

MIDLANDS STATE UNIVERSITY



FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

***ASSESSING THE EFFECTIVENESS OF CUTTING EMPLOYEE RELATED
COSTS AS A PERFORMANCE MEASURE. A CASE STUDY OF ALTFIN
HOLDINGS LIMITED***

BY ELLEN BUSUSU

R103528Q

***THE DISSERTATION IS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF THE BACHELOR OF COMMERCE IN ACCOUNTING
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APPROVAL FORM

The undersigned certify that they have supervised Ellen Bususu Reg.number R103528Q dissertation entitled: Assessing the effectiveness of cutting employee related costs as a performance measure, a case study of Altfin Holdings Limited, in partial fulfillment of the requirements of the Bachelor of Commerce in Accounting degree at Midlands State University.

.....

Supervisor

.....

Date

.....

Chairperson

.....

Date

.....

External Examiner

.....

Date

RELEASE FORM

Name: Ellen Bususu

Dissertation title: Assessing the effectiveness of cutting employee related costs
as a performance measure: Case study of Altfin Holdings Ltd

Year this degree was granted: August 2010

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Contact number: 0773857715

Signed:

Date:

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

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DEDICATION

To my parents, who have always been my source of inspiration.

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I would like to express my profound gratitude to the entire Finance department at Altfin Holdings Ltd for assisting me with my research project. My gratitude is extended to Mr Mupindu for mentoring me with such professionalism towards my research project. I would also like to acknowledge those who provided answers to my questions, for this project would have been meaningless without your contribution.

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Nothing would ever be done without the hand of the Almighty and I want to thank God for guiding me so far and many blessings towards my destiny of self actualization soon.

ABSTRACT

The study sought to assess the effectiveness of cutting employee related costs exercised by Altfin Holdings Ltd. It is aligned with the background that operating costs had been increasing and need arose to reduce costs and still maintain a standing in the insurance industry. The scope of the research is to assess the effectiveness of cutting employee related costs on the viability and sustainability of the organization.

A review of literature was carried out in order to establish what other authors had to say on the subject. The researcher used these proposed theories as a foundation for field research. The research was a case study in which questionnaires and interviews were used as data gathering instruments. A sample of twenty five respondents was drawn from the entities managers, accountants, clerks, administration personnel, investment analyst and agents. Both primary and secondary data was used and findings denoted through the use of tables, pie charts and graphs. It was established from the theoretical review and results from actual field research that curbing employee related costs results in demotivation of workers. Conclusions were drawn in terms of the objectives set out at the beginning of the project, and recommendations were made on which Altfin Holdings Limited may wish to undertake.

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CHAPTER ONE

INTRODUCTION

1.0: Introduction

This chapter contains background of study, statement of problem, main research question, sub research question and research objectives. It also covers the limitation and delimitation and definition of terms. The research will focus on Altfin Holdings Limited Company.

1.1: Background of study

According to Palepu and Healey (2009) it is no assurance that financial performance of an organisation is increased when an entity decides to curb its cost. Profit margins may even remain low even after efforts of controlling costs. Such emphasis creates a dilemma as an entity may also compromise other aspects of business in an attempt to control costs.

Altfin holding limited has three major subsidiaries. Competition in the insurance industry is largely on the basis of product diversity, value addition, free cover limits, service and pricing. Due to reduced competitiveness in the industry, deterioration of underwriting profits and a collapse of its sister company interfin bank, need arose for the company to still maintain a standing in the insurance industry (Year-end minutes December 2012).

As a result Altfin had to cut operational costs which were not aligned to revenue .AHL is a service oriented company and its source of revenue is mainly from insurance policies and brokers who work on commission. Operational costs include broker commission, entertainment, marketing costs and human resource costs. Operational costs decreased from\$4.558 mil in 2012 to\$3.223 in 2013 which saw a 17% decrease in costs (Expenditure Analysis Statement 2013)

The group C.E.O resolved that the company was going to implement a cost cutting measure and such costs as employee grocery vouchers that they received every month were removed, the service champion awards which saw employees being awarded who performed exceptionally well during the month was removed, employees were not going to be paid for overtime and there was going to be a reduction in office space(Budget minutes July 2013).Though the

company engaged in cost cutting measures profits declined from 2012 to 2013 as indicated below.

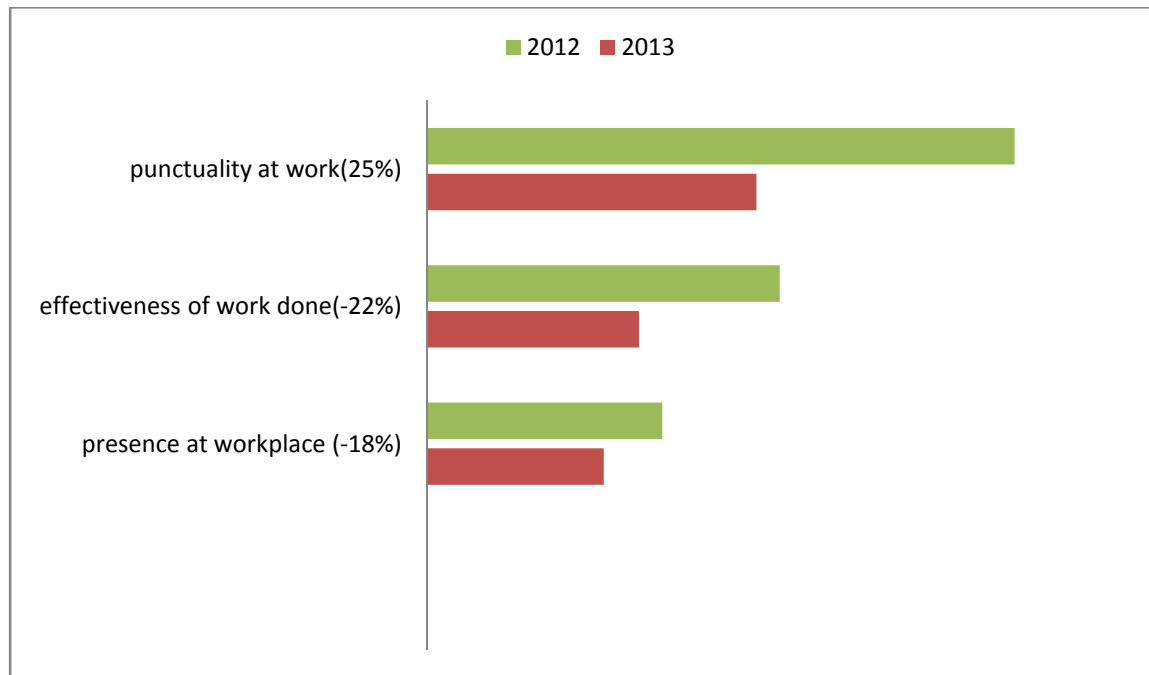
Table 1.1; Financial performance of AHL for the period 2012 - 2013

Revenue	2012 (\$ millions)	2013 (\$ millions)
Revenue (net premiums)	13.4	10.6
Expenses		
Operating costs	4.558	3.223
Claims	6.45	5.85
Commissions and acquisitions costs	1.625	1.114
Underwriting profit	0.767	0.413

(Source: Extracted from 2012 and 2013 AHL annual report and 2012 IPEC report)

In a survey held by the HR department the company saw a 20% drop in measure of employment satisfaction (Performance Appraisal minutes December 2013)

Figure 1.1: Measure of employee satisfaction (2012; 2013)



(Source: Performance appraisal year end meeting 2013)

1.2: Statement of the problem

AHL is currently facing viability challenges and persistent losses and problems still arise in trying to strike a balance between costs and financial performance of the company, as a result this study seeks to explore the effectiveness of cutting employee related costs as a performance measure.

1.3: Main research question

An assessment of the effectiveness of cost cutting on the viability and sustainability of the organization.

1.4: Sub research questions

1. What is the effect of cutting employee related costs on the performance of the organization?
2. What are the drawbacks and merits of cutting costs?
3. What are other factors that may lead to the competitiveness of the organization?

4. What factors should be considered when implementing a cost cutting measure?
5. What is the reaction of employees on cutting employee related costs implemented?

1.5: Research objectives

1. To assess the implication of cutting employee related costs implemented by the company.
2. To identify the draw backs and merits of cost cutting.
3. To identify other factors that may lead to the competitiveness of the organization despite cutting costs.
4. To identify factors to be considered when choosing to cut costs.
5. To monitor and asses the reaction of employees on cost cutting measure implemented.

1.7: Significance of study

The research is of importance to the student, to Midlands State University and to Altfin Holdings Limited.

To the student

The research will be carried out in partial fulfillment of the requirements of the Bachelor of Commerce Accounting Honors Degree which the student is currently studying at Midlands State University.

To Midlands State University

It will be used as referral material by other students who will be carrying out similar research in future.

To Altfin Holdings Limited

Recommendations from the research will enable Altfin Holdings Limited to identify other factors that may improve the performance of the company despite cutting costs.

1.7: Delimitations

The research is limited to Altfin Holdings Limited, Head office in Harare and its branches in Gweru, Chinhoyi, Mutare. The research covers the period 2012-2013, and focuses on effects of cutting employee related costs by AHL. The target population was management and employees.

1.8: Limitations

Time constraint

Due to the limited period of study this will result in time constraint limitations that will cause the researcher to further analyze all aspects of the research study and enough time to source information as they will be need to strike the balance between the research and other modules. The researcher will therefore at the most important aspects of the study. However sacrifice will be made to ensure that this study has all the time it requires for its successful completion.

Confidentiality.

Another limitation is that appreciation by concerned parties such as management might not fully comprehend the need to assist in disclosing the necessary information needed to carry out the research. Some respondents will hold information which may be considered as crucial to the study thus jeopardizing the outcomes. However if this situation arises the researcher will use other sources of secondary information such as published annual reports and the internal data that was at the researchers disposal during work related learning.

Definition of terms

Some of the key terms to be used in the research are defined below however they are some terms not defined below that may be used.

Cost

Are expenses which are economically unavoidable and technically essential for the production of a product or service. Niemand.et al (2004)

Cutting employee related costs

Measures implemented by a company to reduce employee related expenses and improve profitability. Bragg (2010)

Acronyms

AHL	- Altfin Holdings Limited
ALAC	-Altfin Life Assurance
AHIC	- Altfin Health Insurance Company
AICO	-Altfin Insurance Company
GLA	-Group Life Assurance
IPEC	-Insurance and Pension Commission

1.9: Summary

This chapter highlighted the importance of conducting this research as well as the current state at AHL. The major reason of conducting this research was to analyze the effectiveness of cutting employee related costs as a performance measure of AHL. This chapter covered an insight to the background of study, statement of the problem and importance of conducting the research. Terms were also defined and acronyms explained. The chapter that follows will be a review of literature used in the research.

CHAPTER TWO

LITERATURE REVIEW

2.0: Introduction

This chapter looked on the review of literature that had been written to date on the research topic. The review of literature was be divided into ,implication of cost cutting measures on the performance of the organization, drawbacks and benefits of cost cutting, alternative factors that may lead to the competitiveness of the organization despite cost cutting, essential requirements for implementing cost cutting measures, assessment of employee involvement on cost cutting measures implemented.

Overview

According to Weetman (2011:660) he described costs as the value of resources used in the production of goods and services expressed in money terms. Bowen (2011:27) emphasized that organizations should aim for a balance between resources sacrificed and sustainable and desirable balance of the entity's financial performance. The financial performance of a firm cannot be divorced from its ability to reduce costs in simpler terms financial performance is impacted by increases in costs (King and Saitor 2009:2427).

2.1: Implication of cost cutting on the performance of the organization

Smith (2011) highlighted that management cut costs because of their continuous demand to attain short term goals even if this is not the greatest interest in the long run. Pacek (2012) is of the view that cutting costs affects the gross domestic product of the company's growth, its effects in the long term are undesirable as the organization is left with no new resources. Minervini M (2013) laid emphasis on the fact that companies that take pleasure in profits due to cost cutting do not enjoy competitive advantage in the long run.

Organizations can be able to connect in other areas of restructuring with the intention of achieving longer term strategy of investing for growth, Pozen (2007). The choice between cutting costs and investing for novelty and growth is considerably determined by the viewpoint of the executives of the organization. Cost cutting encompass preliminary or professed effects.

Nevertheless, these effects cannot be sustainable or as attainable as apparent. McKinley et al (2005) cited that, one organizational retort to catastrophe is personnel downsizing despite the fact that investigators have established varied cost.

Cutting costs may cause hidden costs not predictable in the setting up. “These costs may include lower quality goods and service, lost business opportunities and lost productivity. In addition, downsizing typically results in significantly lower employee morale which may result in the “cesspool syndrome” in which there is significant turnover of highly talented employees and withholding of less competent ones. Restructuring may be an effective tactic if it provides opportunities for cost suppression for customers this view was acknowledged by Mabert and Schemer (2006)

In accordance with The Institute of Management Accountants cost cutting can have a negative effect on employees resulting in high staff turnover even though it was meant to be a cost reduction measure. This is a cost that usually goes unnoticed by most managers. In an article by Nussbaum (2008) suggests it is not good to retrench but instead educate staff by word of mouth on the goals of the company. They can work towards achieving goals of the company and hence maximize on achieving the highest return.

2.2:Barriers to effective cost cutting measures

In accordance with www.allbusiness.com (01.April.14:12.05),in a journal by Larry et al (2003) he summarized the following as barriers to effective cost reduction measures, “data unavailability, incorrect data, failure to integrate total cost measures, inability to measure product enhancements or new products, no agreement on when to measure costs and not enough organizational commitment”. The idea of identifying cost reduction barriers can help business organizations understand the need to prevent and find possible positive solutions before the real problem or barriers exist. As Larry et al (2003) outlined the main barriers that can be experienced within an entity, it is also possible to experience other problems other than those mentioned above. These barriers should however be viewed with vigilance that is, not undervalued as they can result in reversing cost reduction efforts.

According to Edmunds (2013) reducing organizations expenses in a intransigent manner can lead to penalties that do business more harm than good. Rothberg (2012) cited that companies who

implement cost cutting initiatives and do not take into account its long term impacts as it can damage the companies foundation and undercut its strategic advantages, limiting its ability to take advantage of opportunities to add market share and enhance profits during an economic rebound. Many people lose their jobs in the process and quality does not remain 100%. Pacek (2012) further outlined that businesses cut costs in a way that leads to thinning service levels rather than increasing competitive advantage(law of diminishing returns) that is companies bear a gravity to reduce the cost but not quality.

Slocomb (2009) highlighted that despite continual focus by organizations on traditional methods of cost reduction this does not have a strong record of providing a change in the future .Problems arise that are likely to demolish value. Lee Marks (2010) cites that reasons for failure is that many managers aim at overcoming shorter bottlenecks which impacts negatively on longer term benefits. He highlights that lack of budgeting may lead to problems in viability and sustainability.

Cutting costs pulls down growth and investment mob usually introduces additional risk, measures can be top down and have negative impact on the organization, this view was outlined by Smith et al (2011). Cost cutting results in the company under investing he further outlined that cost cutting does not affect face to face functions, relationships, market share, growth initiatives as managers can engage in cost cutting for these reasons .Loss of market position can become permanent even after engaging in cost cutting. Firms that cut costs are left without resources to invest in new sources of sales growth, this view was acknowledged by Pacek (2012).

2.2.1: Merits of cost cutting

Rothberg (2012),added that the need to cut costs may be justifiable since it enhances the share value of the market and company profit, all the expenses which were the cause of high price cut down and the business enjoys lowest rates but the simplistic answer to more complex problems that are manifested by falling profits. “The importance of cost reduction plans is related to the most common reasons why expenses must be cut in a business. These are need for increased profits, improved competitive standing, preserve organization resources, reduce waste, and improved productivity. It is not easy to compete in the market today. Sometimes it seems that an

organization gets one set of expenses under control, and in the meantime, another area of the organization begins experiencing cost overruns. It is a never ending battle to reduce and control costs and maintain organization profitability. “The Controllers report (2004).

In accordance with the institute of management accountants (2012) the importance of cost reduction strategies lies in its contribution to a organization’s honing of performance. The importance of cost reduction strategies cannot be understated, especially when an organization is struggling to sustain itself. When an organization must make more cash rapidly, management will have to decide which costs can be most effectively and efficiently be reduced. If the reduction is needed quickly, expenses cut first will normally be those that are not fixed or in line with production. It is not a good idea to drastically reduce expenses that produce the organization product or service without careful evaluation. If an organization understands the importance of cost reduction as a tool to increase profitability, the organization will have a much better chance of remaining profitable no matter what stage of the economic cycle is occurring. <http://EzineArticles.com> (31.March.14:11.45)

2.3: Alternative factors that may lead to the competitiveness of the organization

Jensen (2012) highlighted that business owners should consider reducing costs rather than cutting costs that impact negatively on employees. Such costs may include “reducing on utility bills, switching out current light bulbs for energy efficient ones, reducing the amount of printing that the office does and using the backside of old copies of scrap paper”. Damodaran (2012) is of the view that companies can improve competitive advantage if it increases its cash inflow on resources, increased expected expansion and reduced cost of capital.

2.3.1 Financial Controls

The absence of suitable monetary controls can add to significant costs since service purchases are in the past known for over-charging and price overruns. The problem of services purchases is that the company needs to validate prices with agreed-upon terms. All contracts and invoices need to be matched against what was actually performed by the supplier and what the company was billed for. Stradford and Tiura (2012) suggest that in some service groups, over-billings are found on as many as 60 percent of invoices (www.accountingformanagement.com). When organizations are not verifying the validity of these invoices, they could be losing thousands of

dollars a year or more. Integrating accounts payable into supply management may increase the ability of your organization to catch over-billings. Automated requisition or purchasing processes can also be employed to perform invoice matching and verification

The inability of payment efficiencies can cost the companies prospective savings. Organizations that have long and pricey service expense schedules that may result in them missing the chance to cut costs by paying early and enjoy early payment discounts. According to Jensen (2012) Business owners should bargain on rental prices rather than reducing on office space as this may affect employees adversely. Most landlords willing to negotiate than losing a tenant. If the company is paying an agent for cleaning services consider engaging employees on the tasks ,rather than paying out a fee, while employees may resist this at first they would be most glad to help out rather than a pay cut.

Costs can be trimmed down by allocating the most suitable supply management professionals to this duty. Companies that vigilantly allocate service procurement to their most competent and experienced staff members are likely to find potential rewards that comprise reductions in cost and the most efficient and effective prices (www.accountingformanagement.com)

Outsourcing can reduce costs. This is when the responsibility of providing some services is assigned to a third party. This is a controversial approach that may cause the affected staff to be concerned about potential job losses and management to be concerned about handing over some portion of organizational control to a third party. These suppliers are responsible for ensuring that all indirect services requirements are fulfilled, either by providing the needed materials or services themselves or by acquiring them from other suppliers. Carter et al (2003)

Control over the supply or procurement chain ensures low costs. This could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Other procurement advantages could come from preferential access to raw materials, or backward integration. A cost leadership strategy may have the disadvantage of lower customer loyalty, as price-sensitive customers will switch once a lower-priced substitute is available. A reputation as a cost leader may also result in a reputation

for low quality, which may make it difficult for a firm to rebrand itself or its products if it chooses to shift to a differentiation strategy in future”. Leddy (2002)

Activity Based Costing

The Institution of Management Accountants, cites that ABC identifies activities that were involved in coming up with a product. It assigns costs to activities based on measurement of resources used. ABC tries to determine the driving cost associated with a cost object. Activities in an organisation consume resources and these should be tied up to cost objects. Knowing what activities costs helps in identifying important activities, those with greatest potential for cost reduction. Knowledge of activity cost allows one to know the impact of cost reduction and to consequently corroborate the actions and savings achieved. Providing non-financial information may be the most important contribution of ABC. ABC aims to specifically reduce costs through improvement of methods and procedures and has been developed to help management improve productivity, Feinberg (2008)

2.4: Essential requirements for implementing cost cutting measures

Accordance to Jensen (2012) when implementing cost cutting measures the organization has to plan carefully, managers need to scan the environment for potential areas of growth before automatically resorting to cost cutting. Organisations need to target aggressive markets and those business strategies that meet the most profitable customers prevent them from becoming targets for cost reduction and develop project management skills. Mabert and Schmenner (2007) is of the view that small improvements can account for large cost savings or hidden costs, the identification of the metrics and the comprehensive collection and reporting is what determines how the outcomes are perceived. There is need to identify the root cause for expenses before cutting them, do not look to discretionary spending reductions for a major contribution to the bottom line and always view innovation as an investment rather than a cost.

The www.oxfordjournals.org (01.April.14:15.35) also suggests on proper ways to implement cost reduction techniques: The journal says that, researching historical precedents and tactical best practices for businesses dealing with tumultuous economic conditions, it is evident that recessions, economic crises, and organizational decline are not new events. They recur with relative frequency, though with different levels of reach and intensity.

Overreacting or responding incorrectly to this sense of urgency can be disastrous, perhaps more so than not taking action at all. This journal has presented two strategic perspectives as revealed in the business literature: cut costs or invest for growth. The recommendations expand the two perspectives into specific considerations, while underscoring the point that these are not mutually exclusive approaches.

According to Katzenbach et al (2008) cost reduction measures should be well implemented and objectives clearly laid down. Muchin (2009) supports the view that points out that objectives need to be about improving the environment of employees and collaborating better and other cost effective processes. IOFM (2011) supported the need to lay down clearly defined goals and that they should be realistic and attainable within the prescribed resources.

Muchin (2009) cited the need to establish a cost committee that also accommodates employees, updating them. The committee should meet at least once a week and it should set up communication channels, he further highlighted that this committee should act as a catalyst. Bradford (2002) says that commitment and communication from employees is an essential requirement for cost reduction practices. Katzenbach et al (2008) suggests the need to establish a cost reduction committee getting feedback from it. There is need to align the cost reduction initiatives to the overall strategy of the insurer and there has to be involvement of key management considering costs from across the organization. Muchin (2009) argues that there is need to involve employees' ideas in cost reduction issues. The organization should consider cost management not cost cutting.

Cutting costs should be in line with underlying business core values. Handy et al (2012) highlighted that cost reduction strategies should be in line with the overall business goals, there is need to align costs with objectives of the company laying emphasis on cost savings. Muchin (2009) suggests that for the objectives to be in line with business strategies the organizations vision and mission should be matched with its resources so as to see the future needs of the company.

According to Katzenbach et al (2009) management's involvement in cost reduction practices from the start is very important as they make sure that the practices are strengthened and gain respect. Bragg (2010) suggests that there is need to develop a culture of continuous cost

improvement and stop considering this as a once off event, costs should be gradually reduced through capitalization of cost saving opportunities.

AHL need to consider a system that takes full advantage of both formal elements and informal elements of the organization where integration and balance are crucial. Cost control practices should be a life time event but there should be a continuous review, correction and improvement. For many organizations, including those that are tempted to aggressively slash their costs in a time of crisis, the best approach is to pair prudent investment strategies with informed, selective cost-cutting tactics. Above all, leaders and managers alike must respond to the challenges created by the current crisis with action that is thoughtful, deliberate, innovative and yet still consistent with the long-term plans of the business.

2.5: Assesement of employee involvement on cost cutting measures implemented

Katzenbach et al (2008), highlights that many companies ignore the critical need to secure employee commitment when making cost cuts.” It is important for companies cutting costs to obtain positive emotional commitment of employees to support decisions to commit to behavior change”. LeeMarks (2010) confirms that employees discernment about cost cutting upshot is determined with their belief about how these measures were implemented, whether it was based on greed or incompetences. Employees consider the amount of forewarning, and whether other cost saving regimes were tried.

Mabert and Schmenner (2007) suggests that a lot of organizations look as if this approach to cut expenses concealed in their process, both center and subsidiary. Employment and salaries fill a huge line in the statement of profit and loss and other comprehensive income and may look mature for trimming. Nevertheless these are precisely the salaries that symbolize the center of business. These are the people who add fundamental value to the organization. ’ Effective cost cutters pay attention details and as a result achieve a cost reduction process that is transparent, fact based, well executed and highly motivated ‘ Katzenbach et al (2008).

Companies may also engage into a brainstorming meeting with their employees since these are the people who are physically on the ground and can identify areas where money is being wasted, and encouraging them in money savings as these may come up with the best tips to save on costs rather than cutting on costs. Jensen (2012),points out that business owners should be

open and upfront with their employees, introduce cost saving measures gradually, get employees involved in the process and ask for feedback. Cutting employee related costs is the first thing that management think of when faced with economic downturn, however this results in lower quality materials ,demoralisation and demotivation due to pay cuts. Management should analyze their business practice and investigate on small expenses that add up over time rather than cutting costs.

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

In accordance with www.enzinearticles.com (31.March.14:12.00) priority should be made when choosing to cut costs business owners should plan ahead and not wait for a catastrophe, they should think outside the box and work towards achieving their vision and mission, shareholder and stockholder values. Marco (2010), further outlined that managers should consider the innovations required to cut these costs, they should consider if there are any expenditures to be cut and projects to be ceased or to be taken up. If there is really need to rationalize staff grade employees by value and do away with those that contribute the lowest value.

2.6: Summary

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

CHAPTER THREE

RESEARCH METHODOLOGY

3.0: Introduction

Chapter three seeks to explore methods and techniques that were used in collecting the data and information. It examines the means and methods used in collecting the data and information. This chapter overviews the research population and sample size used together with the approach, which the researcher used in analyzing the data and information. The chapter explores the research instruments employed in order to address the research objectives outlined in the review of literature.

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

3.1: Research Design

Creswell (2009) defines research design as the plans and procedures for research that span the decision from broad assumptions to detailed methods of data collection and analysis. He further outlines that there are three types of research design qualitative, quantitative, and mixed methods. Qualitative method-questions and procedures and data is collected and interpreted. Quantitative method-tests objective theories by examining of relationships against variables. Mixed methods-is a combination of both qualitative and quantitative.

Kumar (2005), categorizes research into three categories, descriptive research, correlational research, and explanatory research. Saunders et al (2007), defines research method as a process that involves the forms of data collection, analysis and interpretation that research propose for their studies.

3.1.1: Descriptive research

Dawson (2002) defines descriptive research as information oriented and aims to identify the situation, problem or attitudes towards an issue that exists at a particular time. The researcher

used descriptive research as research design as it allows her to assess the effects of cost cutting as a performance measure.

3.1.2: Advantages of using descriptive research

Descriptive research is useful in identifying the areas of research that can be used as an aid in analyzing abstract information where models cannot be developed Dawson (2002) .It is very flexible and reports on happenings.

3.1.3: Disadvantages of using descriptive research

Descriptive approach is too narrow as it has a lot of participants involved .The approach may be biased in that respondents may give the researcher answers which they feel the researcher needs to hear and some questions may be skipped when respondents feel that they are too difficult to answer.

3.1.4: Justification of using descriptive research

Descriptive design helped the researcher to apply different data collection techniques and have explanation provided on them. Although control cannot be established over the variables but the researcher can report on what is happening or what happened.

3.2: Case study

A case study is an intensive study of a single unit, with the aim of generalizing across a larger set of limits .It is a quantitative method and an infield research tracing investigations and properties of a single unit. Gerring (2009)

3.2.1: Advantages of using a case study.

Case studies focuses on a particular group this made the researcher to correctly understand a particular unit and explain it. They enjoy a natural advantage and serve a confirmatory role. Since the researcher used a descriptive research design a case study was more useful in forming descriptive inferences.

3.2.2: Disadvantages of using a case study

Since the research was a case study the researcher was only limited to a single unit, population was restricted to AHL. Case studies are not immediately conceived additional units may loom in the background.

3.3: Population

Saunders et al (2007), describes population as people, individuals, organizations or groups and communities. The target population will be employees who are involved in cost cutting measures implemented and those involved in decision making. Questionnaires were distributed to the relevant people, followed by interviews.

3.3.1: Population and sample

Sample elements	Target population	Target sample	%
Finance manager	4	1	25
Accountants	2	2	50
Accounting clerk	6	4	66
Administration person	4	2	50
Investment analyst	4	1	25
Agents	30	17	57
Total	50	27	54

3.4: Sampling

Sampling is selection of a part of the total population to be representative of the entire set of population. This results in more time to attain data to address a particular problem. Saunders (2007).

3.4.1: Sample size.

Jalil (2013) defines a sample size as the number of units in a sample. The population samples targeted are those in table 3.2 above. A conclusion may be drawn from the sample to achieve the

research objectives. The researchers choose twenty seven respondents which is a fair representation of the target population.

3.4.2: Sampling techniques.

The researcher used judgmental sampling because of the need to get information of those directly involved in the cost cutting measure. According to Kent (2007) purposive sampling is based on the researchers judgment, basing on the criteria used in relation to selecting the sample. Based on the sample who are involved in the day to day operations purposive sampling shall be used.

3.4.3: Advantages of purposive sampling.

Purposive sampling provided a wide range of non probability sampling techniques for the researcher to conclude on. Various sampling techniques provided different desired results which provide the researcher with justification to conclude from a sample under study.

3.4.4: Disadvantages of purposive sampling.

Purposive sampling was highly prone to researcher bias because of the fact that it was based on individual judgment.

3.5: Sources of data.

The information collected for the purpose of this study was both primary and secondary sources.

3.5.1: Primary data

When secondary data was not readily available, data was collected relevant to the particular study and research problem. What to look for and to ask about and collect depended on the research problem and design. In order to obtain reliable information about effectiveness of cost cutting as a performance measure, fieldwork was done in form of questionnaires, interviews and observations.

3.5.2: Advantages of Primary Data

Primary data was of critical importance for the researcher to obtain information about the effects of cutting employee related costs in AHL, since actual people involved were questioned hence more consistent with research objectives.

3.5.3: Secondary Data

Secondary information contributed immensely to the research effort as the researcher consulted AHL financial statements.

The researcher had to look at several sources of data available on the topic area of the study in question located. The researcher took data specific to research problem and made a judgment to use it or not.

3.5.4: Advantages of secondary data.

Secondary data was readily available in annual financial statements and reports therefore this saves time for the researcher.

3.5.5: Disadvantages of secondary data

The researcher did not collect secondary information for themselves directly from respondents therefore information was biased towards research since it was not collected for this research's purpose.

3.6: Research instruments

3.6.1: Data collection

The choice of data collecting techniques depended on overall judgment on which type of data was needed for the problem. To this end, several data collection techniques were used to obtain information after taking into account the reliability, and pros and cons, of each technique in data extraction. Questionnaires and interviews were distributed to the selected targeted audience within AHL.

3.6.2: Interviews

The research effort embodied the researcher carrying out personal interviews using the interview guide. All scheduled interviews were successfully done. This helped in real interaction, one-on-one series of communication between the researcher and the respondents. It gave first hand information on key areas of interest and corroborates literature review information.

An interview is a conversation between two or more people (The interviewer and the interviewee) where questions are asked from the interviewer to obtain information from the interviewee. Interviews can be divided to two rough types, interviews of assessment and interviews for information. The criterion used for conducting interviews was dependent on, time availability, the research expectations, level of involvement in the procedures. Dawson (2002).

According to Dawson (2002) there are three types of interviews that is structured, unstructured, and semi structured. This research used semi structured interviews to get information from respondents. These types of interviews are central to the practice of journalism and instructional design. Such interviews are also important to any non-fiction writer or researcher. In general the quotes and information gathered in these interviews are used in a publication or edited for broadcast. Such interviews only occur because the subjects have some interest in being interviewed.

Useful information on key areas was however obtained. In employing this data collection technique the following issues had to be considered, cost involved in successfully meeting appointment and executing the interview, time availability and honesty of responses.

3.6.3: Advantages of semi structured interviews

This type of interview allowed the researcher to get information about the effects of cutting employee related costs at AHL and answered the objectives of the research that could compared with information gathered from other respondents of interviews. One on one interviews were carried out.

3.6.4: Questionnaires

A questionnaire (with structured and unstructured questions) was designed, and used in this research . There was judicious balance between open ended and close-ended questions. Highly structured standard questions to which respondents were given the option to choose their responses and open-ended questions to which respondents gave their own answers and explorations were employed.

3.6.5: Advantages

Questionnaires made it easier for the researcher to administer the population since it included different departments and offices. They were found to save time for respondents to complete as they had other duties to perform and were also a cost effective way in analyzing primary data.

3.6.6: Disadvantages

Documentation and analysis was time consuming and the help of someone versed in qualitative analysis was required.

3.7: Validity and Reliability sampling

3.7.1: Validity

According to Saunders (2007) validity is the ability of an instrument to measure what it is supposed to measure. The researcher will use purposive sampling.

3.7.2: Reliability

According to Jalil (2013) a reliable sample should be 30% and above of the target population which has less than 100 sampling units. The sample size used was full representation of all departments in the company.

3.8: Data presentation

Data was both qualitatively analyzed in order to produce an informative project. Graphs and charts were used for analyzing the findings so as to identify important variables, their significations and allowing for literature review and interpreting them thereon.

3.9: Data analysis

Data was used to describe facts, develop explanations and test hypothesis. Interviews were interpreted to come with conclusions on the research area.

3.10: Chapter summary

The chapter outlined the methodology for the research project, which was based on the data sources, research design, and data collection instruments. It also highlighted the data presentation plan which shall be used in the following chapter.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0: Introduction

This chapter focused on the presentation and analysis of data gathered through the use of questionnaires and interviews. Data collected was represented through the use of tables, bar charts and pie charts.

4.1: Analysis of response rate of questionnaires

Based on table 4.1 the researcher managed to collect 25 questionnaires of the 27 questionnaires issued, this shows a respondent rate of 93% which is sufficient enough to be used for presentation and analysis of the research study. The unreturned questionnaires was as a result of misplacement, however this did not affect the overall results since it was more than the 30% cited by Dawson (2002) and can be viewed to be representative of the population sample.

Response rate of questionnaires

Table 4.1

Description	Questionnaires issued	Questionnaires responded	Response rate%
Finance Manager	1	1	100
Accountants	2	2	100
Accounts clerks	4	4	100
Agents	17	15	88
Administration	2	2	100
Investment analyst	1	1	100
Totals	27	25	93

4.1.2: Areas where costs are crowded on.

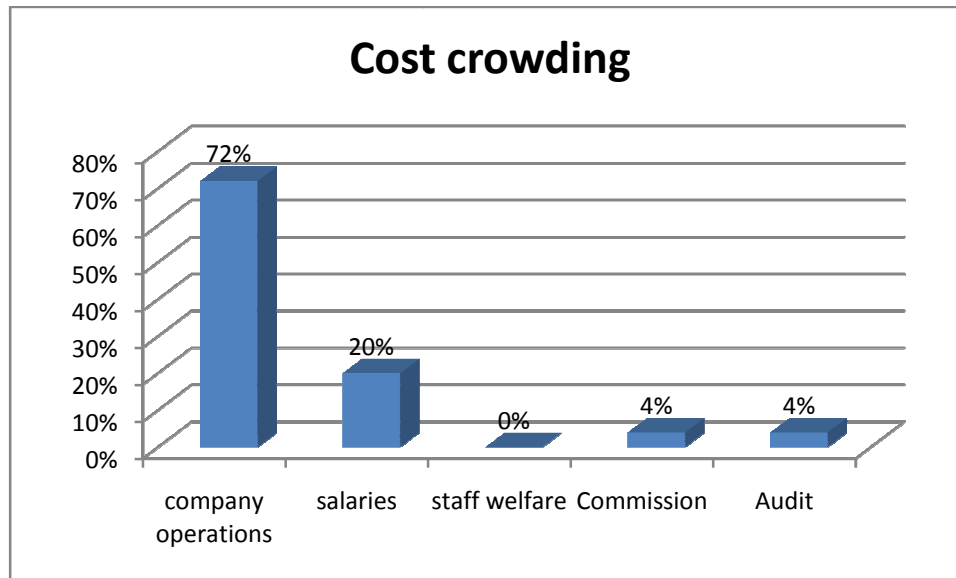


Figure 4.1: Areas where costs are crowded on.

The question sought to find out the area where costs are crowded on 72% viewed costs to be crowded on company operations that is utility bills, 20% viewed costs to be crowded on salaries, 4% viewed costs to be crowded on commission, 4% viewed costs to be crowded on audit, and no one mentioned staffwelfare. The greater part of the 72% who viewed costs to be crowded on utility bills, cited concern over rentals. Jensen (2012) states that business owners should negotiate for prices rather than reducing office space or closing down as this may affect employees negatively. He further highlighted that most landlords are willing to negotiate a price rather than lose a tenant. The entire 20% who viewed costs to be crowded on salaries cited concern over salaries for executives. Overall basing on the mode costs are mostly crowded on company operations, the findings of literature confirm that there is need for a company to engage in value analysis that matching costs to revenue generated thereof.

4.1.3: How best can costs be controlled.

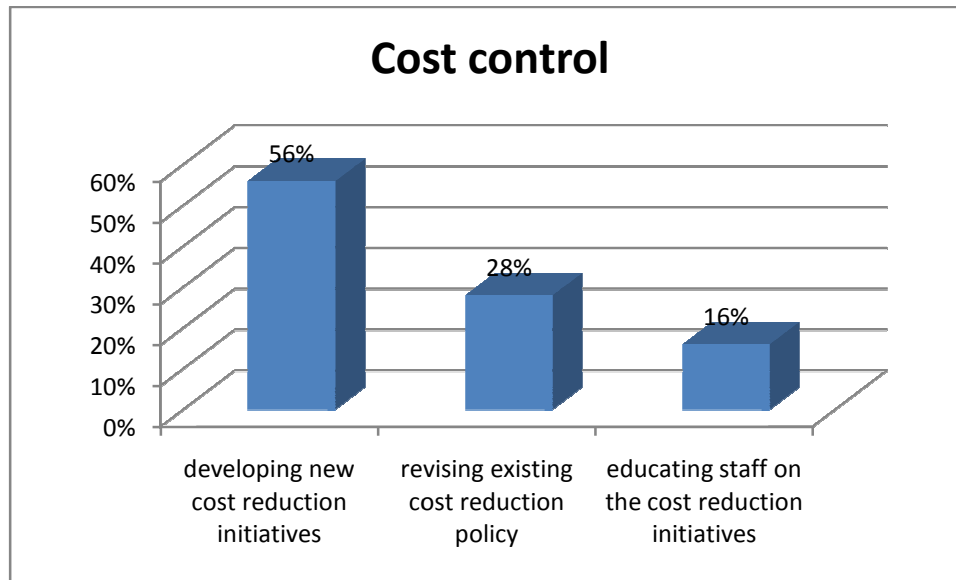


Figure 4.2: how best costs should be controlled

The question sought to find out how best costs can be controlled, 28% felt that there was need to revisit the existing policy, 16% felt that there was need to educate staff on the cost reduction initiatives and 56% agreed that the company should develop new cost reduction initiatives. This view is supported by the Deloitte (2007) who states that there is need for the development of an approach that totally streamlines costs and requires organizations to reorganize the way they do business and conduct business in a different approach and attitude for cost reduction to be successful. The 28%, who agree that the company needs to revisit existing policies, are not supported by Agrawal et al (2010) who states that cost reduction initiatives are too difficult to maintain over time and a company cannot rely on precedence and old technologies as these cannot protect the company from declining profits and stiff competition.

4.1.4: Responsibility for controlling costs.

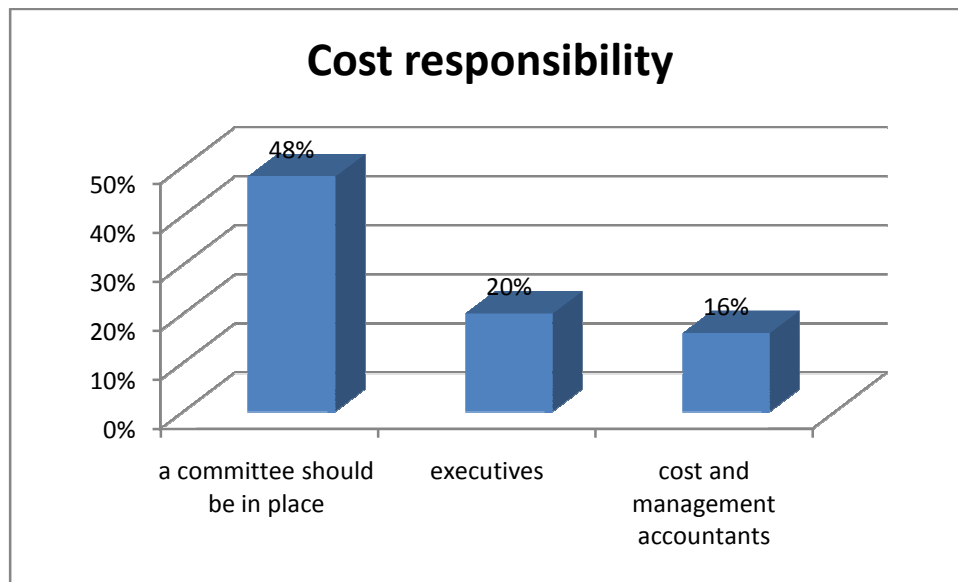


Figure 4.3: Responsibilities for cost control.

A view on who should be responsible for controlling costs was 48% who agreed that a committee should be in place, 20% agreed that executives should be responsible for controlling costs, 32% agreed that cost and management accountants should control costs. A view by the 48% who agree that a committee for controlling costs should be in place, is supported by Katzenbach (2008), Muchin (2009) and Bradford (2002) all authors are of the view that there is need to establish a committee that accommodates all employees updating them and giving them feedback. The committee is of importance since it facilitates communication channels for the successful implementation of cost reduction initiative and updates staff on their success and efforts on the initiative.

4.1.5: Area which costs can be trimmed down with the aim of improving company performance.

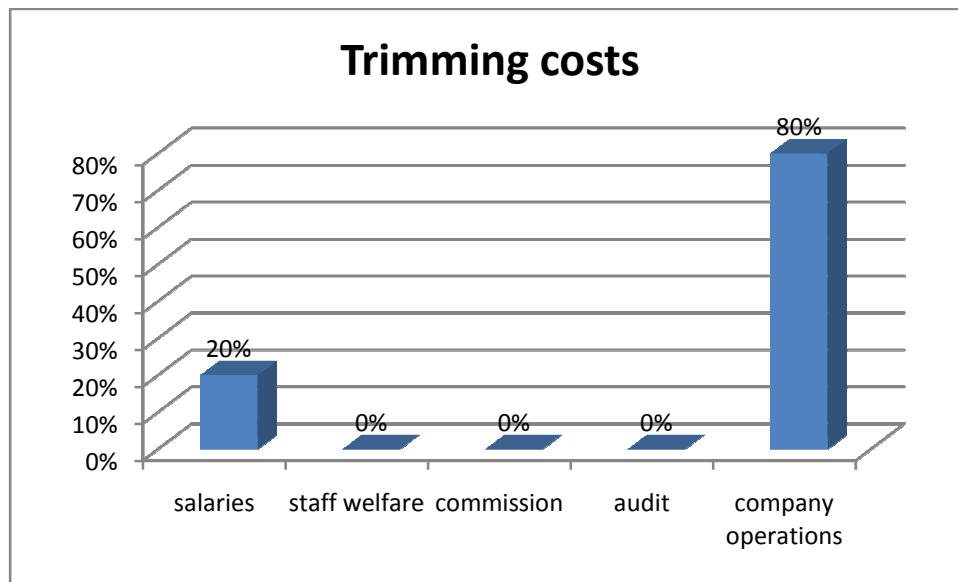


Figure 4.4: Areas which costs can be trimmed down

In a view by respondents on the area they felt costs should be trimmed down 20% agreed on salaries and 80% felt that company operations should be trimmed down this view is supported by Jensen (2012) who cited that business owners should consider reducing operating costs rather than cutting them as this has a negative impact on employees. There was no mention of staff welfare and commission.

4.1.6: Techniques implemented by the company with the aim of controlling costs.

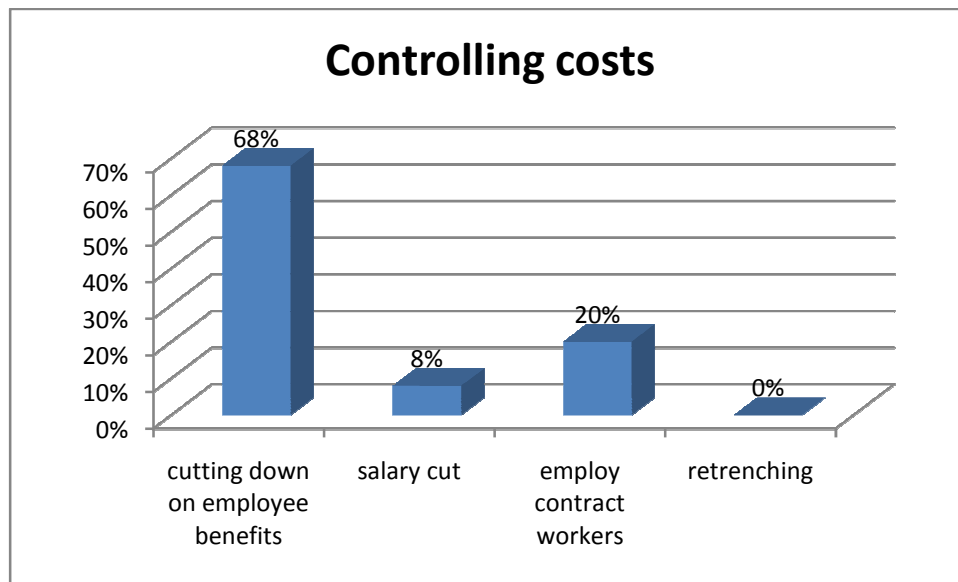


Figure 4.5: Techniques implemented by the company with the aim of controlling costs

This question sought to find the techniques implemented by the company with the aim of controlling costs, 68% cited that the company cut down employee benefits, 20% cited that the company employed contract workers, this was specifically for insurance agents, 8% cited that the company did a salary cut, this may be because employees lack knowledge of what really constitutes salary. The perks (grocery vouchers) that were removed were not part of salary but were part of employee benefits. According to Lee Marks (2010) cutting down employee benefits yields negative emotional commitment from employees as they may feel that the measures implemented were based on insatiability or incompetence's.

4.1.7:Ranking the techniques above in terms of being effective, very effective, not effective and not sure.

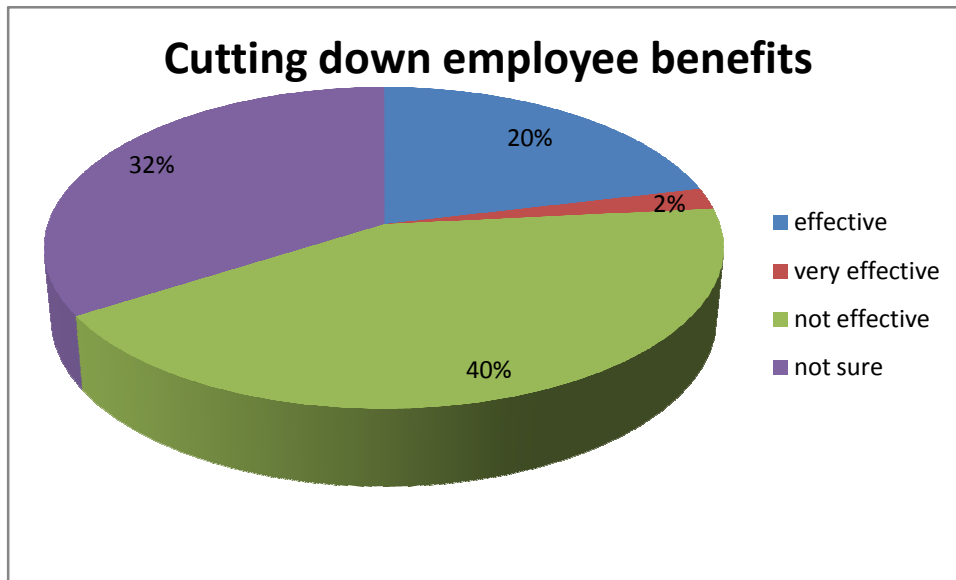


Figure 4.6: Cutting down on employee benefits

This question sought to find out the effectiveness of cutting down on employee benefits,20% agreed that cutting down on employee benefits is effective,8% agreed that its very effective,40% agreed that it is not effective and 32% are not sure.

4.1.8: Ranking the effectiveness of a salary cut

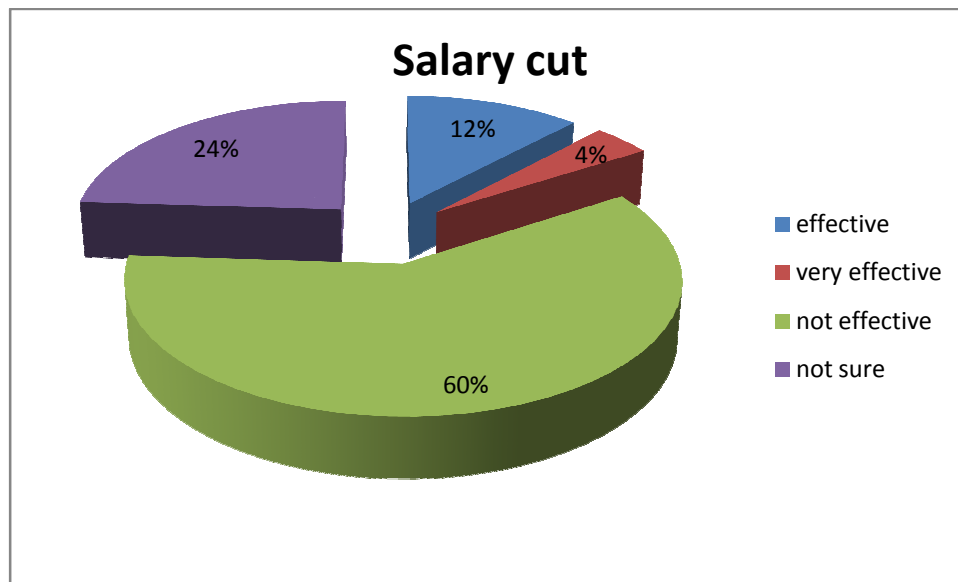


Figure 4.7: Implementing a salary cut

This question sought to find the effectiveness of salary cuts, 12% agreed that it is effective, 4% agreed that it is very effective, 60% agreed that it is not effective, and 24% were not sure.

4.1.9: Ranking the effectiveness of employing contract workers

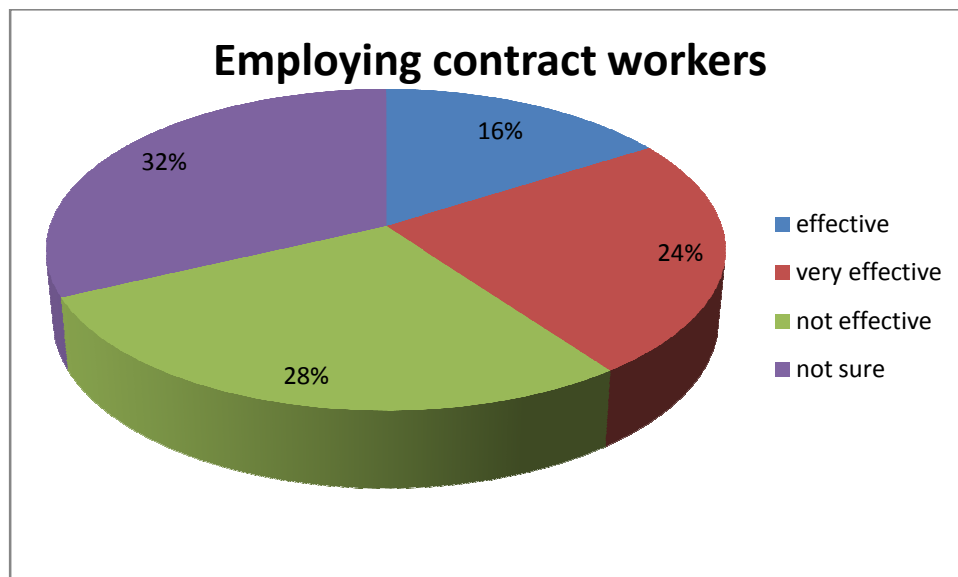


Figure 4.8: Employing contract workers

This question sought to find out the effectiveness of employing contract workers 16% agreed that it is effective, 24% agree that it is very effective, 28% agree that it is not effective and 32% were not sure. Employing contract workers demotivates workers as they feel that their effort is only required for a short period of time.

4.1.10: Ranking the effectiveness of retrenching.

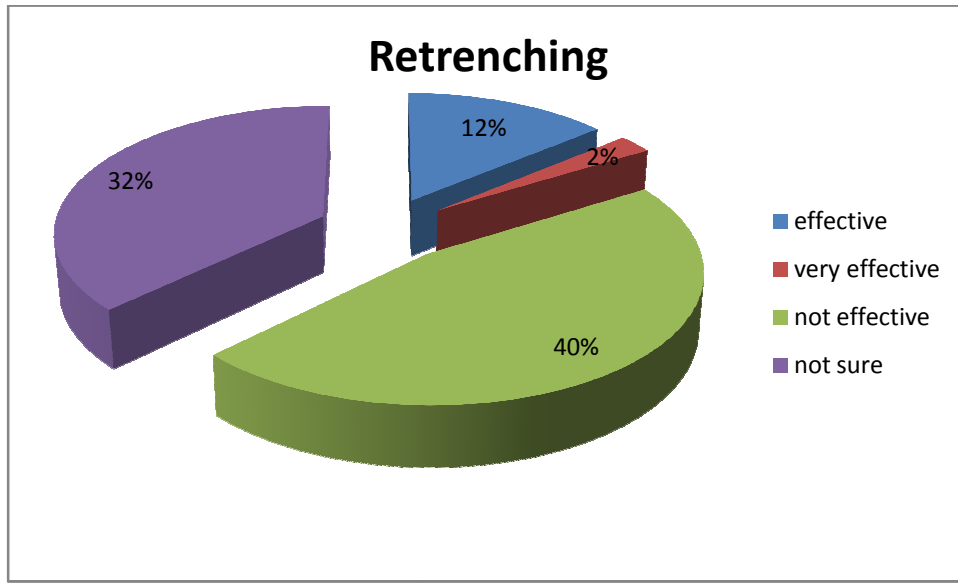


Figure 4.9: Retrenching

This question sought to find the effectiveness of retrenching 12% agreed that it is effective, 2% agree that it is very effective, were not sure, 32% are not sure, 40% agree that it is not effective, this view is supported by Berk (2010) who outlined that managers who retrench are not focused at attaining organizational objectives at the lowest costs.

4.1.11: Ranking the techniques above on whether they were fair, not fair or not sure.

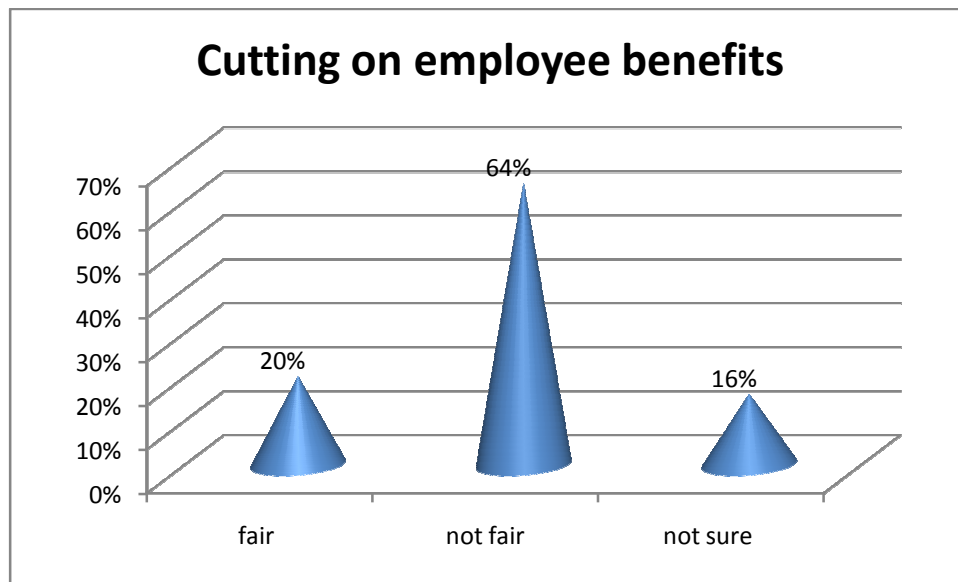


Figure 4.10: Cutting down on employee benefits.

A view of cutting down on employee benefits was that 20% agreed that cutting down on employee benefits was fair, 16% were not sure and 84% agreed that it is not fair. This view is supported by Katzenbach (2008) who states that cutting down on employee benefits may lead to negative emotional commitment as employees may feel that their effort is not being compensated.

4.1.12: Ranking fairness of salary cuts

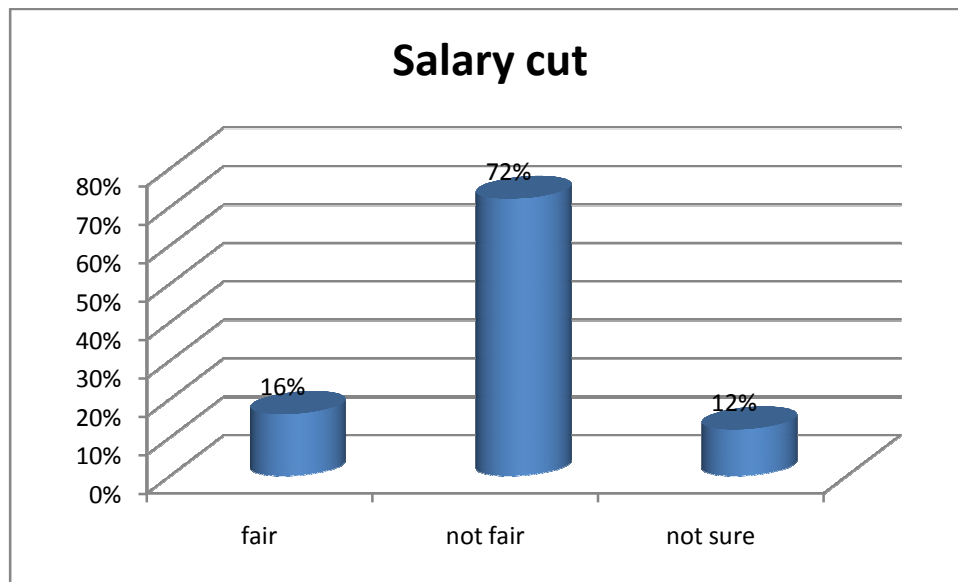


Figure 4.11: View on salary cuts

A view on salary cuts was that 16% agreed that cutting down salaries was fair, 72% agreed that it is not fair, 12% were not sure.

4.1.13: Ranking the fairness of employing contract workers.

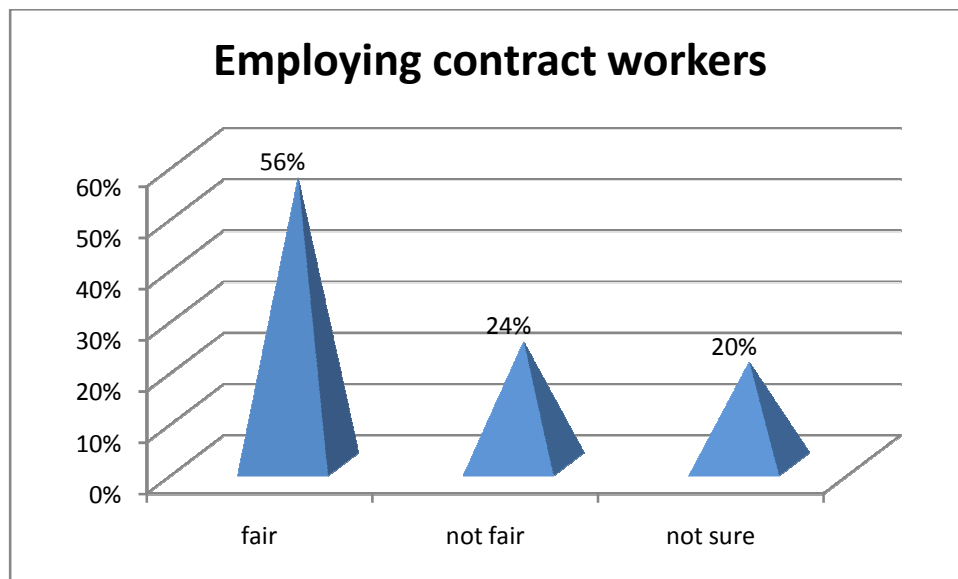


Figure 4.12: View on employing contract workers

This question sought to find the fairness of employing contract workers ,56% agreed that employing contract workers is fair, 24% agreed that it is not fair 20% were not sure. Employing contract workers demotivates employees.

4.1.14: Ranking the fairness of retrenching.

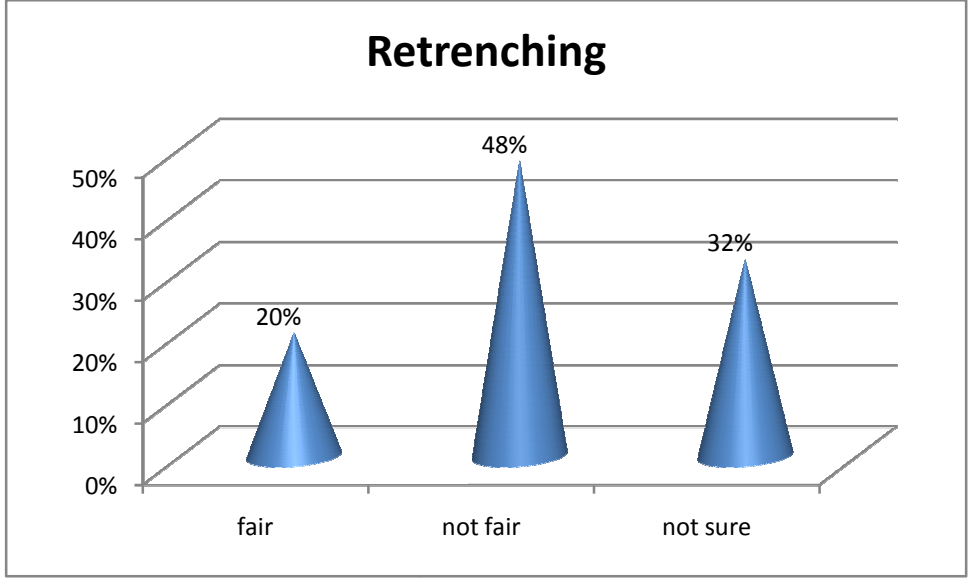


Figure 4.13: View on retrenching

A view on retrenching was that, 20% agreed that retrenching is fair, 32% were not sure, 48% agreed that it is not fair, this view is supported by Bechet (2008) who outlined that reducing staff is not a fair practice since it results in existing staff to have greater workload and work for longer hours due to the fact that work has not changed but people have been retrenched.

4.1.15: Impact of techniques chosen on employees

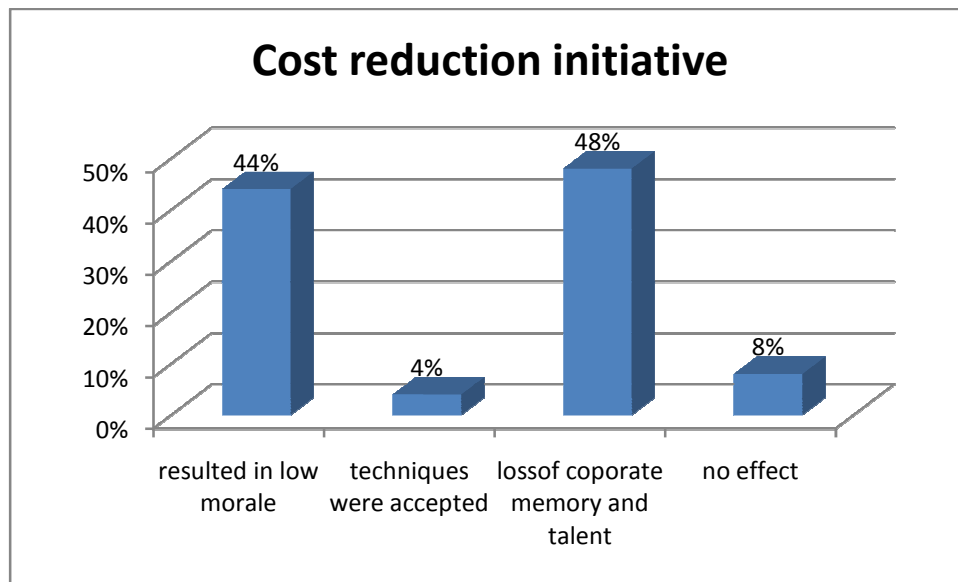


Figure 4.14: Impact of the techniques chosen on employees.

This question sought to establish the impact of the techniques chosen on employees, 4% cited that techniques were accepted, 48% cited that there was loss of corporate memory and talent and 8% cited that the techniques implemented had no effect, 44% cited that the techniques chosen resulted in low morale as employees felt that their effort was not rewarded, this view is supported by Katzenbach et al (2008) who states that company may ignore critical need to secure employee commitment when making cost cuts. The institute of management accountant is of the view that cutting costs can have a negative effect on employees resulting in loss of corporate memory and talent.

4.1.16: Impact of techniques chosen on company's performance

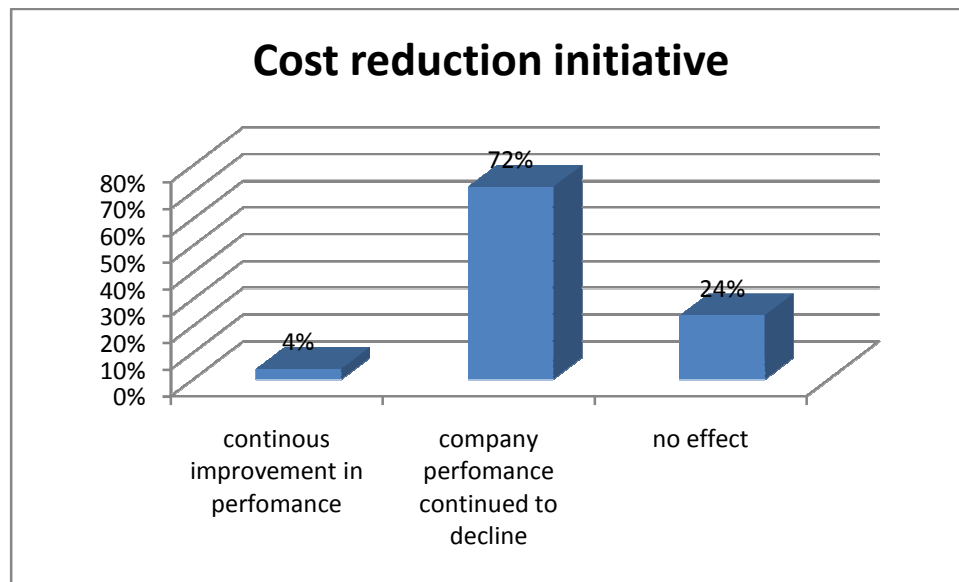


Figure 4.15: Impact of the techniques chosen on the performance of the company

This question sought to establish the impact of the techniques chosen on company performance, 4% highlighted that there was a continuous improvement in performance, 24% cited that there was no effect, 72% highlighted that company performance continued to decline and, this view is supported by Edmunds (2013) who states that reducing expenses in a reactionary manner can lead to consequences that do the business more harm than good, company performance may continue to decline.

4.1.17: Impact of techniques chosen have on AHL

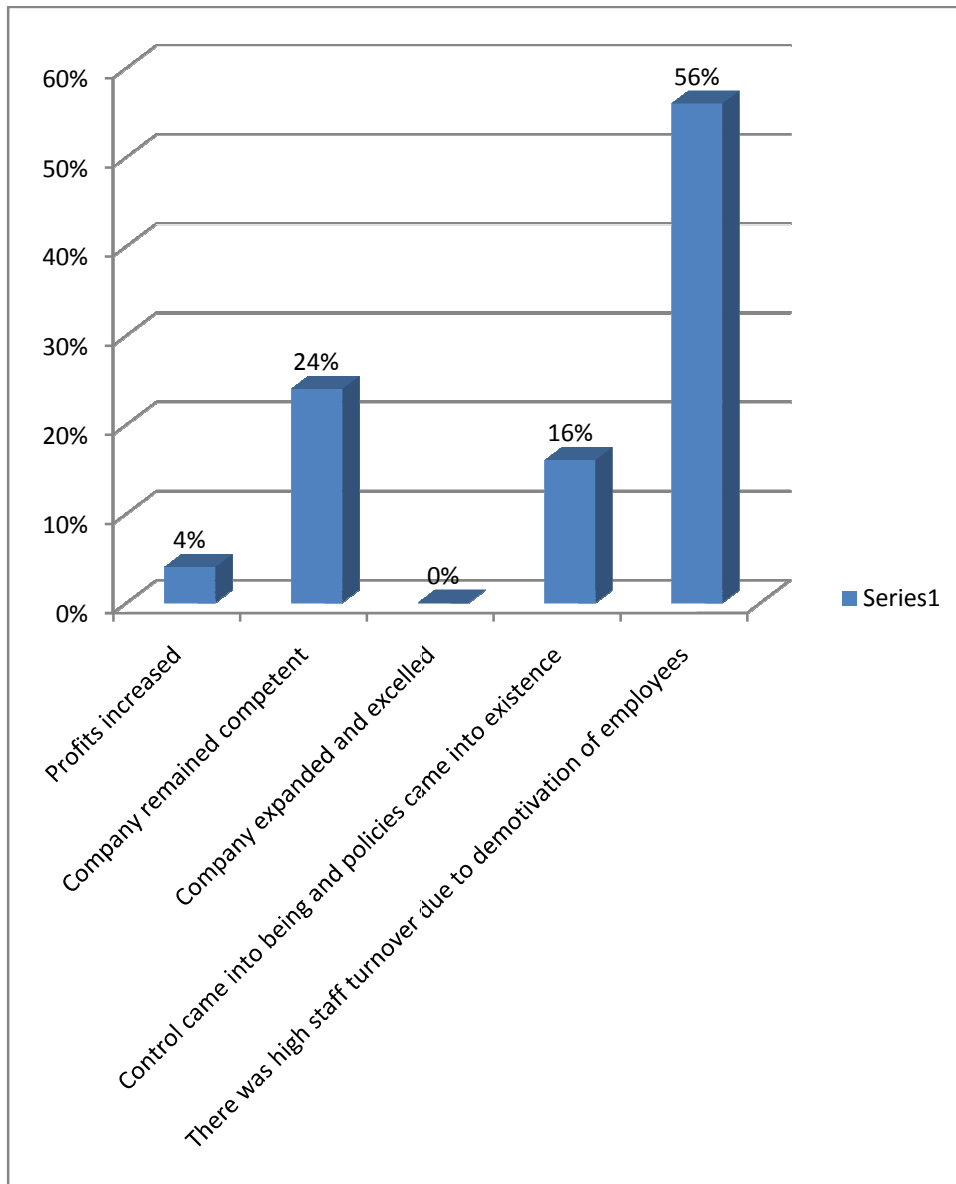


Figure 4.16: Impact of techniques chosen on AHL

This question sought to establish the impact of the techniques chosen on AHL as a whole, 4% cited that profits were increased, 24% cited that the company remained competent, 16% cited that control came into being and policies came into existence, 56% cited that there was high staff turnover due to employee demotivation, this view is supported by Rothberg (2012) who states that company's loose employees due to cost cutting initiatives as this results to demotivation of workers and as a result quality of work does not remain 100%.

Analysis of responses to interview questions

The researcher expected to conduct 3 interviews however 2 face to face interviews were conducted with 2 general managers at AHL.

4.2.: INTERVIEWS

4.2.1: The implication of cutting employee related costs on the performance of the organization

Respondent 1 highlighted that cutting employee related costs results in lack of employee commitment as they feel their effort is being compromised which negatively affects the performance of the company. Respondent 2 stated that cutting costs was indicative that the company was not performing exceptionally well in its operations and wanted to cut costs with the intention of increasing company viability,efficiency,and to expand infrastructure, however this was not sustainable or attainable as desired since company performance continued to decline. . Both respondents were of the view that cutting costs was only effective in the short run, however its effects are undesirable in the long run in terms of company performance since the company does not enjoy competitive advantage and quality and value may also be compromised in the process. It emerged from the interviews that cutting employee related costs led to detrimental effects on the company's performance and led to consequences that caused more harm than good on the part of the business performance.

4.2.2: The weaknesses of cutting employee related costs on the performance of the organization

Respondent 1 was of the view that cutting costs inhibits innovation and creativity on the part of the organization since employees will be demotivated and demoralized from this technique. Respondent 2 highlighted that cutting employee related costs may result in lost business opportunities and lost productivity .Cutting employee related costs may also result in high staff turnover and in turn derails the performance of the organization. It also results in lack of commitment by the employees. It emerged from the interviews that cutting employee related costs demotivates workers, reduces their morale and in turn inhibits innovation and creativity.

4.2.3: Alternative ways to reduce or control costs without cutting them

Respondent 1 outlined the need to match revenue with costs and eliminating costs and unnecessary tasks that do not add value to the overall business objective of making profit and ensuring that services will be offered at the lowest operating costs for example the Harare branch is operating at a metropolitan centre where there are high rentals as compared to revenue generated thereof. Respondent 2 highlighted the need for proper planning by management through maximizing resource utilization, just-in-time procurement, staffing, eliminating waste and removing redundant tasks. Respondent 2 also emphasized on the need to identify cost drivers since it facilitates the elimination and reduction of costs hence it gives a pillar for attaining cost efficiency for organization. He also highlighted the need to change the approach and attitude of workers, senior management must advocate for a changing culture and participation through coordination and communication between functions of cost control. There should be a high degree of personnel responsibility and employees should be educated on the merits of controlling costs rather than cutting them, this view is supported by Jensen (2012), who states that business owners should reduce costs rather than cutting them. Both respondents highlighted the need to cultivate an environment that is cost effective and efficient. Organisations can engage in value analysis or process costing by aligning costs to revenue generated thereof. It emerged from the interviews that there is need for staff development, change of approach and attitude of workers, proper planning by management, there is also need to identify cost drivers, as ways to reduce or control costs.

4.2.4: Factors to be considered before the company choose to cut costs

Respondent 1 highlighted the need to consider the goals that the entity seeks to attain from cost cutting measures implemented. The respondents also highlighted the need to involve employees in matters involving employee related costs because if they are not involved they may not act upon decisions made. Respondent 2 established the need to clearly identify the areas that motivate employees and avoid cutting costs on those areas but rather they should also consider looking at all processes and services within the organization for cost saving opportunities and consider reviewing cost control initiatives as a continuous process this view is supported by Katzenbach et al(2008), who states that companies need to develop a culture of continuous cost management improvement and stop considering cost reduction as a once off thing. All

respondents emphasized the need for communication between management and employees and highlighted the need for a cost reduction committee which gives feedback to the organization on matters relating to costs. Management should be involved from the onset as they play a vital role in making sure that policies are strengthened. It emerged from the interviews that to achieve a proper cost reduction initiative there should consider setting defined goals, assigning responsibility to it, communication between management and employees, aligning cost reduction strategies with business strategies, treating cost reduction as an ongoing process and not as a once off thing, and monitoring costs from all areas in the organization.

4.2.5: The impact of cutting employee related costs on employees morale

Respondent 1 was of the view that cutting employee related costs impacts negatively on employees as this reduces their morale; it also affects the company's efficiency which in turn compromises the delivery system as well as productivity. Respondent 2 was of the view that cutting employee related costs results in loss wars for talent, loss of corporate memory and performance. Both respondents were of the view that employees do not action their best performance as they feel that their effort is not being noticed or rather appreciated by the company.

4.3: Secondary data

The researcher also gathered secondary data from AHL financial statements for the year ending December 2012. The researcher found out that costs were high which resulted in the need for the company to cut costs. In addition to this a note by the auditors denoted citing the need for the company to manage its costs in order to cultivate a cost effective and efficient environment. Data gathered showed the following.

Table 4.2: AHLs financial statements.

Revenue	2012 (\$ millions)	2013 (\$ millions)	Variance (\$ millions)
Revenue (net premiums)	13.4	10.6	2.8
Expenses			
Operating costs	4.558	3.223	1.335
Claims	6.45	5.85	0.6
Commissions and acquisitions costs	1.625	1.114	0.511
Underwriting profit	0.767	0.413	0.354

Source: Extracted from AHL financial statements.

Analysis of secondary data

The table above shows that even after an effort by management to reduce operating costs and curbing employee related costs such as commissions, revenue declined down which led to underwriting profits declining as well.

4.4: Summary

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

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.0: Introduction

The purpose of this research was to assess the effectiveness of cutting employee related costs as a performance measure .The chapter focuses on outlining the summary, conclusions, as well as recommendations. The conclusions given follow after analysis of research objectives and recommendations are based on information gathered and findings made during the research and are expected to give an opinion to the company on the course of action which it may take.

5.1: Summary of the research

Chapter one looked at the introduction, it also emphasized on the background of study, the statement of the problem, research objectives, main research question and significance of the study. It also pointed out the delimitations, limitations, and solutions to the limitations. The study was impelled due to a decline in operational performance even after efforts were established to cut some costs. The main research question was an assessment of the effectiveness of cutting employee related costs on the viability and sustainability of the organization.

Chapter two highlighted what other authors had put forward on the research topic .The chapter also looked at the implication of cutting employee related costs on the performance of the organization. Alternative factors that should be considered when implementing cost cuts were also looked at. Most of the literature highlighted the need to secure positive emotional commitment from employees so as to achieve a well profound and strategic cost cutting measure and to identify other cost saving opportunities within the company. It also laid emphasis on looking at all costs from across the organization rather than focusing on employee related costs only.

Chapter three focused on the research design which was more descriptive in nature. It looked at the research methods that were used by the researcher in gathering information, the population sampling techniques, validity and reliability of data collected and the data presentation and analysis plan. The population sample was made up of accountants, clerks, administration

personnel, investment analyst and insurance agents and middle level of management was targeted for interviews.

Chapter four covered the data analysis and presentation of research findings .Raw data was gathered through questionnaires and interviews collected during the field research and were processed into meaningful information and were presented in the form of tables, graphs, and pie charts. Hence the basis for summary, conclusion and recommendation for the research was established.

5.2: Major research findings

The main research question was to assess the effectiveness of cutting employee related costs on the viability and sustainability of the organization.

-To assess the implication of cutting employee related costs implemented by the company.

- From the research it was deduced that cutting employee related costs results in lower quality goods and services, lost business opportunities and lost productivity since employees will be demotivated from the initiative.

-To identify the drawbacks of cutting employee related costs.

- The research revealed that cutting employee related costs results in not enough organizational commitment since employees will be demotivated

.-To identify other factors that may lead to the competitiveness of the organisation despite cutting employee related costs.

- The research also revealed that the company did not consider other cost saving opportunities and looking at all costs from across the organization such as reducing costs on utility bills, switching out light bulbs for energy efficient ones and reducing the amount of printing that the office does and using backside of old copies as scrap paper, Jensen (2012).

-To identify factors to be considered when choosing to cut costs.

- The research also revealed that proper implementation of cost reduction initiatives, educating and engaging employees in matters of cost cutting would also solve current challenges faced by the company.
- It was also found that there is need for a cost control committee that communicates with employees giving them feedback on issues of costs.
- The research also revealed that the best way to motivate staff and to cut expenditure without jeopardizing quality was to engage in value analysis.

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

- From the research it was deduced that the company engaged in cost cutting measure for employee related costs, which led to the demotivation of employees resulting in company performance declining.

5.3: Conclusions.

The research gave an insight into the assessment of the effectiveness of cutting employee related costs implemented by the company. The research sought to determine the effects of this measure on the performance of the company and possible alternatives. Literature revealed that the company needed to relook at all costs across the board and identify costs saving opportunities and consider reducing costs rather than cutting them. The company should consider cost reduction as an ongoing process not as a once off thing as highlighted by Bragg (2010) and addressing the relationship of costs and revenue generated thereof. The research was a success in that it managed to obtain the results of the objectives as set out in chapter one.

5.4: Recommendations

- The company should maintain a highly motivated workforce and consider setting up performance standards. The company should also consider addressing employees' needs, and should not target on cutting costs that impact employees negatively rather negotiate on reducing them and educating employees on the benefits thereof as supported by Jensen (2012) who highlighted that business owners should consider reducing costs rather cutting costs that impact negatively on employees.

- There is need for the organization to consider setting up a committee for cost control that meets regularly addressing matters on cost reduction initiatives giving employees feedback on those issues as supported by Muchin (2009) who cited that there is need to establish a cost committee that accommodates and updates employees.
- The organization should consider looking at all processes and services within the organization for cost saving opportunities and consider reviewing cost control as a continuous process, costs should be gradually be reduced so that employees do not feel the twinge of a once off cost reduction initiative as supported by Katzenbach et al (2008) who states that there is need for management to consider costs from across the organization, and Bragg (2010) who further highlighted that management should stop considering cost reduction as a once off event, but costs should gradually be removed through capitalization of cost saving opportunities.
- There is need for the company to prioritize involvement of employees who are directly involved in key processes as these are the people who are physically on the ground and can identify areas for cost control and facilitate for efficient and effective processing as supported by Jensen (2012) who states that companies may also engage into brainstorming with their employees since these are the people who are on the ground and can identify areas where money is being wasted and encouraging them in money savings as these may come up with best tips to save costs rather than rather than cutting them.
- The organization should avoid overcrowding of resources on company operations especially on utility bills such as rentals for example the Harare branch is operating at a metropolitan centre with high rentals of which this is not healthy for an emerging firm because costs are too high as compared to revenue generated thereof this view is supported by Marco (2010) who suggests that business owners need to assess its need for return and aligning costs to revenue generated.

5.5: Suggested area of further study

There is need to identify the causes of costs to be incurred, currently managers are concerned with controlling costs but ignore the critical need to identify cost drivers and tracing costs to their related units. Associating costs with their drivers controls the behavior of costs and is essential

for a company advocating for a cost reduction initiative hence the researcher identified “An evaluation of major operating cost drivers of an organization”, as an area of further study.

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APPENDIX 1
COVER LETTER



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

08 April 2014

To Whom It May Concern:

Ref: APPLICATION FOR AUTHORITY TO CARRY OUT AN ACADEMIC RESEARCH

My name is Ellen Bususu (R103528Q). I am a fourth year student at Midlands State University and I am carrying out research study, on “The effectiveness of cost cutting implemented as a performance measure at Altfin Insurance Company Limited.” The research is carried out in partial fulfillment of the requirements for the award of Bachelor of Commerce Accounting Honors Degree with Midlands State University. This questionnaire is meant to enhance my research. I kindly ask you to assist in responding to the provided questionnaire. All information supplied will be treated with confidentiality and will only be used for the purposes of the academic study.

Your positive response on this is greatly appreciated.

Yours Faithfully

APPENDIX 11
QUESTIONNAIRE



RESEARCH PROJECT QUESTIONNAIRE.

Instruction: Please tick the appropriate response box

General questions.

1. Which area do you think costs are crowded on?

- salaries staff welfare company operations e.g., utility bills
- commission audit

2. With regard to your response in question 1 above, how do you think these costs should be controlled?

- developing new cost reduction initiatives revising existing cost control policy
- educating organizational staff on the cost reduction initiatives.

3. Who should be responsible for controlling these costs?

- a committee should be in place executives
- cost and management accountants.

4. Specify the area with which you feel costs can be trimmed down with the aim of improving company performance?

- salaries staff welfare company operations e.g., utility bills
- commission audit

5. Which are some of the techniques implemented in your company with the aim of controlling costs?

- cutting down on employee benefits e.g., awards, payment of overtime, other perks
- salary cut employing contract workers retrenching

6. With reference to the techniques stated in 5 above, tick the appropriate rank:

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

7. With reference to the techniques above in question 6 above, tick the appropriate rank.

Technique	Fair	Not fair	Not sure
Cutting down on employee benefits.			
Salary cut			

Employing contract workers			
Retrenching			

8. What impact did the techniques chosen above have on employees?

- resulted in a low morale
- techniques were accepted
- loss of corporate memory and wars for talent
- no effect

9. What impact did the techniques chosen have on the companies' performance?

- Continuous improvement in performance
- no effect
- company performance continued to decline.

10. What impact did the techniques have on the AHL as a whole?

- profits were increased
- company remained competent
- Company expanded and excelled
- control came into being and policies came into existence
- there was a high staff turnover due to employee demotivation.

APPENDIX 111

INTERVIEW GUIDE



RESEARCH PROJECT INTERVIEW GUIDE

1. What is the implication of cutting employee related costs on the performance of the company?
2. What are the weaknesses of cutting employee related costs on the performance of the organization as a whole?
3. What are the alternative ways to reduce or control these costs without cutting them?
4. What factors should be considered before the company chooses to cut employees related costs?
5. What is the impact of cutting employee related costs on employees morale?