BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

THE IMPACT OF COST CUTTING STRATEGIES ON FINANCIAL PERFORMANCE OF FITWELL GARMENT PVT LTD.

BY

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The dissertation submitted in partial fulfillment of the requirements of the Bachelors of Commerce Accounting Honors Degree at Bindura University of Science Education.

2022

<u>DECLARATION FORM</u>

I Kudzai Adonia Kamutombiro 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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The undersigned certify that they have read, supervised and recommended to the Bindura University of Science Education for acceptance a dissertation entitled: **The impact of cost cutting Strategies on financial performance of Fitwell Garment Pvt Ltd.** The dissertation was submitted by Kamutombiro Kudzai. A (**B1953638**) in partial fulfillment of the requirements of the Bachelors of Commerce Accounting Honors Degree at Bindura University of Science Education

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DEDICATION

I would like to dedicate the project to my supervisor Mr Masinire and my Parents Mr and Mrs Kamutombiro for their incessant support and assistance throughout the course of the degree. I also dedicate to my brothers and sisters for their unconditional love and support towards me.

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ABSTRACT

The study's goal is to investigate the influence of operational cost-cutting methods on financial performance. The Fitwell Garment Pvt Ltd case study was used to examine the impact of operational cost reduction methods employed, identifying the elements influencing the cost reduction strategies' successful implementation. The literature on cost reduction from diverse scientists and writers was studied in this study. To obtain data from the organization, the research employed questionnaires and interviews. The study targeted 55 Fitwell Garment members; a total of 55 questionnaires were issued to Fitwell Garment workers, 45 of which were returned, yielding an 81.8% response rate; and two out of three senior persons were interviewed, yielding a 66.67% response rate. Data was displayed in tables, pie charts, and bar graphs, and analysis was performed, leading to conclusions. Data analysis demonstrates that Fitwell Garment's cost-cutting strategies have had a long-term beneficial influence on financial performance, but that financial strain would deteriorate before improving in the short term. The researcher's recommendations included strengthening existing cost-cutting methods and continuing to deploy cost-cutting measures. Fitwell Garment should also create controls to guarantee adherence to all current cost control procedures and policies, budget development, and the implementation of incentives and rewards for fulfilling budgets, according to the study.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter offers an introduction to the research issue that defines the main goal of the study, which is to attempt to confirm the influence of operational cost reducing measures on the financial performance of Zimbabwean manufacturing enterprises. The backdrop of the study, problem statement, primary research question, and sub research questions are the major components of this research presented in this chapter. This chapter will also provide the study's limitations, delimitation, acronyms, essential term definitions, and the chapter summary. Fitwell Garment (Pvt) Ltd will serve as a case study for the purposes of this study.

1.1 Background of the study

Fitwell Garment is a maker of protective clothing, PPE, and accessories. For the past four years, the company's financial performance has been decreasing, threatening its viability and sustainability. The primary goal of every corporation is to increase earnings while minimizing expenditures. Cost reducing is one of the tactics that a company may take to guarantee that it achieves its core aim, which is profit maximization, in order for it to exist (Laryea, H. 2016). Costs can be managed at some management levels; for example, senior management has the right to raise or decrease the number of personnel, including managers, employed. Some costs can be controlled, while others cannot. However, before implementing stringent cost-cutting measures, businesses should assess their prospects for improvement and cost items. According to Onduso (2013), financial performance is a key source of worry in all sorts of companies since it affects the company's existence. Fitwell Garment lost $56 000 in 2018 because its sales could not cover its entire expenses of $18 277 000. The loss, according to management, was caused by a rise in costs without an increase in financial performance. Management advised that operational cost-cutting techniques be employed in order to improve the company's financial performance (management meeting minutes, September 2018). On the 31st of January 2019, four months following management's advice to decrease operating expenses, cost-cutting techniques such as downsizing were applied, and one-fifth of total personnel had their contracts terminated. A examination of the management reports for the fiscal term from 2018 to 2019 reveals that financial performance has significantly declined despite the implementation of plans. Fitwell Garment suffered another loss in 2020, which management attributed to the Covid19 outbreak. According to Hagerty, S.L., and Williams, L.M.(2020), the 2019 coronavirus epidemic, known as Corona Virus Disease 2019 (COVID 19), was initially diagnosed on December 1, 2019 in Wuhan City, Hubei, China. The corporate world has been struck a major hit by Covid-19. Community mobility has declined drastically as a result of the government's quarantine rules, which have decreased buying power and stalled the country's economy. The government has taken several steps to safeguard the public from the risk of Covid-19 transmission. In March 2020, the virus extended to Zimbabwe. At the time, the President had established laws on Large-Scale Restrictions in line with Government Regulation 2020, which harmed many enterprises' production processes by forcing them to run at less than full capacity. The Covid-19 lawsuit has damaged the global economy. Due to Covid-19 limits, one-fifth of the staff were sent on leave. This resulted in a 15.5% decrease in revenue and a 15.3% decrease in expenditures. The deficit in 2020 will be $2 400 less than it was in 2019. Only two-thirds of those who were furloughed renewed their contracts in April 2021. The firm lost $5,000 at the conclusion of the fiscal year. Table 1.1 compares total income collected to total costs spent from 2018 to 2021..

Table 1.1 Comparison of revenue earned against total costs incurred at Fitwell Garment Pvt Ltd.

Item	**2018**	**2019**	**2020**	**2021**
Revenue	$18 221 000	$16 565 500	$14 000 000	$20 745 900
Total cost	$18 277 000	$16 623 500	$14 055 600	$20 750 900
Profit /(loss)	**$ (56 000)**	**$(58 000)**	**$(55 600)**	**$(5 000)**

Table 1.1 shows how Fitwell Garment Pvt Ltd suffered the unfavorable consequences of sustained operating losses. In the sales report (2021), the merchandising manager and the sales manager said that the rise in operational loss between 2019 and 2020 was attributable to a failure to fulfill

demand, fewer items available for sale, and a lack of sales and marketing professionals to secure clients.

1.2 Problem statement

Fitwell Garment is currently facing viability challenges and persistent losses, and problems persist in attempting to strike a balance between costs and financial performance of the company; thus, this study seeks to investigate the effectiveness operational costs cutting strategies as a performance measure.

1.3 Main research question

- ❖ What is the impact of operational cost cutting strategies on financial performance of manufacturing companies?

1.4 Sub research questions

- ❖ What variables should be taken into account while implementing a cost-cutting measure?
- ❖ What is the employee reaction to the implementation of cost-cutting measures?
- ❖ What effect does using cost cutting measures have on company production efficiency?
- ❖ What variables influenced the effective deployment of cost-cutting methods?

1.5 Hypothesis

H0. Cost cutting is not related to return on total asset.

H1. Cost cutting is positively related to return on total asset (ROTA)

1.6 Research objectives

- ❖ To determine the link between cost reduction and an organization's performance. To discover cost-cutting measures employed by the company.

- ❖ Identifying items to consider while decreasing expenditures.
- ❖ To ascertain the impact of cost-cutting on production efficiency.

1.7 Significance of study

The research is of importance to the student, to BUSE and to Fitwell Garment (Pvt) Ltd.

1.7.1 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 BUSE.

1.7.2 To BUSE

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

1.7.3 To Fitwell Garment (Pvt) Ltd

- Recommendations from the research will enable Fitwell Garment (Pvt) Ltd to identify other factors that may improve the performance of the company despite cutting costs.

1.8 Delimitations of study

- The research will be focused on one organization Fitwell Garment (Pvt) Ltd.
- The research will cover a limited period of years from 2018 to 2021.
- The researcher will be dealing with the production, sales and accounting department.

1.9 Limitations of the study

- Some information was kept private. The respondents used estimations rather than specific amounts in the source papers, prompting the researcher to seek secondary data such as public annual reports.
- Due to the nature of their professions, which may keep them engaged, cooperation from responders such as management and other staff may be a difficulty. In order to overcome this obstacle, the researcher will distribute surveys via email.
- Time limits - the time frame for doing the study is restricted, but the researcher will perform the research by email and phone.
- Because the study was done on a sample basis, data could not be acquired from the entire population as intended. To circumvent this, the researcher used the company's management and some of its workers to acquire some of the data required to get superior study findings.

1.10 Research assumptions

- During the course of the research, there were no substantial changes in the nature of Fitwell Garment.

1.11 Definition of terms

Downsizing – Downsizing in reducing the number of employees on the operating payroll.

Financial performance – is defined as the analysis of a company's success compared to its profitability.

Operational costs – these are the total of all expenses necessary to maintain normal production or services.

Breakeven – is the point at which total cost and total revenue are equal.

Furlough – A period of unpaid time off, used by an employer to reduce costs.

1.12 Acronyms

BUSE – Bindura University of Science Education

COVID-19 - Corona Virus Disease 2019

ROTA – Return on total assets

1.13 Summary

The chapter concentrated on the research's background, which highlighted the context of the challenges experienced by Fitwell Garment (Pvt) Ltd in the case study. The primary goal of this research was to assess the effectiveness of reducing employee-related expenditures as a performance indicator for Fitwell Garment. This chapter provided an overview of the study's history, a summary of the problem, and the significance of doing the research. The next chapter will provide a review of the literature used in the research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

A literature review is a piece of academic writing that demonstrate the understanding and knowledge of the academic literature on a specific topic placed in context. The main purpose is to help potential readers to determine the revevance of your work paper for their own research. A literature review, according to Maggio et al (2016), is defined as a synthetic review and summary of both the known and unknown pertinent to the subject under investigation, establishing the need for additional research. This chapter investigates the cost components that contribute to cost and cost change in order to comprehend the challenges that management has while attempting to create strategic cost-cutting strategies. It tries to reveal the reasons why losses continue to occur despite cost-cutting measures being implemented, as well as to identify the techniques that management may employ while implementing various cost-cutting procedures.

2.1 Overview of operational cost cutting strategies

Companies use operational cost-cutting strategies to reduce and regulate their spending in order to avoid wasted spending. Gichuki (2014) agreed, stating that lowering operating expenses ensures efficiency in firm output. Furthermore, Vorley and Keeney (2014) said that operational cost reduction strategies are management-designed ways for improving company financial performance by reducing operational costs in a way that does not threaten the organization's objectives and long-term goals. This is further supported by Wileman (2016), who defined operational cost reduction strategies as activities carried out to reduce operational expenditures while maintaining focused on the organization's long-term goals..

2.1.1 Costs

Costs are defined by Sharfman (2015) as materials, economic resources, physical materials, equipment, labor force, and any other resources required to get outcomes and complete work activities. The monetary worth of all costs involved in the manufacturing of commodities is referred to as costs. Service expenses are characterized as either fixed or variable. Fixed costs are costs that are unaffected by productivity levels. Variable costs are those that fluctuate with productivity, such as material costs.

2.2 Financial Performance

Financial performance is defined as a generic indicator of an organization's overall financial health over a certain time period that may be used to compare similar enterprises within the same industry or to compare industries or sectors in aggregate. Financial performance, according to Hafez (2015), is a subjective assessment of how a corporation may effectively employ assets from its core method of operation to create income.

2.3 Analyzing the need to cut costs

Companies in the industrial sector are facing rising operational costs. Profit motives, establishing competitive advantages, and greater resource utilization imply the need for manufacturing enterprises to reduce operating costs. According to Razak and Vattikoti (2016), in order to increase profit and share value, operational costs must be reduced, thereby improving the company's financial performance.

2.3.1 To enhance profitability of the company

The primary goal of the firm is to enhance profit, which is accomplished by using cost-cutting methods to lower operating expenses, consequently improving the company's financial performance, as stated by Ibrahim and Muritala (2015). According to Warusawitharana (2016), if a corporation employs cost-cutting strategies, it is more likely to achieve favorable results, hence improving its financial performance. Furthermore, in order to maximize profit, the corporation must keep operating expenses as low as possible, because profit is defined as the excess of income over costs. According to Wileman (2016), every organization has certain costs that are manageable and some that are not. Uncontrollable expenses are unaffected by the company's cost-cutting measures, hence these techniques are ineffective for increasing the company's earnings. He went on to say that decreasing operating costs reduces a company's future potential growth..

2.3.2 To gain a greater market share

Implementing operational cost-cutting measures allows the firm to lower prices because the expenditures that were influencing the cause of high pricing have been reduced, allowing enterprises to obtain competitive advantages and so increase their market share (Marx, 2013). Youming (2015) defined competitive advantage as the advantage a firm gains over its rivals by providing high-quality, low-cost products. Operational cost reducing techniques try to eliminate expenses that the organization may consider superfluous. Employee retention initiatives, on the other hand, must be included into the organization's strategic objectives and sponsored and supported by the leadership. Furthermore, turnover must be handled and turnover expenses must be successfully managed. According to Mahan et al (2018), companies must solicit employee input on their preferences, intents, and expectations. According to Nasir and Mahmood (2018), firms must provide stress-free workplaces that allow employees to maintain a work-life balance. According to Balamurugan and Abinaya (2016), good employee performance should be acknowledged and rewarded.

2.3.3 To increase utilization of resources

According to Maiga, resource utilization is the use of scarce resources to provide the most advantage with the least amount of loss (2013). According to Hafez (2015), operational cost-cutting techniques lead to higher efficiency ratios. The necessity for enterprises in the manufacturing industry to reduce operating costs is legitimate since these tactics raise cost awareness among employees, resulting in greater resource use and improved financial performance. However, as Chigara et al. explain, employing cost-cutting techniques might result in waste of resources and lower output (2013). Some cost-cutting initiatives, such as downsizing, may have a detrimental influence on the organization's financial success since it discourages personnel. Some personnel may disregard processes and rules. The researcher agreed with Hafez (2015) when he stated that the necessity to reduce operational costs in the industrial sector is acceptable since these tactics raise cost awareness among employees.

2.4 Cost cutting methods implemented by an organization.

According to George (2014), firms use the lean road to save expenses and change organizational structure, resulting in lean and efficient workplaces. In regard to this, Gensler (2016) stated that in order to stay afloat, businesses should announce layoffs as a cost-cutting measure. The National Social Security Administration of Zimbabwe laid off fifteen middle managers in order to streamline its operations (Maodza 2016). According to Sandy (2016), labor reduction is the process of removing positions inside an organization that is typically, but not always, followed by the firing of business executives with the goal of enhancing the company's performance. According to Noe et al. (2018), many businesses strive to cut expenses, and labor expenditures comprise a significant portion of a company's total costs, making it an appealing place to begin. Furthermore, he found that, depending on the amount and quality of the labor force, one of the areas where enterprises may drastically reduce their spending rapidly is labor costs. Mujtaba (2019) believes that as technology advances and more cost-effective solutions become available, global leaders and managers will continue to seek innovations and different organizational leadership structures in order to obtain a competitive edge. He also emphasizes that the advent of new technology has the potential to eliminate the demand for a big number of personnel. According to Bragger et al. (2015), when reducing the workforce, terms such as retrenchment or redundancy are often used interchangeably. However, while these processes frequently work hand in hand, it is not limited to those processes and can be achieved through alternative restructuring of activities such as outsourcing, recruitment freeze, furloughs, short working hours, and pay cuts. The parts that follow will look at how organizations use labor force reduction measures.

2.4.1 Layoffs

Employees are laid off due of tightening financial limitations or a labor shortage, not because of wrongdoing or poor performance. Yu, Chern, and Hsiao (2013) contend that timely personnel adjustment measures such as layoffs are ideal for boosting output performance in a company experiencing communication issues. Furthermore, Anderson and Lewis (2014) stated that emphasizing communication and reduced bureaucracy following the deployment of layoffs as workforce reduction techniques disrupts the pattern of behavior. Ivantsevich, Konopaske (2013), and organizations are at the center of layoff techniques to minimize the number of employees in order to prevent survival in deadlocks that endanger an organization's life. Furthermore, according to Neto (2018), organizational layoffs are intended to increase overall competitiveness and organizational efficiency, and they are commonly seen as the only method to preserve organizations from bankruptcy. According to Vapnek (2017), laying off staff is a rapid strategy to minimize labor-related expenditures when the company fails to compete. This idea is reinforced by the organizational turnaround literature, such as the work of Brauer and Tomi Laamanen (2014) and Tangpong, Abebe, and Li (2015), who argue that downsizing measures such as layoffs may assist a company effectively restore its financial performance. Vanevenhoeven and Barker (2013) reached a different result, stressing how retrenchment procedures such as layoffs are harmful to productivity recovery, implying that falling firms in unforgiving sectors cannot afford to claw their way back to prosperity. Zorn et al. (2017) said that firms that perform layoffs such as staff reduction exercises are more likely to quit sectors through bankruptcy, and that layoffs reduce the chance of the organization's survival regardless of the organization's design. Telford (2018) stated that layoffs and downsizing choices are typically the result of decreased sales or customer, cash, and material resources inside the firm rather than any specific fault of the employees.

2.4.2 Furloughs (Unpaid Leave)

Furloughs as a labor reduction tool, according to Vapnek (2017), lower spending by placing employees in a non-work and non-pay position when the business faces discontinuous occurrences such as economic crisis. Furthermore, he outlines how lowering the number of hours worked may help an organization guarantee that the hours spent are productive and that labor-related costs are reduced, resulting in increased profitability and competitiveness. He also emphasizes that employees thought the time off work was appropriate in times of economic difficulty. According to Zvoniocek (2013), furloughed employees experienced job satisfaction and job purpose when they returned to work following unpaid absence. Method of furloughs applied by corporations has its effects on the employee performance. Furloughs, according to Shepherd (2017), are connected with low production efficiency per employee and increase attrition rates because employees lack organizational commitment. According to Fraher (2013), furlough workers are distracted at work owing to increased stress, which leads to more mistakes and poor performance, resulting in lost production and waste. Furloughs, according to Bellairs, Halbesleben, and Leon (2014), require a strategic focus coupled with strong HR practices when a business is presented with operational challenges when the economy becomes problematic. Employees are critical resources to an organization. According to Fabiani et al. (2015), an employee's performance and work drive are impacted by a variety of factors such as individual ambitions and identities, hence furlough has no discernible effect.

2.4.3Outsourcing

The transfer of a corporate function to an external service provider is known as outsourcing. According to Antonioli et al. (2015) and Agrawl and Hall (2014), outsourcing is a labor force reduction approach that helps a company increase product quality and production efficiency. Wickford (2016), on the other hand, claims that outsourcing is related with job loss anxiety and employee instability, which reduces staff productivity. Furthermore, Cullinan and Zheng (2017) claim that certain actions resulted in time gaps for associated activities lasting up to three days, demonstrating how outsourcing can impair the effectiveness of product and service delivery to clients. According to Ho and Wei (2016), quality is a question of perception within the business, and outsourcing has no influence on product quality. Following the varied outcomes of an organization's outsourcing operations, the research aims to reveal the impact of outsourcing on Fitwell Garment.

2.4.4 Organization redesigning through delayering

According to Brauer and Laamen (2014), organization redesigning is the process of re-configuring an organization's structure with the goal of improving an organization's competitiveness, efficiency, and effectiveness. According to Hoyes (2014), organization redesigning is an efficient method for decreasing expenses while retaining an organization's capabilities. According to Kavadis and Castaner (2015), organizational restructuring focuses on the job, work units, and organizational strategy, as opposed to out writing, which heaps more work on fewer individuals. Swift (2016) outlines the detrimental impact of organizational change on employee morale and motivation, as well as the company as a whole, since it disrupts the typical way of doing things, as employees face obstacles in unlearning old lines of behavior and discovering and developing new work routines. According to Ashard (2016), survivors of organizational restructuring perceive their organization as a less than stellar employer, increasing the likelihood of significant staff turnover and knowledge loss. According to Anderson and Lewis (2014); Holton and Burch (2016), survivors of organizational redesigning are diverted to focusing on acquiring and knowledge transfer as opposed to the preferred scenario of employees applying knowledge that they already have, resulting in poor productivity and decreasing efficiency.

2.5 Other factors that may lead to the competitiveness of the organization

There are many other factors that lead to competitiveness of the organization despite labor cost cutting strategies. These factor are explained in full in the following sections.

2.5.1 Employee Performance

Employee performance, according to Mangkunegara (2015), is the consequence of work done by workers in terms of both quality and quantity in relation to the tasks allocated by a business. According to Pratama and Aima (2018), organizational employee performance is a measure of both quality and quantity that results in job execution in accordance with the duties allocated by the organization. Furthermore, Fahmi (2018) defines outcomes obtained by organizations, regardless of whether they are profit or non-profit making organizations, throughout a specific period. According to Pratama and Aima's study, what determines organizational workers' performance is their involvement in organizations (2018). Downsizing as a cost-cutting technique has a negative influence on overall organizational performance since it leads to staff demotivation and hence greater employee turnover. There are two forms of employee turnover: voluntary turnover and involuntary turnover. According to Zhang (2016), voluntary turnover occurs when an employee chooses to end his or her employment contract with the company, whereas involuntary turnover occurs when the business decides to end the employee's contract by retrenching the employee. Employee turnover, according to Rijamampianina (2015), disrupts organizational procedures and generates unnecessary stress on the remaining employees as they try to adapt with increasing burden. Employee turnover incurs unanticipated expenses associated with the recruitment and training of replacement staff, and it also poses a danger to organizational development and productivity, according to Rijamampianina (2015) and Akinyomi (2015). (2016). Job satisfaction, on the other hand, molds employees' excellent behavior toward the corporate aim. According to Sila and Sirok (2018), when employees are dissatisfied at work, productivity delays, absenteeism, and turnover occur. Employees become devoted to their work when variables such as a decent working environment, effective and efficient leadership, attractive salary, fringe benefits, job fit, and career growth are addressed appropriately (AI). Hassan and Mamun, 2017)

2.5.2 Activity Based Costing (ABC)

Simply put, activity-based costing is a technique that distributes expenses involved in developing a product. ABC categorizes cost drivers and cost pools in order to improve company financial performance by identifying indirect expenditures related to Bahnub services (2014). Furthermore, he noted that the ABC strategy should be applied in organizational operations since it is simple to quantify the true cost absorbed in developing that product because it comes up with cost per unit. ABC costing assists organizations in allocating high-value activities or products so that a cost-cutting strategy may be implemented to these operations to minimize waste and boost efficiency. When a high-cost product is discovered, organizations may more easily apply cost-cutting methods. However, as Maheshwari points out, activity-based costing is a tough way to implement as a cost-cutting strategy since it requires a lot of time and documentation on the calculations, which may not be suitable for small businesses looking to improve their financial performance (2015). ABC is not always reliable since not all activities can be clearly quantified in terms of costs. According to Sanni and Hashim (2013), in order for an organization to adopt the activity-based costing accounting approach, it must have appropriate resources and competent employees, which negatively lowers an organization's financial performance by raising its costs. ABC is also accused of failing to compile its financial reports in accordance with generally accepted accounting principles (GAAP). As a result, it is predicted that the business will at least employ another methodology to work with the ABC method, which will be costly for the organization and hence have a negative impact on financial performance. Furthermore, this ABC technique takes into consideration the computation of unneeded expenditures for an organization's decision making, therefore it does not improve a company's financial performance.

2.6 Factors to be considered when choosing and implementing cost cutting strategies

The successful application of operational cost reduction measures necessitates careful evaluation and management of an organization's connection with its employees, as well as good communication about impending changes and their consequences for employees (Datta and Basuil) (2015). The next subheading will examine literature on organizational transformation and labor force cost reduction, with a focus on organizational downsizing and restructuring.

2.6.1 Employee involvement

Employee participation is a helpful method for overcoming charge resistance by aiding the company in assuaging employees' anxieties about restructuring by actively engaging them in the process (Sahoo 2014). Employee engagement programs such as employee committees, suggestion systems, and interactive conversation, according to Applebaum et al (2017), assist minimize misunderstandings and misunderstanding among workers, hence reducing the spread of false stories. Employee participation, according to Chen (2019), is more of a mediator variable, in that it mediates the beneficial effect of psychological capital on employee performance, and employee involvement is vital for businesses to fulfill organizational goals. According to Shah et al. (2016), the success of organizational restructuring is dependent on the employees because the organization only makes and announces the decision, while the implementation of the changes is carried out by employees, emphasizing how the involvement of the implementer is critical to the success of any initiative. However, Kuafman (2015) stated that employee participation increases the organization's financial burden while raising employee fears about job security, which leads to ineffective concerned employees, proving to be costly to productivity and as an added expenditure.

In relation to this, Lam (2015) stated that involving employees in layoff discussions increases employee job insecurity compared to when they are unaware of the impending layoff, enunciating how involving employees in layoff discussions leads to employees worrying about their jobs rather than empowering them. The varied findings and perceptions of employee engagement as a vital component in facilitating the execution of labor force reduction efforts prompted the research to explore the factors influencing labor force reduction success on Fitwell Garment Pvt Ltd.

2.6.2 Communication

According to Kaur (2017), communication is viewed as the glue that connects all of the business's operations in order to create synergy throughout the organization. He went on to say that good communication fosters employee identification, as well as an openness and trust culture inside their firm. According to Motlou, Singh, and Karodia (2016), effective communication leads to staff engagement, collective commitment, and motivation, which finally leads to a high degree of employee retention. According to Applebuam, Kerelis, Hanaff, and McLaughlin (2017), good communication among workers enhances employee engagement to changes such as labor cost reduction initiatives by clarifying grey areas that may be raising concerns among employees. According to Applebuam et al. (2017), early communication decreases negative feelings among employees and limits the probability of inflated rumors about a planned change process to cut labor expenses. According to Haque et al. (2016), the organization's vision must be properly communicated in order to improve employee readiness to accept change. This will help both management and employees operate in unison because they are both aware of the desired result of the change initiative of lowering labor force costs. However, Drzensky and Heinz (2014) argue that, while companies try to communicate the positive aspects of layoffs, the question remains whether employees perceive it this way, given the poor performance of employees whose coworkers were laid off during the process, demonstrating how communication is not understood even when management makes efforts to avoid negative communication. Employees who are aware of an impending disaster, such as layoffs, experience increased uneasiness, which leads to inefficient output and blunders at work, according to Lam (2015). According to Arshad (2016), communicated labor force reduction might warn employees to possible psychological violations, which vary depending on the individual's level of subjugation orientation and mastery orientation. Given the ambiguous literature on the effectiveness of communication as a factor in effectively implementing labor cost reduction approaches, this study seeks to reveal the impact of communication on successful labor force reduction in Fitwell Garment.

2.6.3 Government Policies and Legislations

Government policies and legislation are the rules that govern how businesses function in a specific country. Government legislations and policies, according to Ibrahim and Muritala (2015), have both a positive and negative influence on the successful implementation of operational cost-cutting strategies. According to Madhuku (2013), the ZIMASSET strategy implemented in Zimbabwe from 2013 to 2018 encouraged enterprises to operate at reduced costs, eradicate poverty, and create value to the economy. Tshili (2016) emphasized that it is unlawful to lower worker pay in response to the government's planned policy to postpone the reduction of worker salaries and incentives over the next two years as a measure of operational cost saving to reduce government expenditure in Zimbabwe. Furthermore, the Zimbabwe Amended Labor Act (Chapter 28.01) encouraged the implementation of operational cost-cutting strategies by eliminating retrenchment benefits provided to employees after they are fired, resulting in increased downsizing as seen in the case of Fitwell Garment (Pvt) Ltd, which used government-enacted laws to lay off workers as a means of downsizing. According to Paul and Chowdhury (2020), the COVID-19 virus epidemic has prompted local governments to enact stringent measures to prevent the virus from spreading further. In accordance to this, Chamola et al. (2020) said that governments in many nations took rigorous measures such as obligatory national lockdown in order to isolate patients and minimize the rate of viral transmission. According to Seth (2020), huge decreases in output and employment have occurred as a result of government-implemented measures, with the record exceeding the decline seen during the 2008 Great Recession. According to Carletti et al (2020), the government has separated between necessary and non-essential industries, and only essential sectors have been permitted to continue, for which suspension and remote work have been ordered. According to Bolisani et al (2020), the propagation of the COVID-19 virus has provided further light on the possibility of a significant rearrangement of labor, as well as disclosed problems to be confronted. Physical separation and face masks may have an impact on efficiency in some work environments that require reconfiguration, leading to operational issues and work time readjustments, as described by Garlick et al (2020). According to Okorie et al (2020), steps have called for the establishment of work-at-home capabilities, the restructuring of industrial facilities and offices, and access to appropriate remote work technologies. However, Ali Abdallah (2021) emphasizes that distant labor reduces human interaction, limiting coordinating effectiveness. Furthermore, government actions may have a detrimental impact on the financial success of businesses. According to Mashakada (2016), the government has implemented a maximum wage bill in which companies are not allowed to pay employees less than the maximum wage bill; instead, companies must pay their employees more than the maximum wage bill, which has a negative impact on the financial performance of the companies.

2.6.4 Decisions made by shareholders

According to Ferri and Oesch (2012), shareholder actions have a significant impact on the organization's financial success. According to Maenpaa (2016), management can only make choices at the management level, but it must engage the shareholders for approval of such decisions since they have the ability to reject a decision that does not improve their wealth. This demonstrates that they positively contribute to the successful execution of operational cost-cutting measures. In support of this, Hafez (2015) stated that the shareholders' vote will impact the success of a cost-cutting strategy if it increases shareholder value, but if the approach decreases shareholder value, the strategy will fail. In this regard, Hiam (2015) proposed that shareholders, as the company's owners, have a significant influence on the manager's choice to reduce operating costs. According to Maenpaa (2016), shareholders are primarily concerned with the return on their investments, thus they have no effect on the effectiveness of operational cost-cutting measures since shareholders aim to balance the opinions of the board of directors and management..

2.6.5 Improper management of costs

According to Watson et al (2013), each department within the firm should guarantee that they have their own budgets that allow them to monitor and assess specified objectives. Berk (2013) remarked in this regard that they should be monitoring processes inside the firm to verify that the objectives of operational cost reducing techniques deployed are realized. The cost management team should develop budgets to assist them in analyzing any variances that may arise so that appropriate action may be done. If there is proof of negative variations, the senior management team should take appropriate action. Variances show areas where the cost management team must pay special attention in order to execute operational cost-cutting methods that will improve financial performance.

2.7 The effect of cutting operational related costs on production efficiency

When management faces economic difficulties, cutting operational-related expenditures is the greatest alternative, and this can have an impact on the organization's financial performance both adversely and positively. According to Warusawitharana (2016), employees will respond favorably if they are informed about the situation of the company's financial position prior to the execution of employee-related cost-cutting methods. The Herzberg Theory X and Y clearly shows how reducing employee-related costs affects a company's financial success. Theory X contends that some workers are motivated by money, but theory Y contends that some workers are self-motivated and solely aim to achieve the goals of an organization. According to Buhler (2015), lowering employee-related costs would demotivate and demoralize workers, resulting in poor performance and the manufacturing of low-quality products, which will have a detrimental impact on a company's financial success. According to Schindler and Cooper (2014), cutting employee-related costs comes at a cost because it demotivates employees, which leads to the production of low-quality goods, which affects the company's competitiveness, reducing the company's market share, and contributing to the decline in profitability. According to Chigara et al. (2013), reducing surplus staff through downsizing is an effective approach of allocating scarce resources, which enhances an organization's financial performance. The researcher agrees with Warusawitharana (2016), who claims that if a business warns employees before using employee-related cost-cutting methods, they will respond favorably.

2.7.1 The reaction of employees towards the cost cutting measure implemented

According to Buhler (2015), lowering employee-related costs is a cost-reduction approach that is commonly used in underdeveloped nations such as Zimbabwe to revitalize economies in the corporate environment. Employees react differently to operational cost-cutting techniques deployed, and their reactions will impact the company's financial success. Employee costs include a severance package, pension funds, bonuses, salaries, wages, commutations, and medical aid. Madhuku (2016) said that decreasing employee compensation as a cost-saving approach is prohibited by government legislation in the Labor Act (28.01), as a result of which employees respond adversely, resulting in a high percentage of labor turnover. If employees demonstrated against pay cuts and other perks, which resulted in workers vandalizing corporate property, as seen in Zimbabwe in 2008-2009. According to Mashakada (2014), decreasing employee-related expenditures in poor countries such as Zimbabwe may result in people leaving the nation in pursuit of better pastures, resulting in brain drain. However, it might be claimed that decreasing employee-related expenditures can improve a company's financial success. According to Chigara et al (2013), some employees would work more effectively once their incomes are reduced because they are terrified of losing their employment. According to Herzberg Theory Y, some employees aspire to achieve organizational goals, and reducing employee perks has no influence on the company's financial success. According to Tshili (2016), workers behave differently while under pressure, and when they are not under pressure, they do not adapt to the changing corporate environment. Tshili (2016) concluded that because employees react differently to this strategy depending on the country and location in which they work, it is possible to conclude that cutting employee-related costs as an operational cost-cutting strategy has no effect on the financial performance of the organization as a whole.

2.8 Labor force reduction relationship with ROTA

Researchers will evaluate the literature on workforce reduction and its influence on financial performance in the next part. Profitability, as measured by ROTA and ROE, is commonly acknowledged as a metric of financial success, according to Gandolfi (2013). Because corporations sometimes cut their personnel in an effort to minimize labor expenses and enhance profit margins, evaluating the change in profit as a proportion of sales may show progress or worsening of financial performance, as stated by Brauer and Laamanen (2014). According to De Muese and Dai (2013), assuming all other variables such as revenue and assets remain constant, further workforce reduction results in reduced operating expenses, implying that ROTA should rise. The part that follows will go through literature that uses ROTA as a measure of financial success.

Brauer and Laamanen (2014) discovered that smaller (5% - 14%) workforce reductions resulted in significant 4% to 8% increases in ROTA because salary costs were reduced without disrupting organizational procedures, whereas a larger labor force reduction exercise of 30% - 40% will result in 2% - 13% improvement in organizational ROTA due to major interference and changes. Raynaud (2012) emphasized that downsizing is positively correlated with an increase in corporate return on investment in the short term (general), medium term (3 years), and long term (5 years) with a steady rise, with the effect being more visible in non-listed organizations because they prioritize economic data over accounting data. According to Jung, Kim, Lee, and Yoo (2016), US enterprises that effectively downsized witnessed an increase in ROTA over the next two years, indicating a favorable association between downsizing and return on total assets.

Luan, Tien, and Chi (2013), on the other hand, discovered that labor reductions in both economic hardship and well-being are inversely related with return on total assets. According to Luan, Tien, and Chi (2013), while downsizing decreases costs through wage and pay cutbacks, it causes companies to be undersized by diminishing operational capability. Barker (2013) describes how cost-cutting tactics such as layoffs used to turn around an organization end up being more expensive than payroll savings and have a negative link with ROTA. According to MacDonald (2013), there is a negative association between downsizing and badly performing corporations having a rapid reduction in return on total assets, whilst ROTA of higher performing companies decreased little. Furthermore, Tangpong, Abebe, and Li (2015) said that the duration of work force reduction affects turnaround success prospects, and that late layoffs are negatively associated to rises in ROTA. Schinzer and Corey (2014) discovered a negative link between ROTA and downsizing-based justification, excuse, denial, and apologies.

According to Craggier (2016), organizations that cut human capital do not significantly improve or decrease return on total assets, return on total assets is unaffected, and the labor reduction strategy has no major influence on the effective use of available assets. Because there is no substantial turnover ratio change before and after workforce reduction, Hamed et al. (2013) verified that there is no association between downsizing and ROTA. According to Gandolfi (2013), labor cutbacks had no substantial influence on firms' return on total assets ratio. The ROTA measure, a research on the association between workforce reduction and financial performance, was inconsistent with a motivational study that assessed the influence of workforce reduction on Fitwell Garment Pvt Ltd's financial performance.

2.9 Review of Empirical studies

Empirical review entails using published articles and journals to learn about a certain inquiry (Long, 2014). Several writers have conducted research on the subject under consideration. Their results and conclusions will be analyzed by an empirical reviewer.

Olaleye and Solomon (2014) analyzed the cost management strategies used by manufacturing organizations in Oyerogba's research. The study analyzed data from 40 manufacturing businesses that were publicly traded on the stock exchange between 2008 and 2013. The findings indicate that there is a considerable beneficial association between cost management strategies and company performance in the manufacturing sector. Furthermore, empirical research shown that profitable manufacturing enterprises keep administrative overhead expenses low. When manufacturing organizations want to maximize earnings and increase wealth, the research suggests using a cost-cutting approach that focuses on production and administrative overheads.

Barbole, Yuraj, and Santosh (2013) investigated the influence of cost control and cost-cutting methods on the manufacturing industry. According to research findings, cost control and cost reduction efforts are required for firms to survive, grow, and succeed. Furthermore, they discussed different tools and approaches for cost and cost reduction, as well as did a study of the changes in component costs that occur following the use of the various techniques. The study is confined to the cost of materials; labor expenses and other overheads are not included in the analysis. As a result, the report recommends that manufacturing businesses use value engineering, budget control, and quality control to control and minimize costs in manufacturing facilities.

In his study, Lawal (2017) revealed that cost containment had a favorable influence on organizational performance. He investigates the influence of cost-cutting and cost-cutting approaches on organizational efficiency. With a focus on budget control as a cost-cutting and cost-controlling technique. He feels that the value of cost-cutting programs cannot be overstated and advises businesses to conduct periodic cost-cutting audits in order to identify and reduce unnecessary expenditures. The study revealed that in order for a business to achieve more profit growth through creating high-quality goods and services, expenses must be controlled and reduced to an acceptable level.

From 2008 to 2012, Gill, Singh, Mathur, and Mand (2014) investigated the influence of operational efficiency on the future performance of Bombay-listed businesses. The study discovered that operational efficiency, which is replaced for asset turnover, is positively related with future firm success using the weighted least squares technique of data analysis. Finally, Barus, Muturi, and Kibiti (2017) investigated the impact of operational efficiency on the financial performance of Kenyan Savings And Credit Cooperative Societies (SACCOS). The study analyzed primary and secondary data from 83 SACCOS that were actively operational from 2011 to 2015. According to the study's findings, operating efficiency showed a minor negative relationship with SACCOS's financial success.

Gichuhi (2016) investigated the effect of capital structure on the profitability of Nairobi Securities Exchange-listed enterprises. The study relied on secondary data gathered from annual reports of 36 publicly traded corporations from 2011 to 2015. According to the study's findings, operational performance has no meaningful association with company profitability. Memoona, Syed, Mobeen, and Muhammad (2017) investigated the impact of capital structure on non-financial enterprise performance in Pakistan. The study used data from 213 businesses registered on the Karachi Stock Exchange from 1999 to 2015. According to the full sample regression analysis of the study, assets turnover as a control variable has a significant positive effect on the company's financial performance as measured by ROA and ROE, but a significant negative impact on the company's financial performance as measured by the PE ratio.

2.10 Conclusion

This chapter examines the literature and an empirical review on the manufacturing industry's collecting system. The theoretical framework gave a descriptive picture of the research's key themes, whilst the empirical evaluation concentrated on research completed in other nations. The evaluated material was gathered from academic libraries, which contained the essential publications and textbooks. The major goal was to identify the previous scholar's results as well as the responses to the sub-research questions stated in chapter one. Because the literature was lacking, a research was conducted to analyze the impact of operational cost reduction measures on the financial performance of Fitwell Garment Pvt Ltd. The following chapter will concentrate on research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on research methodology used in analysing the impact of operating cost reduction measures on Fitwell Garment Pvt Ltd's financial performance. The chapter also discusses the research strategy, study design, target population, sample population, data sources, data collecting instruments, information validity and reliability, and data analysis plan. This chapter will help you achieve an educated conclusion by clarifying and structuring how the researcher analyzed, processed, and evaluated the data.

3.1 Research design

According to Creswell (2014), the word research design refers to the core plan or strategy of research and that the reasoning behind it will allow and validate the drawing of more broad findings. Cooper and Schindler (2014) describe research design as the strategy and framework used to address research questions. According to Rajaseker et al (2013), research design is the approach that researchers use to properly conduct research in order to create credible results while addressing research issues. The blueprint or framework utilized to help the researcher in performing their research, according to Pandey and Pandey (2015), is the research design. Almalki (2019) emphasized that study design is specifically focused on the intents, structure, and strategies for data collecting to fulfill the aim of the research within realistic constraints of place, time, and money. This study employs a descriptive technique since it is an effective way for analyzing the influence of operating cost reduction measures on financial performance.

3.1.1 Descriptive research

The descriptive research strategy, according to Rajaseker et al. (2013), involves both qualitative and quantitative data gathering approaches. According to Farthing (2015), descriptive design is a strategy for gathering data on the state of a phenomena in order to acquire meaningful explanations for the variables in issue. Thyer (2016) adds that descriptive research design assists researchers in learning about the variables used and forming a link between the variables. This study design is more suited since it mixes quantitative and qualitative approaches, and the shortcomings of one strategy, such as the mixed approach, are addressed by the other. To support this, Cohen et al (2013) stated that descriptive study design relies on existing data from interviews and statistical data, ensuring design flexibility. However, Creswell (2013) claimed that because this approach does not allow for statistical testing, it poses certain difficulties for the researcher. Despite its flaws, Creswell (2013) stated that its merits exceed its weaknesses since it includes both qualitative and quantitative data collecting methods in a manner comparable to other approaches. More integration options are available. This study design is significant because it is flexible. It also enables selecting research areas that can be used as useful tools in analyzing abstract information where trends cannot be developed Dawson (2002). However, the descriptive method is too slim because it has a whole lot of contributors concerned. This method can be biased in the sense that respondents may also offer the researcher solutions they think the researcher needs to hear, and some questions may be skipped when respondents feel they are too difficult to answer.

3.1.2 Validity of using descriptive research

The descriptive design helped the researcher to apply and rationalize the different statistical series strategies. Although control cannot be established over the variables, the researcher can document what is happening or what has happened.

3.1.3 Case study

The researcher is analyzing the influence of operating cost reduction techniques on the performance of manufacturing enterprises in Zimbabwe using a case study from Fitwell Garment Pvt Ltd. Because the researcher had to investigate only one unit of research, she adopted the case study technique. Case studies, according to Queiros et al. (2017), attempt to broaden the knowledge base for a given topic, and this technique is defined as popular in various sectors, including social sciences, applied sciences, education, and health. According to Algozzine and Hencock (2016), the descriptive relational case study is appropriate for research addressing complicated problems, as well as for relational testing to reach a conclusion from a realistically existent point of view. The use of a case study has the advantages of giving a heuristic influence on current issues, offering a full depiction of an entire condition, and allowing the researcher to calibrate statistical measures as Nueman suggests (2014). However, Queiros et al. (2017) emphasized the disadvantages of these case studies, stating that it is difficult to identify causation in order to reach meaningful results and can be difficult to generalize, especially when a limited number of cases are included. The researcher chose this strategy primarily because the data from the minutes of firm management meetings could be easily accessed.

3.2 Research population

According to Alvi (2016), a research population is any person who meets the requirements for a certain study to which a researcher wants their results to apply. Furthermore, Asiamah et al. (2017) said that the research population is defined as the complete group from which the necessary data should be acquired. According to the author, the participants should share at least one attribute of interest. Fitwell Garment Pvt Ltd's manufacturing, sales, and accounting divisions comprise the research population in this study. Employees at Fitwell Garment have firsthand knowledge of how cost-cutting strategies taken in the firm effect its financial success. The researcher utilized a target population of fifty-five employees, as stated in table 3.1 below.

Table 3.1 Target population

Population Description	**Size**
Accounting Department	4
Production Department	48
Sales and Marketing	3
Target population size	**55**

3.2.1 Census

Boeiji (2013) defines census as a means of gathering and evaluating data on members of a certain population in a methodical manner. The census's goal is to count everyone in the population rather than a select group in order to achieve a 100% answer. According to Saunders, Lewis, and Thornhill (2012), while sampling of the target segment plays a vital role in research in some circumstances, the approach has drawbacks such as sample bias, which limits researchers' capacity to generalize the results to the entire population. This concept was confirmed by Pandey and

Pandey (2015), who noted that sampling is prone to bias since it allows for the exclusion of some segments of the target population that may have distinct opinions that the sample population does not accommodate for. In terms of the intrinsic constraints of the sampling approach, Bryman and Bell (2015) discovered that there was a lack of accuracy in sampling, which lowered the dependability of the researcher's conclusions. The study encompassed all target demographics in order to establish conclusions on operational cost reduction tactics related to Fitwell Garment Pvt Ltd employees' performance and how employees felt about the methods utilized. According to Patten and Newheart (2017), the census entails gathering data from the complete target population for analysis, and this technique gives a true depiction of the full target population's views and opinions. Using the full target population assures that the researcher will acquire trustworthy data because sampling mistakes are eliminated (Nueman 2014). Suanders, Lewis, and Thornhill (2012) agree, emphasizing that incorporating every member of the target population increases statistical confidence in the findings. The use of an entire target population ensures that there is no potential for sampling bias in participant selection to affect the quality of an objective study (Myers 2013). The study included every member of the target group to guarantee that everyone was represented and that the findings and conclusions were as accurate as possible. The population to be counted is shown in detail in table 3.2 below.

Table 3.2 Population under Census

Group Descriptions	Target Population	Sample Population	Sample %
Accounting Department			
Director	1	1	100%
Accountant	1	1	100%
Clerk	2	2	100%
Production Department			
Management	1	1	100%
Supervisor(s)	3	3	100%
Line workers	44	44	100%
Sales and Merchandising			

Sales team	3	3	100%
Total	**55**	**55**	**100%**

3.3 Sources of data

Data is defined by Armstrong (2014) as either processed or unprocessed information. Researchers (Datta and Basuil 2015; Lahiri 2016) used secondary data to analyze the effects of staff reduction on financial performance and productivity. When researchers (Applebuam et al 2017; Gracia-Cabrera and Hernandez 2014) attempted to ascertain the reaction and feelings of employees regarding such change plans as workforce reduction, they used primary sources of data obtained through interviews and questionnaires, so the researcher decided to use both primary and secondary data sources as input to the research process. The utilization of a combination of secondary and primary data sources promotes contextual data comparison, allowing the researcher to compare data acquired with secondary sources (Suanders, Lewis and Thornhill 2012). The research emphasizes original data while also drawing on secondary data.

3.3.1 Primary sources of data

Primary data, according to Armstrong (2014), is the most essential technique of data gathering since it includes the original information collected from the source. According to Newheart (2017), primary data collection is the collecting of data directly from a sample of the population, and this data is available in its original, unprocessed condition. Field surveys, interviews, and unpublished records such as board meeting minutes are examples of primary data sources (Myers 2013). Swanders, Lewis, and Thornhill (2012) underlined the need of obtaining first-hand raw data when investigating underdeveloped regions in order to improve the study's reliability and validity. To acquire firsthand information from Fitwell Garment Pvt Ltd personnel, the researcher employed closed-ended questionnaires and structured interviews. According to Myers (2013), the data collected using this approach is trustworthy since it has not been lowered as a result of not passing through numerous channels throughout the communication process. The author went on to say that employing primary data sources indicates the depth and worth of the study that it brings to the table, because primary data is obtained that is unique to the researcher and the specific research.

3.3.2 Secondary data sources

Secondary data, according to Armstrong (2014), is data that is already public and utilized for other reasons inside an organization, such as yearly financial statements. Their primary advantage is that they are easily accessible in corporate records. Cooper and Schinder (2014) define secondary data as data that has been produced by other academics and is easily accessible to the public. Secondary data, according to Bryman and Bell (2015), can be utilized to provide differentiated information, further research, or conclusions. Fitwell Garment Pvt Ltd financial statements, management accounts, management reports, and business profile were utilized by the researcher to conduct a thorough analysis of the influence of operating cost reduction measures on the firm's financial performance. In addition to saving money and time necessary to conduct large-scale interviews and surveys (Myers 2013), the use of secondary data offers the benefit of data permanence, which allows the correctness of findings to be checked by an independent party and allowing the unexpected discovery to be made (Sunders, Lewis & Thornhill 2012).

3.4 Research instruments

According to Rusere (2017), research instruments are tools and procedures that enable researchers to conduct relevant studies and collect important information that is not available on public websites, published articles, or journals. Rowley (2014) said that the research instruments used by the researcher will affect the relevance and credibility of the information generated. In order to solve the research topic, the researcher used questionnaires and interviews to collect information for this study, which supported the researcher in assessing the various replies supplied by the target population..

3.4.1 Questionnaire

A questionnaire, according to Patten and Newheart (2017), is a written document including open and closed questions to which persons in the sample are supposed to respond. The researcher employed open and closed questions to offer trustworthy information on the influence of operating cost reduction measures on Fitwell Garment Pvt Ltd's financial performance. According to Hair (2015), the primary justification for using questionnaires is because they standardize the replies supplied by respondents and focus primarily on the research topic. According to Relethford, open-ended questions are those in which respondents express their opinions by responding them, whereas closed-ended questions are those in which respondents pick from the answers offered (2013). According to Bryman and Bell (2015), questionnaires are cost-effective since they take less time and may be completed in the absence of the researcher via mail, the internet, or self-administered surveys. The surveys provide respondents enough time to jot down their thoughts that they believe are relevant in assessing the impact of cost-cutting measures on financial performance. The use of questionnaires also reduces prejudice since respondents receive responses to the questions without being questioned. Respondents, on the other hand, may take a long time to complete the questionnaire, which is time-consuming. When utilizing the questionnaire, communication is one-way. As a result, when confronted with a stressful study topic, respondents calmed; nonetheless, they occasionally perceive questions differently. To compensate for these shortcomings, the researcher also performed face-to-face interviews. Cooper and Schindler (2014) describe a questionnaire as a research instrument that includes a series of questions as well as additional hints meant to acquire information from a certain group. The researcher employed a series of calculated questions to generate data that was necessary to meet the research goal utilizing a questionnaire. The primary goal of this study was to identify the impacts of cost-cutting methods on the financial performance of Fitwell Garment Pvt Ltd, therefore given the nature of the target, a quantitative analysis was necessary, so the researcher used a closed questionnaire.

3.4.2 Likert scale

According to Gussa and Morgan (2017), Rensis Likert established the Likert scale approach to gauge sentiments about certain groups, concepts, and organizations. The Likert scale is a mechanism for scaling the respondent's responses. Different concepts are given particular ratings, which are then integrated to produce an intermediate understanding of the issue raised by Leary (2016). According to Gliner et al. (2017), the five categories of a Likert scale are as follows:'strongly agree,' 'agree,' 'uncertain,' 'disagree,' and'strongly disagree’.

Table 3.3 Likert scale

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

S*ource: William and Bernstein (2019)*

The table above depicts the numerous approaches that participants might use in responding to the questions and answers provided. The Likert scale allows researchers to collect people's opinions and experiences in order to examine the influence of operating cost reduction measures on Fitwell Garment's financial performance. According to Bertram (2015), Likert scales are less time-consuming and more dependable than traditional scales, and they are built to answer the specific emphasis of study objectives. Simms, Zelazny, Williams, and Bernstein (2019) noted that a likert scale is simple to create and is likely to generate a highly trustworthy scale. However, they added that validity on this scale may be difficult to show, and there is a lack of repeatability.

3.4.3 Interview

An interview, according to Abawi (2015), is an objective discourse between two or more participants with the intention of offering feedback on a specific subject. According to Bertram (2015), face-to-face interviews are the most effective way for gathering high-quality data and are especially versatile when compared to other approaches. According to Raylethford (2014), the researcher can make it easy for participants to answer to the questions. The author categorizes interviews into four types: structured interviews, in-depth interviews, focus group discussions, and semi-structured interviews. The researcher took notes and asked pertinent questions about Fitwell Garment's cost-cutting strategies and how they were influencing the company's financial performance. Each interview lasted around 10 minutes, allowing the researcher to gain a better understanding of the situation.

3.5 Accuracy and reliability

Validity is defined by Bacon-Shone (2015) as the extent to which selected data collecting technologies properly measure the relevant notion. The researcher validated the validity of the questionnaires and interviews by pre-testing them, as advised by Bacon-Shone (2015), to ensure that the questions were adequately long, intelligible, and unambiguous, and then altering the questions as needed. Creswell (2014) defined dependability as the capacity of a research instrument to produce steady and consistent outcomes. According to Singh and Masuku (2014), the sample size should be at least 50% of the target population. According to Patten and Newheart, using structured research questions ensures the trustworthiness of the information since it eliminates the possibility of researchers' variability in asking and interpreting replies (2017). This is reinforced by Brynam and Bell (2015), who claim that standardizing queries and responses eliminates contextual variations in search.

3.6 Linear regression model

The researchers outline the methodology that was utilized in the study to establish the association between labor reductions and financial success as evaluated by ROTA in this section. Previous studies (Braure and Laamanen 2014; Gandolfi 2013; Hamed et al 2013) used a general linear model that included, but was not limited to, linear regression and a paired t-test to examine the association between workforce decrease and ROTA. The study used a linear regression model to test the hypothesis that there is a positive association between workforce reduction and ROTA; the model's usage was influenced by De Muese and Dai (2013) and Braure and Laamanen (2014))

3.6.1 Dependent variable

The dependent variable in this study is financial performance, as represented by ROTA, as indicated by Craggier (2016), Brauer and Laamanen (2014) in their investigation of the association between workforce reduction and ROTA.

ROTA = net profit divided by total assets

3.6.2 Independent variables

Layoffs = Decrease in number of employees

Furloughs = Number of days off work

Outsourcing = Number of employees and production process outsourced

Delayering = Number of middle managers removed from the organizational structure

3.6.3 Multiple linear regression Model

ROTA = α + β layoffs + β furloughs + β outsourcing + β delayering + ε

α = (alpha) being autonomous ROTA

β = (beta) representing the rate of change

ε = uncertainty the change in ROTA not explained by the independent variables included in the model

3.7 Ethical considerations

According to Bryman and Bell (2015), ethics emerge at every level of business research and cannot be disregarded since they are directly tied to the research's integrity and the discipline involved. Fitwell Garment Pvt Ltd gathered data for research purposes solely and is not utilized for any other reason. Patten and Newheart (2017) stressed the necessity of preventing habituation, which puts participants' physical and emotional safety at risk. To prevent risking the employee's job security and personal safety, the researcher kept the participants anonymous and secure by not including the identities of the study participants. The researcher maintained all essential confidentiality and did not include any conclusions or data in the study without the Fitwell Garment Pvt Ltd's knowledge. First, the researcher had to gain authorization to do study within the firm and keep the organization's data secret. To ensure anonymity, the researcher only shared the data obtained with the supervisor and ensured that it was stored in a safe manner to avoid circumstances in which other persons had access to this material.

3.8 Data presentation and analysis

Data analysis, according to Armstrong (2014), ensures that patterns and sequences are created from the obtained data so that relevant conclusions may be reached. According to Loeb et al. (2017), when it comes to presenting data to the public, researchers have many possibilities. The inclusion of illustrations aids in the comprehension of the massage being performed. To show the data obtained by the researcher, bar graphs, line graphs, and pie charts were employed as visual aids. Tables, according to Leob et al. (2017), are also effective in circumstances when the researcher must display a big quantity of data in order for the reader to reproduce the data to a certain source.

3.9 Summary

This chapter concentrated on the techniques for gathering raw data. The study employed descriptive research methodologies. The major methods of data collection were interviews and questionnaires, and the study design, sampling strategies, research instruments, research participants, and how the data would be utilized to acquire relevant data to fulfill the main purpose of the research subject were all examined. During the data collection process, ethics were also considered. The next chapter focuses on the results' analysis, and data presentation.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter focuses on the presentation and analysis of data gathered via surveys and interviews. The Fitwell Garment (Pvt) Ltd data was portrayed using graphs, percentages, tables, bar charts, and pie charts.

4.1 Presentation and analysis of data collected through questionnaires

The population response rate and the data collected through the questionnaire methods are presented in the following subsection. The responses are discussed in more detail in the following sections.

4.1.1 Response rate

The information was gathered through interviews and questionnaires. The researcher focused on a population of 55 staff members in the study, and 45 of the 55 questionnaires were returned, producing an 82% response rate. Dawson (2002) underlined that any outcome greater than 30% had no effect on the overall outcome and may be considered typical of the sample. According to Creswell (2014), any proportion above 50% is appropriate for suggesting and finishing study. The researcher handed 55 questionnaires to members of the sales team, the finance department, the department supervisor, and the operations team. The response rate is shown in table 4.1 below.

Table 4.1 Illustration of the questionnaire response rate

Respondents	Questionnaires sent	Questionnaires returned	Response rate
Director	1	0	0%
Accountant	1	0	0%
Accounts clerk	2	2	100%

Production manager	1	0	0%
Supervisor	3	2	67.%
Operation staff	44	38	86.%
Sales staff	3	3	100%
Total	55	45	82%

Table 4.1 Response rate from Fitwell Garment Pvt Ltd Staff members

According to table 4.1, 45 of the 55 questionnaires distributed to participants were returned. 100% came from the accounts clerk and sales personnel, whereas 0% came from the accountant, production manager, and CEO. The response rate for operations staff members and supervisors is 86% and 67%, respectively, for an overall response rate of 82%, as indicated in the table..

4.2 Techniques implemented by the company in order to control costs

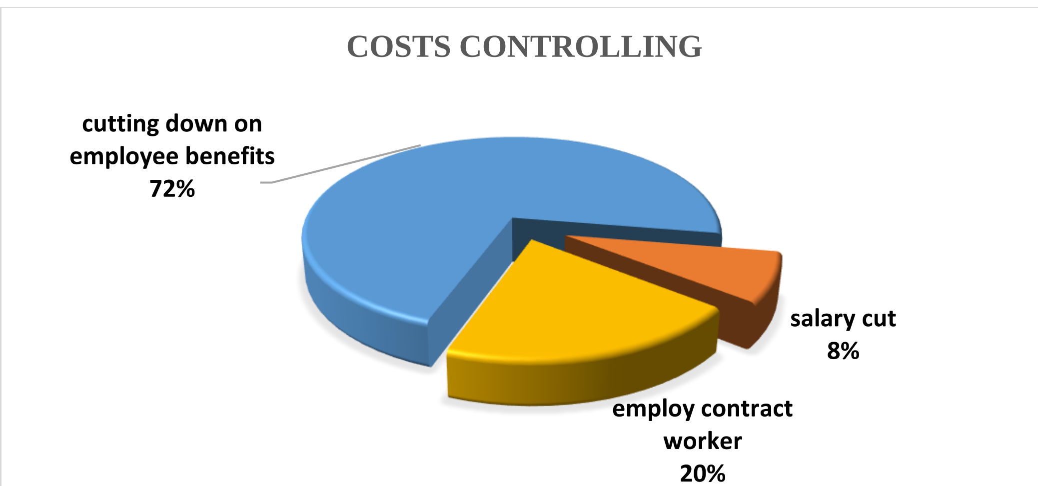

Fig 4.1 Techniques implemented

This question sought to discover the techniques implemented by the company with the goal of controlling costs. 72% stated that the company reduced employee benefits, 20% stated that the company hired contract workers, and 8% stated that the company reduced salaries, which could be due to employees' lack of understanding of what constitutes a salary. The perks (grocery vouchers) that have been eliminated are part of the employee benefits, not the compensation. According to Lee Marx (2010), reducing employee perks causes negative emotional commitment from employees because they may believe that the actions adopted were motivated by greed or inefficiency..

4.3 What are the cost drivers giving rise to changes in costs

The study's goal is to examine the cost elements that contributed to the cost fluctuations. Thirty of the 45 respondents agreed that the number of machine hours and labor hours are the primary cost drivers inside the firm. The remaining 15 identified the number of installations and customer service as cost drivers inside the firm. Variable cost drivers might be per unit cost, batch cost, or hourly cost. Because activity costs can be ascribed to a single manufacturing batch, activity-based costing is an accurate method of allocating both direct and indirect costs.

4.4 Cost-cutting strategies being implemented by Fitwell Garment

The study topic seeks to examine Fitwell Garment's cost-cutting measures in order to improve its financial performance. The responses of Fitwell Garment employees to the success of the adopted cost-cutting methods are listed below.

4.4.1 Layoff

Question 4 shows that layoffs were used as a method of workforce reduction by Fitwell Garments Pvt Ltd. Table 4.2, below provide a comprehensive presentation of responses to question 4 on the use of layoffs in Fitwell Garment as a labor force reduction mechanism.

Table 4.2 Answer questions about Layoffs

Responses	**Strongly agree**	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
Respondents	**16**	**27**	**2**	**0**	**0**

The results in Table 4.2 above show that 16 of 45 respondents (36%) strongly agreed that Fitwell Garment used layoffs as a strategy of workforce reduction between 2019 and 2021, implying that workers were among Fitwell Garment Pvt Ltd's layoff habits. Fitwell Garment Pvt Ltd lay off people between 2019 and 2021, according to 27 of 45 respondents (60%), indicating the adoption of Fitwell Garment as a workforce reduction technique. Is. As stated in Table 4.2 above, none of the employees believed that Fitwell Garment had not employed layoffs as a workforce reduction strategy, indicating that none of the employees objected to the layoffs as a workforce reduction technique adopted by Fitwell Garment Pvt Ltd. 0 out of 45 (0%) employees strongly disagree with the assertion that the corporation has utilized layoffs to shrink its staff. Only 2 out of 45 employees (4%) did not make a decision, implying that all employees are sure that Fitwell Garment will carry out the layoffs without hesitation.

4.4.2 Furlough

This subsection aimed to determine whether Fitwell Garment used furloughs as a temporary method of reducing the workforce. Table 4.3 show the employee's responses to the question.

Table 4.3 Responses to Furloughs (Limited to a scale of 3)

Responses	**Agree**	**Uncertain**	**Disagree**
Respondents	45	0	0

Fitwell Garment adopted furloughs as a labor force reduction approach, with 100% (45 out of 45) of the employees agreeing. This suggests that Fitwell aimed to decrease payroll costs by temporarily decreasing its labor force by furloughing employees. The unanimous agreement implies that all employees expect Fitwell Garment to lower payroll costs between 2019 and 2021. A workforce reduction approach that avoids the expense of layoffs while taking advantage of an organization's payroll decrease. Employees are not taking a neutral stance, as 0% (0 out of 45) are uncertain. Employees were certain Fitwell was using vacations to shrink the workforce due to the absence of impartial comments. 0% (0 of 45) of employees disagreed with the statement that Fitwell Garment furloughed employees between 2019 and 2021, implying that all employees rated Fitwell Garment usage furloughs without exception from any employee, despite the fact that this practice degrades job satisfaction and employee engagement, as mentioned by Shepherd (2017) and Ko and Yeh (2013), Fitwell's makers fired employees without exception. The mode response was affirmative, with a resounding frequency of 100%, indicating that all employees were aware of the Fitwell unpaid leave habits without any disagreement, mirroring the findings of Shepherd (2017) and Vapnek (2017), where employers happily adopt furlough as a temporary downsizing measure when faced with an economic downturn, and workers are likely to understand and maintain ties with the employer because the separation is temporary.

4.4.3 Outsourcing

The following section on outsourcing was designed to determine if Fitwell Garment outsourced some of the job. Table 4.4 shows the major data gathering outcomes..

Table 4.4 Answering the Question Outsourcing (Limited to a scale of 3)

Response	**Agree**	**Uncertain**	**Disagree**
Respondents	**45**	**0**	**0**

Fitwell Garment employed outsourcing as a downsizing approach, with 100% (45 out of 45) of employees agreeing, showing that outsourcing of manufacturing processes and specialized jobs was one of Fitwell Garment's primary downsizing initiatives. 0% (0 out of 45) of workers were indecisive, suggesting uncertainty, implying that all employees were confidence in Fitwell's attitude on outsourcing as a strategy of staff reduction. 0% (0 out of 45) of employees disagreed that Fitwell Garment outsourced employees between 2019 and 2021, indicating that none of the employees believed Fitwell had refrained from using outsourcing as a downsizing method.

4.4.4 Delayering

Under this subheading, the researcher provided responses from Fitwell Garment employees when asked if the organization had delayed the organizational structure. The findings are presented in Table 4.5 below.

Table 4.5 Responses to Delayering question (limited to 3 point scale)

Responses	**Agree**	**Uncertain**	**Disagree**
Respondents	34	2	9

According to Table 4.5 above, 76% of employees (34 out of 45) agree that Fitwell Garment delayeder the organization between 2019 and 2021, which means that Fitwell Garment reduced its workforce by removing certain business units from the organizational structure as a labor reduction method by delayering. Scholars support businesses' efforts by arguing that decreasing an organization's labor force through delays eliminates unneeded middle managers and job units without sacrificing capacity or wrong-sizing an organization. The main advantage is the postponement of layoffs (Kavadi & Castaner 2015; Hoyes 2014).

An inconclusive 4% (2 out of 45) of employees were undecided, and 20% (9 out of 45) disagreed with the statement, implying that Fitwell Garment is using the delayering to cast doubt on Fitwell Garment's position on using delayering as a workforce reduction strategy, reflecting how a select few may have overlooked the exercise within the organization, as related to the case of Datta and Basuil (2015), who emphasized that employees might have overlooked the exercise. Employers prefer to shrink via delay by lowering work units in the organizational structure to eliminate bottlenecks in the company, according to moderate feedback. Employers minimize work units in organizational structures to eliminate bottlenecks within the company in order to increase communication (Chern and Hsiao, 2013) and production efficiency (Kavadis and Castamer, 2015), according to Braure and Laamen (2014) and Schenkel and Teigland (2016).)

4.5 Impact of selected techniques on Fitwell Garment

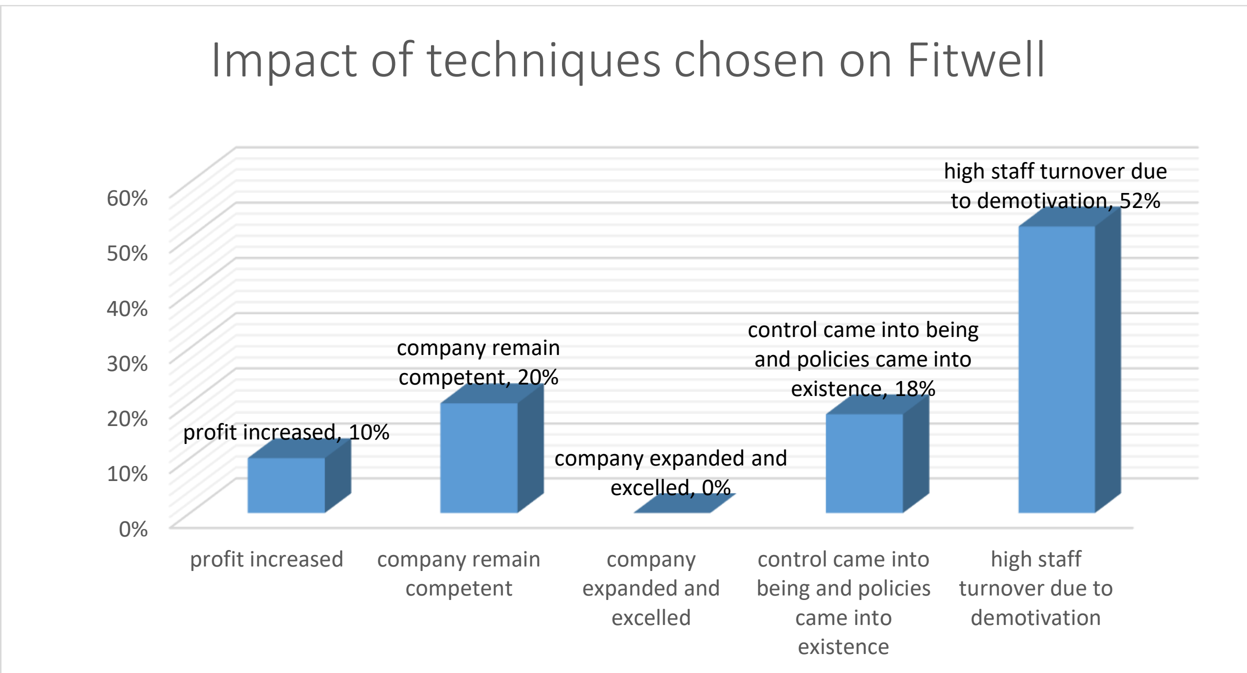

Figure 4.2: Effects of selected methods

This question sought to determine the impact of the technique chosen on Fitwell Garment as a whole; 10% reported that profits increased, 20% reported that the company remained competent, 18% reported that control was put in place and policies were created, and 52% reported that there was high staff turnover due to employee demotivation; Rothberg (2012) supports this view by stating that companies slack employees due to cost-cutting initiatives as this results in employee 100%.

4.6 The impact of the chosen techniques on employees

This question attempted to determine the influence of the selected approaches on employees, with 5% indicating that the techniques were accepted, 45% indicating that there was a loss of organizational memory and ability, and 10% indicating that the strategies used had no effect. Employee morale was low as a result of the chosen strategies since employees felt their efforts were not appreciated, which Katzenbach et al. (2008) agree, stating that the corporation may overlook a key necessity to ensure employee engagement while cutting costs. According to the Management Accounting Institute, budget cuts may have a detrimental influence on personnel, resulting in a loss of corporate memory and talent..

4.7 Operational cost cutting is positively related to ROTA

The researcher then offers the target population's replies to questions on operational cost cutting measures as evaluated by ROTA and its influence on financial performance in the next section. The staff comments and perspectives on the effectiveness of practice for the Fitwell gear ROTA are shown in Table 4.6 below. The hypothesis questionnaire analysis sought to arrange the findings from the multiple regression analysis reported in the secondary data analysis section.

Table 4.6: Response to the question on ROTA

Response	Agree	Uncertain	Disagree
Respondents	37	2	6

According to Table 4.6, 82% of respondents (37 out of 45) believed that Fitwell Garment's operational cost reduction tactics increased ROTA. This suggests that lower operational costs result in better ROTA asset ratios. Scholars (De Muese and Dai 2013; Brauer and Laamanen 2014) discovered comparable results, underlining that large-scale modifications connected with labor force reduction exercises increase an organization's ROTA greatly.

4% (2 out of 45) of employees were unsure about the influence of labor force reductions on ROTA and chose the undecided option, implying that some labor force reduction measures had little bearing on ROTA. Craggier (2016), Hamed et al (2013), and Gandolfi (2013) empirical studies all revealed that labor force reduction exercises had no effect on ROTA, with post and pre ROTA ratios remaining unchanged.

Downsizing organizations during times of prosperity or hardship diminishes the ROTA organization because to the high costs of layoffs connected with the exercise, according to Luan, Tien, and Chi (2013) and Ndofor, Vanevenhoven, and Barker (2013). In certain circumstances, labor cutbacks might cause firms to downsize, which is harmful to ROTA (Chhinzer and Currie 2014).

Condition response was accepted, which means that because of the general action to operational costs, financial performance as measured by ROTA improves. This adds to the work of De Meuese and Dai (2013) and Jung, Kim, Lee, and Yoo (2016), who insisted that the reduction in the workforce led to an increase in ROTA due to cost savings due to reduced use of human capital. It also lends credence to the findings of Brauer and Laamanen (2014) and Raynaud (2012), who discovered that large-scale changes in workforce size and composition increase an organization's ROTA by improving production efficiency and labor utilization..

4.8 Analysis of responses to interview questions

The researcher was expected to conduct 3 interviews, however 2 face-to-face interviews were conducted, one with the general manager and the other with a senior accountant at Fitwell Garment Pvt. Ltd.

4.8.1: INTERVIEWS

Question 1: Which Labor force reduction methods were implemented by Fitwell Garment?

Respondent 1: In my opinion, Fitwell Garment engaged in undue employee layoff. The next most popular way was leave; in the previous four years, we were sent home on unpaid leave for more than 12 months. Some manufacturing procedures were outsourced, which resulted in the layoffs of in-house staff who were in charge of completing the outsourced production processes.

Respondent 2: Fitwell Garment lay off more than half of its workforce between 2019 and 2021. Layoffs are the initial technique of labor reduction. Other Fitwell Garments have outsourced activities like as embroidery and graphics creation, resulting in job losses, indicating that the second way is unquestionably outsourcing.

The findings of the interviews indicate that the propensity of manufacturing companies to lay off employees in the event of deteriorating financial performance is increased, as suggested by Gansler (2016) and George (2014), who emphasized that in difficult times, organizations cut off excess weight in the form of employees to reduce operating costs and thus improve financial performance. The rationalization of the reasons for dismissals was also supported by Dalen and Henkens (2013) and Richter and Konig (2017), who proposed that the decision to dismiss employees is based on the employers' perception of the fairness of the exercise, which in this case was rationalized by the deteriorated performance, which made the employee feel it was right to pass the damage on to the employees in the form of layoffs. All interviewees mentioned Fitwell Garment's widespread use of furloughing as a method of workforce reduction, confirming the 100% agreement stated in the questionnaire responses, which improves the validity and reliability of the finding that manufacturing companies in Zimbabwe use furloughs as a method of workforce reduction.

The respondent's response indicates that employees on leisure leave is consistent with the secondary data analysis section's findings. Respondent replies are similar with responses to the outsourcing question, which revealed that Fitwell Garment lay off 100% of its employees between 2019 and 2021. This conclusion is accurate and truthful, according to consistent replies from interviews and questionnaire responders.

<u>Question 2: What variables affected the effectiveness of a operational cost reduction program's implementation?</u>

Respondent 1: Communicating workforce initiatives and including employees in talks leading to workforce reduction implementation increases the likelihood of success. Unfortunately, the management in this organization did not engage us in discussions, resulting in a labor force decrease, and therefore the strategies failed to convert production efficiency and profitability. Fitwell Garment did not participate in negotiations that led to workforce reduction. The inability of management to consult employees was the primary cause of employee job insecurity and a

reduction in productivity and labor efficiency. They appear to be continually attempting to conceal something from us.

Respondent 2: Management kept us in the dark for a long time, which did not help the labor force reduction outcomes. Lack of communication resulted in the propagation of false stories, which kept us worried about our work status to the point that we couldn't fulfill our responsibilities on time, particularly during the early years of implementation. Communication and employee involvement, in my opinion, are important variables that might increase the successful and efficient execution of workforce reduction approaches in the next years.

Both respondents agreed that, given the critical role communication plays, the organization did not clearly communicate its reasons for adopting these practices, as well as the criteria they used to select employees who were laid off, placed on unpaid leave, outsourced, and delayed; as a result, employees did not cooperate and were zealous to implement initiatives with management at the outset.

Question 3: What effect do operational cost cutting have on organizational performance?

Respondent 1 stressed that decreasing staff expenditures leads to a lack of employee engagement since employees believe their efforts are being jeopardized, negatively impacting the company's success.

Respondent 2 indicated that cost reductions indicated that the company was not performing exceptionally well in its operations and that they wanted to reduce costs to increase the company's viability and efficiency, as well as expand infrastructure, but that this could not be done sustainably or as desired because company performance continued to decline.

Both respondents agree that cost cutting is only successful in the short term, but it has a negative long-term impact on the firm's performance since the company loses its competitive edge and value is compromised in the process. As evidenced by the interviews, decreasing staff-related expenditures can have a negative impact on a company's performance and result in repercussions that do more harm than good to corporate success. Furthermore, both imply that employee engagement is a significant component impacting the effectiveness of workforce reduction implementation. Employee engagement, according to Sahoo (2014), helps lessen staff resistance to change and improves employee participation with management.

Question 4: What other ways may costs be reduced or controlled without being cut?

Respondent 1: indicated the need to reconcile revenues with costs and eliminate costs and unnecessary tasks that do not add value to the overall business goal of profit and ensuring that services are offered at the lowest operating cost, for example, a branch in Harare operates in a metropolitan center where rental pay is high compared to income received.

Respondent 2 emphasized the need of appropriate management planning through maximizing resource usage, just-in-time procurement, staffing, avoiding waste, and removing unnecessary jobs. He also emphasized the need of identifying cost drivers since it promotes cost elimination and reduction, which is a pillar of attaining cost efficiency for the firm. He also emphasized the need of altering workers' attitudes and attitudes, and that top management should push for changing culture and involvement through coordination and communication amongst cost control functions. Personnel should be held to high standards, and employees should be taught on the benefits of managing expenses rather than cutting them, according to Jensen (2012), who believes that business owners must cut costs. It should be lowered instead.

Both respondents underlined the need of creating a cost-effective and efficient workplace. By connecting expenses with income earned, organizations may participate in value analysis or process costing. According to the interviews, it is vital to grow staff, improve employees' approaches and attitudes, and create proper planning by management. It is also necessary to identify cost drivers as solutions to cut or control expenses.

Question 5: What elements should a corporation evaluate before deciding to minimize costs?

Respondent 1 stressed the need of considering the goals that the organization hopes to achieve via the use of cost-cutting strategies. The responder also emphasized the need of including employees in concerns concerning employee-related spending. They may not act on the decision if they are not involved.

Respondent 2 stated that it is critical to clearly identify areas of employee motivation and avoid cutting costs in those areas, but they should also consider looking at all processes and services in the organization to have the opportunity to save money and consider cost control initiatives as an ongoing process. According to Katzenbach et al. (2008), firms must build a culture of continual cost management improvement and cease viewing cost reduction as a no-no.

All respondents noted the need of communication between management and staff, as well as the necessity for a cost-cutting committee to offer input to the organization on cost-related issues. Management should be involved from the beginning since they play an important role in ensuring that policies are strengthened. The interview revealed that in order to achieve the correct cost reduction plan, it is necessary to focus on setting defined goals, assigning responsibility, communicating between management and employees, aligning cost reduction strategies with business strategies, viewing cost reduction as an ongoing process rather than a one-time event, and monitoring costs from all areas of the organization.

<u>Question 6: How does lowering operational costs affect employee morale?</u>

Respondent 1 said that decreasing staff-related expenditures would have a negative influence on worker morale; it would also have an impact on the company's efficiency, which would have an impact on delivery systems and productivity.

Respondent 2 believes that reducing employee-related expenditures has resulted in a war on talent loss as well as a loss of organizational memory and performance.

Employees do not perform at their best, according to both respondents, since they believe their efforts are not being seen or appreciated by the organization.

4.9 Secondary data examination

The researcher attempts to record the findings of the interviews and questionnaires in the next part by evaluating secondary data derived from management accounts and reports generated for the period 2019-2021. Using multiple linear regressions, the researcher evaluates the hypothesis that there is a positive association between workforce decrease and ROTA in this final area of the field.

To confirm information from interviews and surveys, a presentation of information taken from management reports and accounts from 2018 to 2021 is provided below..

4.9.1 Corroboration of operational cost cutting techniques, employee response and production efficiency.

Table 4.7 Secondary data analysis

Year	**2018**	**2019**	**2020**	**2021**
Operational cost cutting methods (Payroll costs cutting)				
Laid off Workers	-	4	19	6
Furloughed Workers	-	8	59	40
Days of being furloughed	-	61	120	92
Outsourced Workers	-	8	4	5
Units redesigned	-	2	6	1
Response of workers				
Voluntary turnover (numbers of workers)	**-**	**2**	**1**	**1**
Production Efficiency				
Total units produced	551628	443520	208 600	260043
Total production workers	126	110	50	61
Number of units produced per worker	4378	4032	4172	4263
Cumulative Change%	**-**	**-7.9%**	**-5.07%**	**2.13%**
Average Garment completion time	26mins	32mins	41mins	28mins
Cumulative Charge%	**-**	**23.08%**	**21.95%**	**-31.7**

Adapted from Management Accounts, Production Report and Human Resources Report (2019 - 2021).

Table 4.7 shows that Fitwell Garment laid off 29 people between 2018 and 2021, confirming findings from surveys and interviews indicating Fitwell Garment used layoffs as a way of labor force reduction. Fitwell Garment lay off people between 2018 and 2021, as the firm laid off employees for 273 days between 2018 and 2021, which indicates that Fitwell Garment laid off employees by a huge 34.47% (273 days divided by 792 potential working days). This conclusion is reinforced by the employees' complete agreement in the surveys and interviews.

Between 2018 and 2021, Fitwell Garment outsourced 17 people. When questioned about Fitwell Garment's use of outsourcing as a means of workforce reduction, survey and interview respondents approved 100%. 5.34% of respondents were uncertain about Fitwell Garment's use of delayering as a strategy of labor reduction. Fitwell Garment delayered personnel between 2018 and 2021, as shown in Table 4.7, since 9 business divisions were eliminated from its organizational structure.

One of the issues mentioned in the interviews and questionnaires was manufacturing efficiency, particularly the effective use of time and labor to manufacture finished clothes. The results suggest that the efficient use of time is negatively impacted in the short term, production time is negatively affected by an increase of 36.59% from 2018 to 2020, and a positive effect is found in 2021. The time required to generate completed garments was reduced by 31.7%. Secondary data verifies the bulk of replies received in 100 interviews, with respondents agreeing 70.39% of the time. The researcher estimated the average units generated per worker to calculate the workload per worker. The graph in Table 4.7 shows how the number of units completed for each manufacturing job declined by 7.9% from 4,378 in 2018 to 4,032 in 2019. Although the number of units produced initially decreased, Fitwell Garment profited from an increase in the number of units produced per employee as a result of increased workloads for survivors of the downsizing -work.

Evidence gathered from secondary data about production efficiency suggests that Fitwell Garment first had a decrease in production time and efficient use of manpower, but eventually increased production efficiency. Fitwell Garment boosts productivity, according to evidence from responders and questionnaire responses. Goesaert, Heinz, and Vanormelingen (2015), as well as De Muese and Dai (2015), support a comeback following the first decline (2013). They discovered that while production efficiency initially decreased, trust was restored as employees' desire and morale to execute duties decreased, resulting in long-term production efficiency increases within the business. Raynaud (2012) contends that the company has long-term favorable production efficiency and financial success (4 years).

The respondents stated that the low production efficiency and financial performance are the result of management and directors' incapacity to involve employees prior to and throughout the labor force reduction exercise; the secondary data analysis results support this. Early indicators of effect include a lack of communication and staff participation. Initiatives to reduce labor force participation have failed.

4.9.2 Decrease in operational cost is positively related to ROTA.

The researcher presents the results of the multiple linear regression used to test the hypothesis that operational cost reduction is positively related to ROTA, with the research focusing on layoffs, furloughs, subcontracting, and delayering as the four methods of labor force reduction strategy used as independent variables. According to the model summary, the combined independent variables of layoffs, vacation, outsourcing, and delay explained 74.50% of the variance in ROTA (R2 = 0.745). The total regression model used was statistically significant, F(4:19) = 22.436, p 0.001, suggesting that 74.50% of the variance in ROTA was attributed to the independent variables layoffs, furloughs, outsourcing, and delays, as shown in Table 4.8.

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Standard error of the Estimate
1	$.907^{a}$	.823	.745	4.3553

ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.

1	Regression	1673.509	4	418.377	21.436	.000^{a}
	Residual	337.374	18	18.743		
	Total	2010.883	22			
a. Predictors: (Constant), Layoffs, Furloughs, Delayering, Outsourcing b. Dependent Variable: ROTA						

To ensure that each independent variable in the set of workforce reduction methods represented a unique amount of variance, the researcher performed a multicollinearity test using Pearson's correlation. The test indicated that there is no multicollinearity among the independent variables with none of the independent variables being correlated at or above 0.80 as indicated in Table 4.9 below.

Table 4.9 Correlations

		ROTA	Layoffs	Furloughs	Outsourcing	Delayering
Pearson	ROTA	1.000	.513	.835	.267	.424
Correlation	Layoffs	.513	1.000	.463	.769	.519
	Furloughs	.835	.463	1.000	.412	.565
	Outsourcing	.267	.769	.412	1.000	.407
	Delayering	.424	.519	.565	.407	1.000
Sig.(1-tailed)	ROTA	-	.005	.000	.079	.017
	Layoffs	.005	-	.008	.000	.003

	Furloughs	.000	.008	-	.018	.002
	Outsourcing	.079	.000	.018	-	.020
	Delayering	.017	.003	.002	.020	-

The study spans four years, from 2018 to 2021, with 2018 serving as the baseline year and 2019 to 2021 serving as the years in which Fitwell Garment adopted staff reduction measures. Multiple linear regressions supported the researchers' initial hypothesis that labor force attrition was connected to ROTA, since layoffs and furloughs were shown to be positively related to labor force attrition, while outsourcing was not. Delayering was discovered to be unusual among the various labor force reduction techniques. Table 4.10 illustrates the association between labor force decline and ROTA.

Table 4.10 Coefficients

Model	Relationship	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Standard error	Beta		
(Constant)		-3.843	1.260		-2.418	.007
Layoffs	+ (Positive)	.318	.106	.648	2.841	.007
Furloughs	+ (Positive)	.583	.082	.874	6.970	.000
Outsourcing	- (Negative)	-1.189	.469	-.336	-2.295	.019
Delayering	+/- (Insignificant)	-.995	.745	-.152	-1.322	.136

a. Dependent Variable ROTA

(Extracted from SPSS)

Layoffs were shown to be positively connected to ROTA (Beta = 0.498), which was statistically significant (P = 0.0069). Tangpong and Abebe and Li (2015) and Brauer and Tomi (2014) found evidence to support their beliefs that businesses that successfully lay off people improve their financial performance as assessed by ROTA. This is also reinforced by De Muese and Dai (2013), who said that firms who lay off people will have higher ROTA in the long term owing to lower payroll expenditures.

Furloughs were also shown to be positively linked with ROTA, with beta =.874 being highly significant with a P-value less than.001 (P 0.001). According to Vapnek (2017), lowering the number of working days or hours ensures that working days are utilised effectively and labor expenses are lowered, allowing for an increased ROTA. De Muese and Dai (2013) concur, noting how labor force reduction reduces labor costs while maintaining other variables constant, resulting in an increase in ROTA.

In contrast to layoffs and furloughs, outsourcing as a technique of staff reduction was found to have a negative impact on ROTA (beta = -336). Because the P-value was less than 0.05 (P = 0.019), the negative effect was statistically significant. The outcome was further addressed by Han and Mithas (2013), who stated that while outsourcing employees and manufacturing processes lowers payroll costs, it raises additional expenses connected with process outsourcing, which has a negative impact on ROTA. According to Wickford (2016) and Cullinan and Zheng (2017), the decrease in ROTA as a result of outsourcing is driven by the time and inefficiencies created by outsourcing manufacturing processes and people.

The delayering had no influence on the ROTA P =.136, which was larger than P = 0.05. Because the application does not always end in the discharge of an employee, it has no substantial influence on payroll costs, hence there is no significant change in ROTA (Ahn 2015; Fraher 2013).

According to the data, labor force reduction is certainly positively associated to labor force decrease. Layoffs and furloughs cut payroll expenses since they result in fewer employees or hours/days to be paid, which is consistent with the results of Braure and Laaman (2012). Reducing the workforce through layoffs and furloughs increases ROTA in the near run (Raynaud 2012), as demonstrated by a model that examines four years from the year Fitwell Garment started employing workforce reduction strategies. The conclusion was consistent with the findings of Jung, Kim, Lee, and Yoo (2016), who discovered that firms that managed layoffs effectively had favorable gains in ROTA.

Although layoffs and furloughs are positively associated with workforce reduction, we cannot ignore the negative impact of outsourcing on workforce reduction, which points to the negative effect of transferring control over production cost and product quality to third parties, which turns out to be more expensive than payroll cost savings through outsourcing employees (Tangpong, Abebe, and Li 2015)

4.10 Summary

This chapter analyzed and presented data gathered through surveys and interviews. This was accomplished through analyzing and interpreting graphs, tables, and pie charts. The next chapter presented findings as well as recommendations for Fitwell Garment Pvt Ltd's next steps.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The purpose of this chapter is to emphasize executive summaries, important study findings, and suggestions. This chapter explains the significance of the facts offered in the preceding chapter. After discussing the research questions and objectives in the previous chapter, this chapter will draw findings from the research study. The study's goal was to investigate the ways used by employers to lower operational expenses, the factors that influence their performance, employee responses, and the consequences of the methods on productivity and their link to ROTA. The preceding chapter's study findings should be used to form research conclusions. Following the study's conclusion, the chapter gives recommendations to Fitwell Garment Pvt Ltd on how operational cost reduction techniques might be adopted to improve the company's financial performance.

5.1 Executive summaries

5.1.1 Chapter 1

The first chapter concentrated on the study's background, problem statement, research objectives, research questions to be answered by the research, hypothesis, delimitation of the study, limitation of the study, relevance of the study, and study hypothesis. This section defines key words used in the research. The researcher needed to figure out why Fitwell Garment Pvt Ltd is losing money from 2018 to 2021, despite cost-cutting initiatives in place. The key study topic was addressed in the first chapter, and it concerned the effects of cost-cutting methods on the financial performance of manufacturing organizations. The research objectives were to determine the relationship between cost reduction and an organization's performance, to identify cost reduction strategies implemented by the organization, to identify other factors that can lead to the organization's competitiveness despite cost reduction, and to identify factors to consider when selecting a cost reduction strategy. Cost reductions must be addressed in order to establish the influence of employee-related cost reductions on production efficiency and, ultimately, employee response to cost-cutting measures used by businesses.

5.1.2 Chapter 2

The researcher provided critical analyses of the findings and conclusions of empirical and qualitative study on operational cost reduction measures in the second chapter. From 2012 through 2021, this chapter featured recent material that was no more than ten years old. The evaluated material was gathered from academic libraries, which contained the essential publications and textbooks. The primary goal was to identify prior academics' results as well as the responses to the sub-research topics posed in Chapter 1. The literature was equivocal, prompting researchers to investigate the influence of operational cost reduction measures on the financial performance of Zimbabwean manufacturing firms.

According to De Meuse and Dye (2013), firms that cut their personnel had increased productivity and financial performance in the year of workforce reduction, as well as steady growth in later years. According to Garnero et al. (2016), decreasing staff enhances productivity. Luan, Tien, and Chi (2013), on the other hand, stressed how workforce reduction had a detrimental influence on ROTA and production efficiency since the organization was misorganized. Carragier (2016) indicated in his analysis that a drop in workforce has no substantial influence on the organization's financial performance. Data and Basuil (2015) argue that the effects of operational cost-cutting measures are context-based, arguing that factors such as organizational cultures and employee perceptions cause variance in outcomes from cost cutting initiatives, adding that the same workforce reduction method but different industries operating in different regions may experience different results. Inconclusive literature prompted study on the influence of staff reduction on the financial performance of Zimbabwean manufacturing firms.

5.1.3 Chapter 3

The researcher employed a descriptive and correlative strategy. Data were gathered from the case study Fitwell Garment Pvt Ltd, a Zimbabwean firm. To prevent sampling error and bias, the investigator conducted a census to gather data from the target population of fifty-five (55) employees using questionnaires. In addition to surveys, the researcher conducted interviews with Fitwell Garment Pvt Ltd to acquire primary data. The researcher gathered secondary data to be used as input in SPSS to test the hypothesis that labor force decrease is connected to ROTA using multiple linear regression in SPSS and to confirm the findings from interviews and questionnaires.

5.1.4 Chapter 4

The fourth chapter focuses on data display and analysis utilizing the methods outlined in Chapter 3. Raw data was acquired during the field study via questionnaires and interviews, which were then translated into useful information and presented in the form of tables, graphs, and pie charts. The researcher distributed 55 questionnaires, 45 of which were returned, yielding an 81.8% response rate. The researcher achieved a response rate of 66.7% from the interviews since he was able to interview two of the three senior members of Fitwell Garment. In this chapter, the researcher also provided a comprehensive analysis of the results. SPSS was used to evaluate secondary data acquired for hypothesis testing.

5.2 Major research findings

The research examined the impact of operating cost reduction strategies on the financial performance of Fitwell Garment Pvt Ltd. The main research findings are as follows.

5.2.1 Factors facilitating the need to reduce costs

According to the research, the necessity for appropriate resource utilization and growing the company's market share are the primary aspects leading to the need for Fitwell Garment Pvt ltd to execute operational cost reduction measures. Increasing the organization's earnings, on the other hand, promotes the need to lower operating expenses, and the researcher found that these two key reasons enable the need to cut operational costs..

5.2.2 The reaction of employees after reducing employee-related costs

Employees also react badly to operational cost reduction techniques, particularly when the plan is employee-related, such as changes to employee benefits, wage cuts, and layoffs, because it diminishes employee motivation. The survey also discovered that employees tend to respond by taking time off, leaving, protesting, and absenteeism.

5.2.3 The effectiveness of strategies to reduce costs implemented by Fitwell Garment Pvt Ltd.

According to the research, in order to improve the firm's financial performance and decrease losses, the organization engaged in corporate restructuring operations such as downsizing and layoff of personnel. According to the study, this technique increases the firm's financial success in the long run while in the short term the company may have to pay retrenchment expenses and legal bills, which has a negative impact on the company's financial performance..

5.2.4 Other factors that may lead to the competitiveness of the organization without cutting employee related costs.

The study also revealed that the company only considers the need to reduce employee-related costs, but there are some cost-cutting opportunities and the need to take a close look at all costs across the organization, such as saving electricity by turning off unnecessary lights, appliances, and machinery after work hours or in unused areas, which could result in trickle down savings. The study also discovered that there is a need to address waste reduction, since waste reduction may lead to environmental and economical gains. Although the prices of papers, ink, and postage are low, they can quickly add up if you are not attentive. Finally, the study indicated that in order to avoid overpaying for service expenses, choose providers that offer pay-as-you-go pricing structures that allow you to scale up or down based on your needs. To compensate for transitory dips in the organization, staff might be transferred to another department where there is a larger need.

5.2.5 Factors influencing successful implementation of workforce reduction strategies.

According to the research, limited communication resulted in initial production waste and inefficiency. Furthermore, the study found that excellent communication increases the likelihood of a successful financial turnaround. The study also discovered that staff engagement is critical to the successful implementation of workforce reduction initiatives..

5.2.6 Operational cost cutting methods implemented.

Fitwell Garment Pvt Ltd used layoffs, furloughs, outsourcing and delayering as workforce reduction methods to reduce labor costs and stimulate financial performance.

5.2.7 The Relationship between workforce reduction and ROTA

With 66.67% of the main factors favorably related with ROTA, the prediction that labor force decrease was positively connected with ROTA was confirmed correct. Layoffs were associated to ROTA in a beneficial way. Work suspension associated favorably with ROTA and was the best predictor of a positive improvement in ROTA. ROTA had an unfavorable connection with outsourcing. The ROTA was unaffected by the delayering..

5.3 Conclusion

The successful application of cost reduction measures necessitates careful evaluation and management of an organization's connection with its employees, as well as good communication about impending changes and their consequences for employees (Datta and Basuil) (2015). Employee involvement is crucial in the implementation of operational cost-cutting measures. In addition, communication is viewed as the glue that connects all of the business's operations in order to create synergy throughout the organization, good communication fosters employee identification, as well as an openness and trust culture inside their firm.

When management faces economic difficulties, cutting operational-related expenditures is the greatest alternative, and this can have an impact on the organization's financial performance both adversely and positively. The researcher agrees with Warusawitharana (2016), who claims that if a business warns employees before using operational costs cutting especially employee-related cost-cutting methods, they will respond favorably.

Reducing the number of inventive personnel responsible for creating revolutionary new goods reduces the efficiency of new product manufacturing, but reducing the number of human capital responsible for creating homogenous products improves production efficiency. Labor force reduction reduces employee morale, dedication, and job security, which increases staff inefficiency and ineffectiveness in the near and short term (1-3 years). Although reducing the labor force causes psychological stress and causes employees to psychologically separate themselves from the firm, the problem remains psychological and does not present itself as an apparent physical response, such as higher labor turnover.

Although downsizing is a positive step toward improving financial performance, an enterprise should not expect to reap the benefits of downsizing immediately, as financial performance and production efficiency decline in the immediate (1 year) and short term (1 - 3 years) before rising to exceed pre-decrease values in the long term (4 years and above) due to employee inefficiency and effectiveness in the early years. Appropriate communication and active staff engagement are critical to avoiding the short-term loss of production efficiency that might occur following downsizing. The method is not recommended for firms experiencing insolvency, as their situation may worsen before it improves.

5.4 Recommendations

Organizations experiencing inefficiencies could consider laying off people and changing their organizational structure to ease the extra load, as proposed by Vapnek (2017), who states that laying off staff is a rapid solution to minimize labor-related expenses when the company fails to compete. This idea is reinforced by the organizational turnaround literature, such as the work of Brauer and Tomi Laamanen (2014) and Tangpong, Abebe, and Li (2015), who argue that downsizing measures such as layoffs do really assist a company effectively restore its financial performance. Furloughs should be employed as a workforce reduction approach by organizations trying to increase ROTA and production efficiency, since they ensure that time spent on work is utilised efficiently. Organizations that are experiencing diminishing revenue and ROTA might consider reducing their labor force through vacations and furloughs in order to match output with demand, cut payroll expenses, and increase ROTA. Organizations should actively involve workers in workforce reduction conversations before and during staff reductions to ensure that employees understand the vision of management and directors and that performance does not suffer in the short term. According to Applebuam et al (2017), early communication reduces negative feelings among employees and limits the possibility of exaggerated rumors about the upcoming change process of labor cost reduction. Fitwell Garment should also evaluate all costs throughout the company and the utilization of transfers, according to the study. For example, if a business cuts expenditure or activity in one area, the firm may temporarily move personnel to another department where the demand is greater. Additionally, consider cross training your staff ahead of time to help ease the employee transition.

5.5 Suggested area for further study

There is a need to identify the causes for the costs to be spent, and managers are now engaged in cost management but disregard the important requirement to identify cost drivers and track expenses for the appropriate units. The researcher chose "Assessing the organization's primary operating cost drivers" as a topic of additional study since it influences cost behavior and is vital for a corporation proposing a cost reduction campaign..

5.6 Summary

This chapter focused on a synthesis of all the chapters, presenting the key study findings, research conclusions, and Fitwell Garment recommendations. Fitwell Garment Pvt Ltd was utilized as a case study in the study to examine the influence of cost-cutting techniques on financial performance..

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APPENDICES

APPENDIX I

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

QUESTIONNAIRE

Dear Respondent

My name is Kudzai A Kamutombiro a Bachelor of Commerce Accounting Honors Degree student at Bindura University of Science Education. I am conducting a research study titled "The impact of operating cost reduction strategies on financial performance- case study of Fitwell Garment. The research is being conducted in partial fulfillment of the requirements for the requirements for the award of the Bachelor of Commerce Accounting Honors Degree at Bindura University of Science Education. This questionnaire is intended to enhance my research and I kindly request your assistance in answering the questionnaire provided. You are assured that all information provided will be treated with strict confidentiality and for academic purpose only.

Kudzai A. Kamutombiro

B1953638

Signed on __/__/2022

APPENDIX II

QUESTIONNAIRE

Instructions

1. Please kindly attempt all questions

2. Fill your answers on space provided or tick appropriate box.

QUESTIONS

1. Your financial statements shows that your operational cost were a way above annual revenue for the past 4 years, how do you control the costs?

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2. What are the cost drivers giving rise to changes in costs?

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3. Do you implement any cost cutting technique or (techniques)?

Yes ☐ No ☐

4. What are the cost cutting techniques used by your organization?

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5. What is the impact of these cost cutting techniques on the company's performance?

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6. Are these cost cutting techniques favorable to every member of the organization?

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7. With reference to question 4 above, what is the impact of cost cutting techniques on employee performance?

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8. Does implementation of cost reduction methods improved Fitwell Garment's Return On Total Assets (ROTA)

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Thank you so much for your support!!!

APPENDIX III

INTERVIEW GUIDE

1. What operational cost cutting strategies are being implemented by Fitwell Garment?

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2. What factors affected the successful implementation of the operational cost cutting strategies?

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3. What is the weakness of cutting operational costs on the performance of the organization?

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4. What are the alternative ways to reduce or control costs without cutting them?

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5. What are factors to be considered before the company choose to cut costs?

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6. What are the impact of cutting operational costs on employee morale?

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THANK YOU FOR YOUR TIME!!!