging business environment and operating conditions as it is difficult to maintain during extremely turbulent and dynamic conditions. It is also expensive to maintain.

The greater percentage of the respondents are aware that standard costing is a technique used by Interfresh but there are increase in labour costs, repair and maintenance costs and wastage and spoilage costs which are affecting the operational performance to a greater extent resulting in a company making losses.

4.4.4 Activity based costing

Fig 4.6 Activity based costing



The fig 4.3.6 above shows that 11 out of 28 (39%) agreed ,9 out of 28 (32%) strongly agreed ,3 out of 28 (11%) were uncertain ,4 out of 28 (14%) disagreed and 2 out of 28 (7%) strongly disagreed that actiity based costing is a cost control technique used within Interfresh.

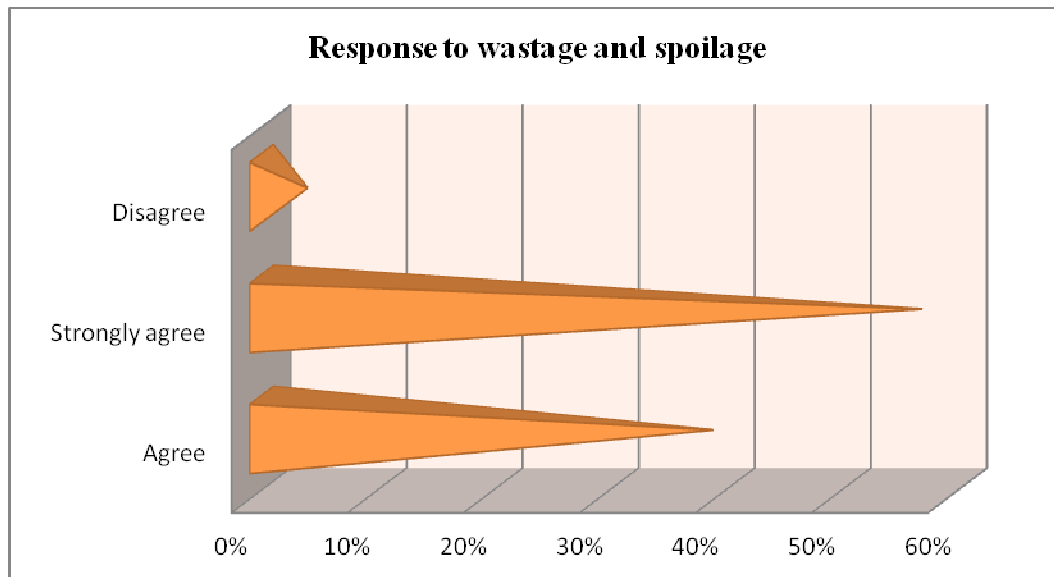
A standard deviation of 4.3 explains a less widely dispersion observation from the mean indirectly that a number of response agrees that ABC is a cost control technique which influence on operational performance within Interfresh Ltd. To support these findings Dubilela and Rundora (2014) and Institute of management accounting (2006) suggested that ABC allowss business to allocate cost to specific products based on resources that they use. It traces indirect cost to product and services by identifying resources and their cost and the performance of activities to produce output.

The remaining 18% (5/28) disagreed and supported literature by Institute of company secretary of India 2013 who criticised that ABC requires extensive resources which are expensive to maintain and is a complex system which needs to a lot of calculation and interpretation thus they can be a risk of misinterperation of data and greater care needs to be taken when making decisins within the organisation.

4.5 Determine the effects of weak cost control techniques.

4.5.1 Increase in wastage and spoilage cost

Fig 4.7



The figure 4.3.7 above shows that 11 out of 28 (39%) agreed, 16 out of 28 (57%) strongly agreed and 1 out of 28 (4%) disagreed. Adding these totals up indicate that 27/28 agreed (96%) and 1/28 (4%) disagreed that wastage can result due to weak cost control technique.

In total 96% agreed to the academic findings by Kargiotou et al (2011) and www.accountingtools.com accessed (29.04.2014, 13:19pm) who suggest that wastage is loss of material incurred during manufacturing and spoilage are damaged goods that can not be sold at a normal price and can get to the extent of being considered scrap. These increases can be as a result of negligence and lack of supervision within departments during manufacturing or handling of goods. Increased wastage and spoilage highlight weak cost control technique.

4.5.2 Increase in repair and maintenance cost

Table 4.4

	Agree	Strongly agree	Uncertain	Disagree	Strongly disagree	Total
Responses	10	9	4	3	2	28
Response Rate %	38	32	14	11	7	100

The table 4.2.5 above shows that 10/28 (38%) agreed ,9/10 (32%) strongly agreed,4/10 (14%) were uncertain ,3/28 (11%) disagreed and 2/28 (7%) strongly disagreed an increase in repair and maintenance cost indicate weak cost control technique. The total amount of 19/28 agreed and 9/28 disagreed that weak cost control techniques pose repair and maintenance cost.

The majority 68% of respondents are in agreement with Makus (2012) who suggested that increase in repair and maintenance cost indicate that they are weak cost control techniques as there is need for a planned maintenance which is predictable unlike shooting from the hip. There is need to service equipment against planned schedule and not to wait for break downs which are expensive and decrease operational performance.

4.5.3 Decrease in operational performance

Fig 4.8

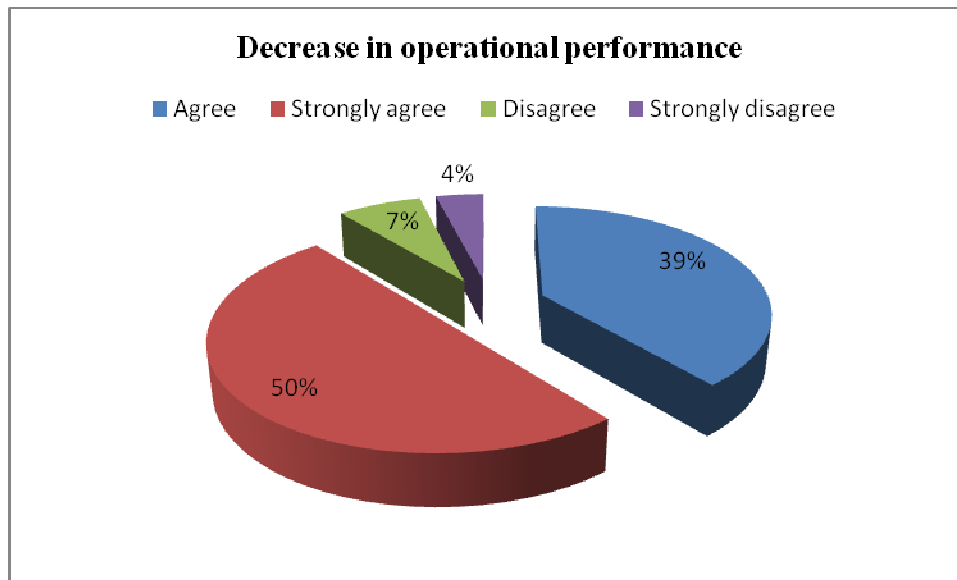


Fig 4.3.8 above indicates that 11 out of 28 (39%) agreed ,14 out of 28 (50%) strongly agreed ,2 out of 28 (7%) disagreed and 1 out of 28 (4%) strongly disagreed that weak cost control result in a decline in operational performance. The greater percentage of 89% (25/28) agreed to the academic literature byCardy and Leonard (2011) ,Evans (2014) and Robert (2005) that operation include the arranging of different strategic business units of the organisation and their activities to make sure that the SBUs are helping in achieving the organisational goal.Decrease on operational performance can be worsened by weak cost control techniques which can lead to a decrease in competitive performance and financial performance.

There has been a very sharp decrease in operational performance of interfresh ltd thus drifting away from its main objective of profit maximisation whis is a dream and objective of every profit making company,

4.6 Determine the effectiveness of cost control data in influencing managerial decision making

Fig 4.9

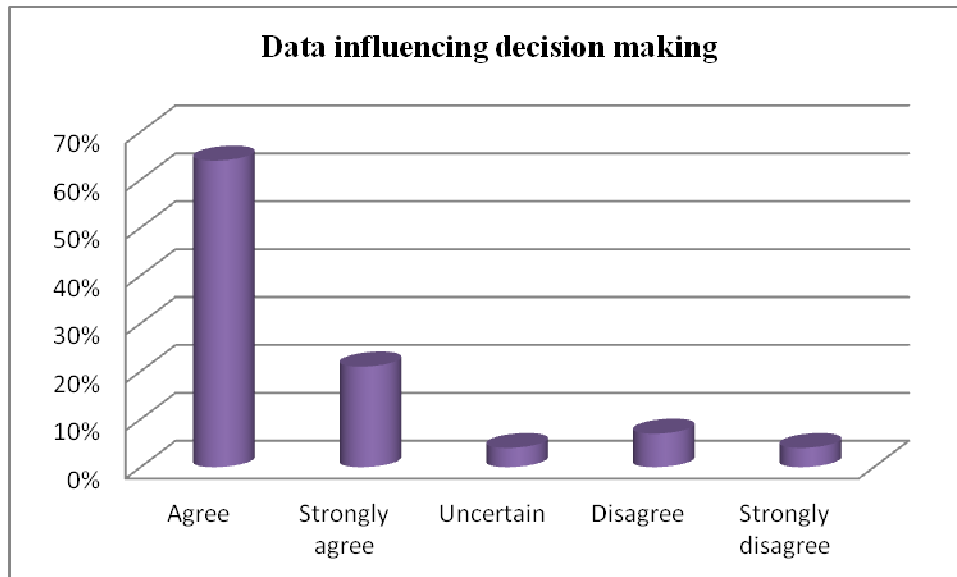


Figure 4.6.10 above shows that 18 out of 28 (64%) agreed, 6 out of 28 (21%) strongly agreed, 1 out of 28 (4%) is uncertain, 2 out of 28 (7%) disagreed and 1 out of 28 (4%) strongly disagreed that data obtained from cost control techniques influence decision making within Interfresh. The greater percentage 86% (24/28) agreed to the research finding by Morelli and Wiberg (2002) and Drury (1992) which stated that standard cost represent future costs and provide important information for decision making purposes thus standard costing are usually used for pricing decisions. Rohm (2008) goes on to say that balance score card system and operational performance measures are important components which are used for decision making at all level in the organisation.

4.7 Examine if cost control techniques enhance management and subordinate motivation.

Table 4.5 Involvement of top and middle management

	Agree	Strongly agree	Uncertain	Disagree	Strongly disagree	Total
Responses	10	17	-	1	-	
Response Rate %	36	60	-	4	-	100

Table 4.2.6 above shows that 10 out of 28 (36%) agreed 17 out of 28 (60%) strongly agreed and 1 out of 28 (4%) disagreed that the top and middle management are involved in the preparation of budgets. The majority of the respondents of 96% (27/28) this agreed to academic research by Scarlet (2005) and Antony (2007) agreed that participative budgeting should be enhanced as all budget holders must be given the opportunity to participate in setting their own budget. This improves motivation as budget holders are most likely to put an extra effort to achieve a budget which they would have set as well. This approach is most likely to enhance commitment to meeting budget objectives.

4.7.1 Cost control techniques employed do not enhance workers motivation since all level of management are not involved.

Fig 4.10

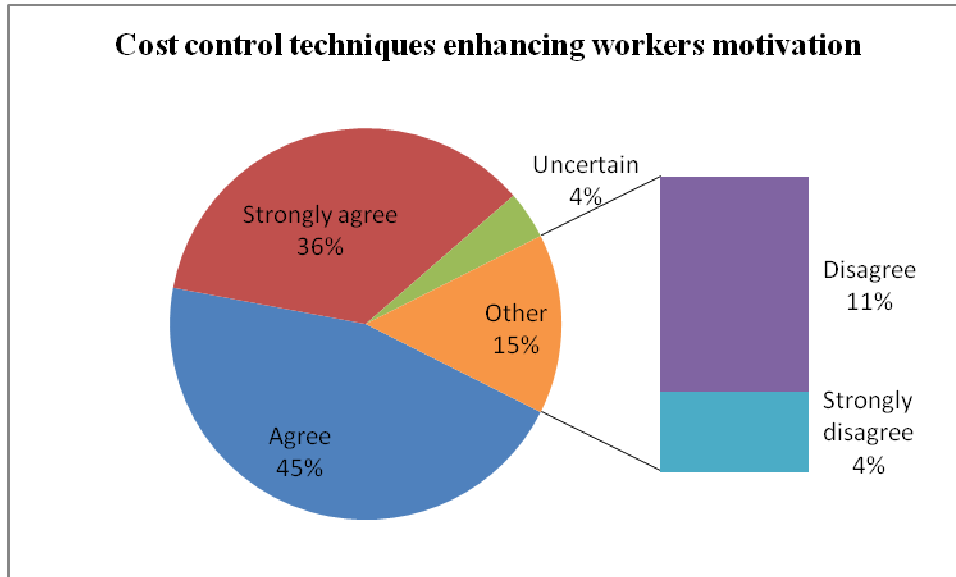


Table above shows that 13 out of 28 (46%) agreed ,10 out of 28 (36%) strongly agreed ,1 out of 28 (4%) were uncertain ,3 out of 28 (11%) disagreed and 1 out of 28 (4%) strongly disagreed that cost control techniques employed by Interfresh ltd do not motivate workers since low level management is not involved.

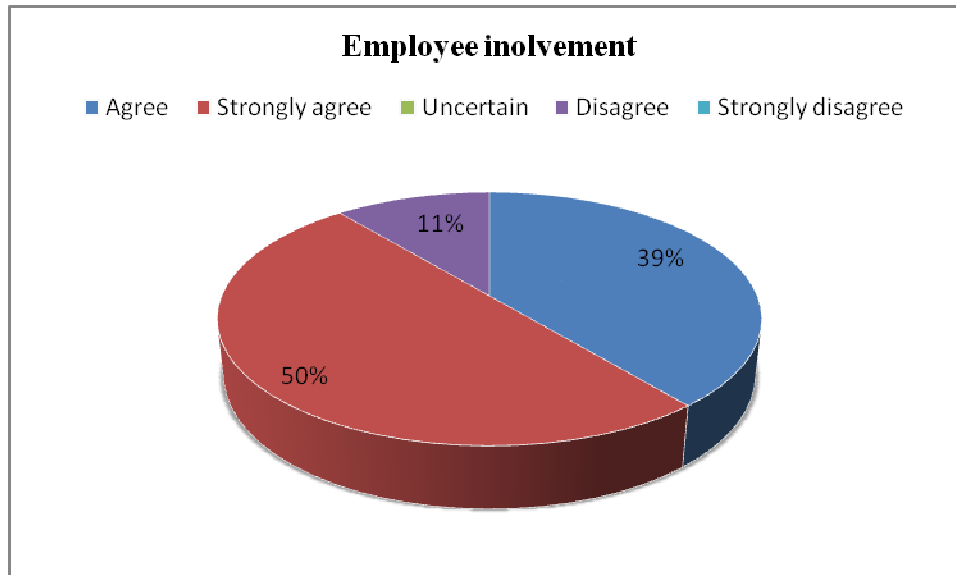
23 out of 28 (82%) of the respondents agreed with Stroh (2001) that workers are in most cases bored when they are not involved which may lead to their contribution level to fall below their real potential.Muogbo (2013) also agreed that a very few organisation treat their employees as important asset which can lead them to success thus until workers are satisfied there is a higher possibility that the organisation will not progress as expected there by decreasing operational performance.

This is an indication that some of the middle management and all low level management at Interfresh ltd are not motivated which can compromise their effort and increase in cost such as wastage and spoilage and low quality of good or services provided thus decreasing operational performance.

4.8 Strategies that can be implemented to enhance effective cost control techniques and increase operational performance.

4.8.1 Involvement of employees in implementing cost control techniques

Fig 4.11



The graph above shows that 11 out of 28 (39%) agreed, 14 out of 28 (50%) strongly agreed and 3 out of 28 (11%) disagreed that involvement of implementing cost control techniques can be used as a strategy to enhance effectiveness of cost control and increase operational performance. 26 out of 28 (93%) respondents agreed with Apostolou (2000) that employees need to be involved in management decision making and empowered. The organisation must have good relations with its employees, ask for their point of view in the implementing of cost control techniques as the employees are the ones who contribute to the input, output and processing. Employees who have been recognised and empowered see their job and the company from a different point of view thus the best way to obtain full commitment from people is to include them in the process from the beginning even if the original idea is not theirs so that they can be reduced wastage and spoilage cost and operational performance is increased.

4.8.2 Competitive benchmarking

Fig 4.12

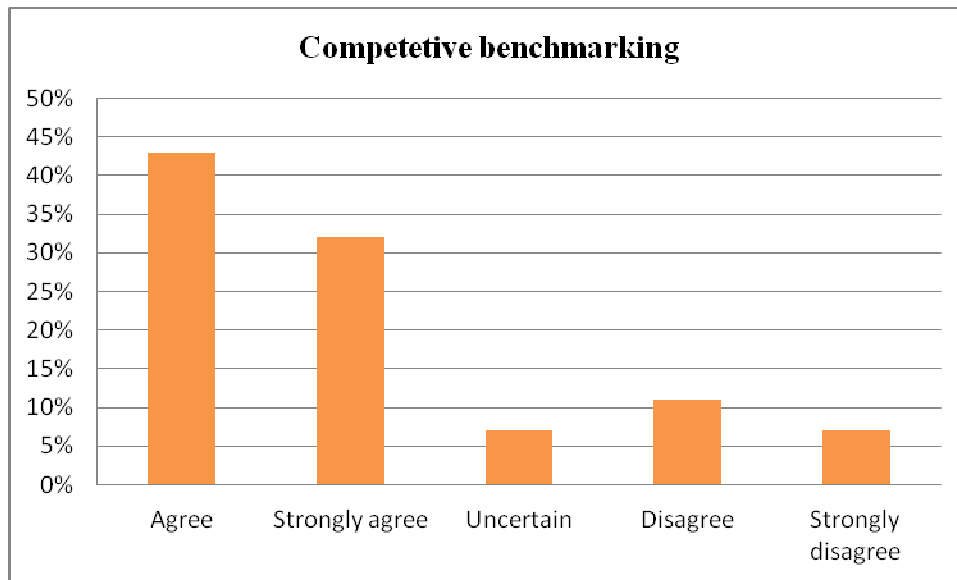


Fig above shows that 12 out of 28 (43%) agreed, 9 out of 28 (32%) strongly agreed, 2 out of 28 (7%) were uncertain, 3 out of 28 (11%) disagreed and 2 out of 28 (7%) strongly disagreed that benchmarking can be a strategy which can enhance effective cost control and improve operational performance.

Majority of 21 out of 28 (75%) agreed with academic literature by Headly (2009), Burgelman (2004) and Scarlet (2005) that benchmarking is an instrument that can be used for cost control and enables a company to improve its performance by learning from the experience of its competitors. Benchmarking enhances effective cost control techniques as it focuses on the company's performance and the resources or cost involved. The remaining percentage of 25% (7/28) are in agreement with Gogozan and Gheres (2012) who argued that there are certain disadvantages involved with benchmarking which includes communication problems internally between departments, subsidiaries and employees and externally. There can be issues such as refusal of providing true statements or declaring certain staff that are not true and so lead to relying on wrong information.

4.9 Interview

4.9.1 Interview responses

The interview conducted with management and key personnel. Out of 12 interview meetings with management all the 12 interviews were successful and fully completed thus resulting in a 100% response rate.

4.10 Interview analysis

4.10.1 What cost control techniques are employed by Interfresh ltd?

A response of 12 out of 12 (100%) agreed that budget ,balance scorecard ,standard costing and activity based costing are cost control techniques employed by Interfresh Ltd. The 100% agree with academic research by Scarlet 2005 ,Horgren 2005 ,Salem 2010 and Dubihlela and Rundora 2014. The agreement was also supported by respondents who were made to answer the questioners. Those interviewed also contributed that control reports is another technique which is employed by the company and helps the management to identify activities legging behind.

4.10.2 Can you briefly highlight the reason why the company has been experiencing increase in costs for such a long time?

8/12 (66%) of the respondents indicated that the organization is not adhering to cost control technique effectively for them to operate properly and increase operational performance. They also indicated that they has been lack of supervision within departments ,negligence and low morale of employees due to the situation faced by the organization as employees are going for months without their wages and salaries. Also inefficient of the juicing plant as they have been a lot of breakdowns within the plant thus making it difficult for the organization to efficiently and effectively implement cost control techniques.

4.10.3 What are the impacts of not implementing control techniques effectively in your organization?

10/12 (83%) respondents interviewed agreed that increase in wastage and spoilage, increase in repair and maintenance cost and labor cost are consequences facing the organization due to ineffective control techniques employed. This is having a greater impact on operational performance as there is an increased cost without same respondents of an increase in revenue. Interfresh management is aware that there is a greater negative impact on operational performance if cost control techniques are not implemented effectively as there can be loss of competitive advantage, loss of key customers due to low quality of products and increased labor, repair and maintenance cost.

4.10.4 What strategies you may suggest as management that can overcome the weakness of cost control techniques employed to increase operational performance?

9/12 (75%) response concurred that employee involvement, benchmarking and training of employees are strategies that can overcome the weaknesses of weak cost control techniques employed. This was in agreement with literature by Apostolou 2000, Accenture global management consultant 2011 and Burgelman 2004. 3/12 (25%) responses indicated that lean six sigma can be another strategy that can be implemented as it help organization to operate more efficiently identifying non value adding activities and value adding activities thus increasing operational performance. Other strategies suggested were supervision of employees and culture change training programs for example cost saving culture.

4.10.5 Do the currently employed cost control techniques have the ability to help in management decision making?

12/12 (100%) respondents interviewed agreed that cost control techniques help in decision making especially decision when pricing products. It also help decide what to plan and how to plan it, what cost are involved, whether to make or buy be it equipment, raw materials products making use of estimated cost and aligning cost to business performance.

4.10.6 Do you think cost control techniques employed enhance workers motivation to all levels of management?

100% interviewee agreed that cost control techniques employed do not motivate all level of management as only the top and middle management are involved in the setting of standards, budget preparation and implementing all cost control techniques involved within Interfresh ltd. They stated that low level management and the shop floor are not involved and always complain that only the top and middle management impose work on them which they are not even involved in. Management is so aware of the problem but not taking any remedies to mitigate the problem yet an employee is a main asset that can determine the success of an organization and lead to increase or improved operational performance.

4.11 Chapter summary

This chapter focused on the analysis and presentation of findings obtained from the 28 questioners administered and interviews held with management. Data was presented and analyzed according to research objectives of the research. Responses obtained from the data were presented in the form of tables, graphs and charts. The next chapter will give a summary of the research, presents and gives recommendations.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is the final chapter of the research. It gives a summary of previous chapters and conclusion obtained from the findings of the research study. Recommendations are also provided making use of research findings and suggestions for further studies are also included in this chapter.

5.2 Summary of the research

Interfresh Ltd have cost control techniques implemented within which helped them to maintain costs by considering effectively the use of facilities , raw materials and employees within the organization to increase operational performance of the organization. Increased cost without a proportional increase in revenue thereby decreasing operational performance stimulated the research. The objectives of the research were to:

- Ascertain effectiveness of cost control techniques employed by Interfresh
- Determine the effects of weak cost control techniques
- Determine the effectiveness of cost control techniques data in influencing decision making
- Examine if cost control techniques enhance workers motivation
- Strategies that can be implemented to enhance effective cost control technique and increase operational performance. The study was limited from 2011 to 2013.

Descriptive research design was used to fully satisfy the objective of the study because it gave room for the researcher to obtain important and useful data which was valid and reliable. Secondary and primary data were both used to obtain data. Secondary data such as audit reports and annual final report were used. Primary data collected data making use of questioners and interview questions to obtain data. The researcher found out that Interfresh Ltd was employing

cost controls ineffectively as negative variance continuously occurred and costs such as repair and maintenance, wastage and spoilage increased resulting in a decrease in its operational performance. The cost control techniques were found not to be motivational to employees since only the top management and some middle management are involved. The study recommended that there should be workers involvement and benchmarking against competitors so as to improve on operational performance and effective cost control techniques.

5.3 Conclusion

The results concluded the following:

- The findings indicated that budgeting, balance score card, standard costing and activity based costing are cost control techniques implemented by Interfresh ltd.
- These control techniques employed by Interfresh ltd were found not to be effective and efficiently implemented. This was indicated by increased costs without a proportional increase in revenue and negative significance variances which arose time and again within department. This was mainly because of high stockholding levels which increase maintenance costs, diminished managerial supervision and compromised daily work targets as daily work targets were now based on negotiations between the workers and management with employees having more say at the end of the day since they were owed salaries. Equipment inefficiency within the juicing resulting in low production and underutilization of juicing plant was another cause which compromised standards and budget set.
- From the findings obtained from the study it was noted that data obtained from cost control techniques influences decision making but was utilized to a lesser extent especially for pricing decisions. This was because of the tough competition in the industry and high stock holding levels. Prices of products were reduced not taking into account overhead costs for manufacturing the product. This was done as a way of clearing stocks and trying to regain market share that was once lost.

- The findings obtained indicated that cost control techniques implemented did not enhance worker's motivation since the top and some of the middle management were involved. The low management and some middle management waited for instruction on how they are going to execute their duties for the attainment of goals. Management never thought that it can be of paramount importance to include them yet they contribute more to the input, processing and output and knows what works and how to make the process better. This led to the demotivation of employees causing unnecessary wastage and spoilage and compromising the quality of products decreasing competitive performance which have a greater negative impact on operational performance.
- The study findings also noted that effects of weak cost control techniques were as a result of lack of training for employees, negligence of employees and low morale as the employees were owed salaries thus they strategies for work stoppages as a tool to coerce management to release wages .this led to increase wastage and spoilage and increase failure of the organization to achieve operational performance objectives.

5.4 Recommendations

The following recommendations where proposed to the results obtained from the research

- Management should implement employee's involvement. As noted by the study the organization did not include low management and some of the middle management in setting standards and preparing budgets. Employee involvement can improve employee motivation since every employee is empowered to participate in improving activities that suits their level of management and responsibilities in the organization and contribute to decision making.
- The organization can make use of competitive benchmarking to improve its operational performance. The findings indicated that benchmarking was rarely used both internally and externally. If benchmark is enhanced and effectively utilized operational performance is likely to be improved since it improve operational effectiveness by performing similar activities better than the competitors allowing the

organization to utilize its input better than competitors by providing quality products at a lower cost and developing quality products faster Accenture global management consultant (2011), Scarlet (2005)

- Lean six sigma can also be implemented by management as it combines two ideas that is lean and six sigma and works as an improvement programme. Capital, raw materials and human resource are utilized effectively producing when the products are needed and in the right amount with less labor, equipment, material and space. This strategy empowers and includes employees in its processes, it identify and eliminate waste, it detect and remove operating conditions and practices that are risky within the organization thus defining value adding and non value adding activities (Clarke (2005) and <http://www.academic.uprum.edu> accessed (27.04.2014:12:43Pm).
- Management to implement incentive programs. These programs are forms of payment to employees so as to motivate them, change their way of thinking, attitude and behavior within the organization. The incentives can be financial or non financial which includes increased wages and salaries, bonuses, flexible schedule, independence of working, promotions and gifts. These programs are important as they help the organization to perform functions competently, successfully and considerably and can have the ability to enhance expansion [Havard business school (2002) and UNDP capacity development resources (2006)].
- Just in time can also be made use of rather than Interfresh ltd manufacturing finished goods which are meant to be stored they should produce goods to be sold just in time so as to reduce wastage and spoilage and maintenance costs i.e. stockholding costs which may arise thereby increasing operational performance [Jewel (2003) and Cronje (2003)].
- Management to make effective use of control reports as these reports inform management of activities taking place in the entity. They help management to identify activities which are not performing well and needs attention so that management take corrective action immediately to mitigate the problem that would have been noted.

This will in turn make cost control techniques effective and improve operational performance [Drury (2006) and Scarlet (2005)]

- Training programs can be implemented within the organization such as culture change training programs. The findings identified that they are no training programs enhanced within the organization. These programs help the organization to improve the skills of employees and they get to understand every aspect of their business especially issues pertaining to cost control. This aids reduction in repair and maintenance costs and wastage and spoilage costs leading to increase in operational performance. Training makes employees well informed on how to reduce cost and what the impacts of increases are cost to them and the organization [Latino et al (2011) , Rummler and Brache (2013) and Vecchio (2012)].

5.5 Suggestion for further studies

This research aimed to investigate on the effectiveness of cost control techniques on operational performance and further studies can be carried out on the following areas investigation on the strategies that can be implemented to improve on cost control techniques, evaluation of cost control techniques as a tool for decision making.

5.6 Chapter summary

The researcher managed to achieve all objectives that were listed in chapter one. Chapter two that is the literature review contributed in bringing the objectives to reality as it provided authoritative evidence from accredited scholars to support the study. Chapter three also helped with methodology which helped with methods and procedure used to conduct the research. Chapter four presented the findings that the researcher obtained from data collection techniques used and chapter five gave a summary of previous chapters, conclusions obtained from findings, recommendation and suggestion for further studies.

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APPENDICES

APPENDIX 1: Letter of introduction



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

To whom it may concern

I am a 4th year student at Midlands State University studying a Bachelor of Commerce (Honours) degree in Accounting. It is a requirement by the Institute that am supposed to carry out a research in partial fulfillment of my studies. I hereby seek for your authorization to carry out a research at your organization on my research theme, “An investigation on the effectiveness of cost control techniques on operational performance”. A case of Interfresh ltd (Mazoe Citrus Estate)”.

Please bear in mind that the information going to be provided will be confidential and used specifically for academic purposes.

Your candid and cooperation will be appreciated.

Yours truly,

Nkomo Thandeka

APPENDIX 2: Questionnaire

Please tick (✓) your answer in the appropriate box or fill in your response on the spaces provided.

1. What is your sex?

Male [] Female []

2. Which department are you employed to?

Internal audit [] Finance [] Interbeverages [] Horticulture []

Citrus Marketing [] Human resource [] General Service []

3. Which position do you hold in the organization?

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4. Which group do you belong to in the organization

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

General []

5. How long have you been in the organization?

Less than one year []

1-5 years []

6-10 years []

11-15 years []

Above 15 years []

6. Does your organization make use of these cost control techniques?

Budgeting

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

Balance score card

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

Standard costing

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

Activity based costing

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

7. The current cost control techniques employed by the organization is not effective.

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

8. The impact of weak control techniques are identified as follows:

Increase in wastage and spoilage

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

Increase in labor cost

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

Increase in repair and maintenance cost

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

Decrease in operational performance

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

9. Do you agree that weak cost control techniques are caused by the following:

Lack of supervision

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

Lack of training for employees

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

Negligence by employees

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

Low morale

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

Resistant to change

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

Inefficient of the plant

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

10. The organization has not implemented any strategies to improve on weak techniques?

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

11. The benefits derived from executing cost control techniques properly within departments

includes:

Flexible schedules

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

Bonuses i.e. allowances

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

Possibility of advancement

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

Independents of working

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

12. The top and middle management are involved in the preparation of budget .

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

13. The cost control techniques employed by your organization do not enhance workers motivation since low level management is not involved in the preparation.

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

14. Data obtained from cost control techniques employed influence decision making in your organization.

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

15. Strategies that can be implemented to enhance effective cost control techniques and increase operational performance include:

Involvement of employees in implementing cost control techniques

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

Benchmarking with competitors

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

Adequate training for employees to reduce waste and time in production

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

16. What comments do you have to your organization with respect to cost control techniques employed?

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Thank you very much for your participation!!

APPENDIX 3: Interview questions

1. What cost control techniques are employed by Interfresh?
2. Are these techniques effective and useful in determining operational performance?
3. What are the impacts of weak cost control techniques in your organization?
4. Can you briefly highlight the reason why the company has been experiencing increase in costs for such a long time?
5. Do the currently employed cost control techniques have the ability to help in management decision making?
6. Do you think cost control techniques employed enhance workers motivation?
7. What strategies you may suggest as management that can overcome the weakness of cost control techniques employed and increase operational performance?