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FACULTY OF COMMERCE

COST ALLOCATION PRACTICES IN FAMILY-OWNED BUSINESSES IN ZIMBABWE: A STUDY ON THESE BUSINESSES IN MASHONALAND EAST PROVINCE.

BY

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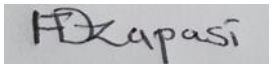
SIGNED 

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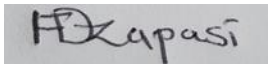

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DEDICATION

I dedicate this research project to my family and friend for their push and support during the study.

ABSTRACT

The purpose of this study was to examine cost allocation practices in family-owned retail enterprises in Mashonaland East Province, Zimbabwe. The objectives were to assess the current cost allocation practices used by family-owned businesses in Zimbabwe, identify the challenges and barriers faced in implementing effective cost allocation practices, analyse the impact of these practices on the financial performance and sustainability of family-owned enterprises and finally to provide recommendations to improve cost allocation practices for enhanced operational efficiency and profitability. The researcher used a mixed- methods explanatory sequential design, which makes use of both quantitative and qualitative methods and collects primary data through structured questionnaires and semi-structured interviews. Stratified random sampling and purposive sampling methods were used and the sample comprised 12 interview respondents and 170 questionnaire participants. Data presentation and data analysis were conducted using MS Excel and presented using descriptive statistics and Spearman's correlation. The findings indicated that Zimbabwean family-owned Small to Medium Enterprises prioritize, survival-oriented cost allocation over formal systems, balancing socioemotional wealth preservation with operational efficiency. While direct methods enhance short-term viability, over-reliance on informal governance restrain scalability and environmental responsibility. Recommendations include formalizing critical allocations and policy interventions for Small to Medium Enterprises training and provision of grants.

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CHAPTER I

INTRODUCTION

1.0 Introduction

The researcher aimed to explore the current cost allocation practices in family-owned businesses in Zimbabwe and identify the challenges they face in implementing effective cost management strategies. Therefore, chapter one concentrates on the background of the study, statement of the problem, research objectives, research questions, assumptions, significance of the study, delimitations of the study, limitations of the study, and chapter summary.

1.1Background of the Study

Family businesses are a major support for Zimbabwe's economy as they making significant contributions towards employment generation, national income, growth and development (Mbara, 2017). These businesses, however, face a number of constraints resulting in reduced efficiency and sustainability. Predominantly, inadequate management practices, limited access to formal financial resources, and weak governance frameworks have been identified as critical impediments to their growth and long-term success (Chikuta, 2014). Within this context, cost allocation emerges as a vital aspect of financial management that directly influences decision-making efficacy and overall organizational performance in family-owned enterprises (Ncube, 2019).

Cost allocation pertains to the methodical process of assigning individual costs to specific products, departments, or business activities, enabling a comprehensive understanding of cost behaviour within the organization (Horngren et al., 2015). As emphasized by Bloncher et al. (1999), a well-structured cost allocation system not only facilitates effective cost control but also aligns managerial incentives with organizational objectives. In particular, it will encourage managers to be economical with resources; instil accountability for use of shared resources and

services and remunerate managers equitably according to the effort they commit to their recommendation as well as the quality of the decisions made. This procedure thereby increases productivity, and promotes the responsible use of organizational assets.

Moreover, effective and current cost allocation helps sole family-owned firms to take strategic decision-making, use the available resources effectively and get the maximum profit (Drury, 2013). Yet, pragmatic observation has shown that Zimbabwean family-owned businesses rely predominantly on old fashioned, informal costing techniques, which may not be disciplined and meticulous enough to fully record and report on transactions in detail on a regular basis. Such dependence frequently leads to production of incorrect or even partial cost information, which will compromise managerial decision-making and ultimately financial results (Mukwambo, 2018).

Issues associated with the adoption of contemporary cost allocation systems in family firms in developing countries, such as Zimbabwe, have been documented. Both financial and human capital resource limitations are huge impediments in the application of sophisticated cost systems. Moreover, family business-related cultural factors, such as strong family-oriented convictions, informal lines of communication, and nepotistic administrative patterns, affect the choice and accomplishment of cost-sharing procedures (Chua et al., 2015). These distinguishing factors may make it challenging in finding balance between business goals and family passions leading to less than optimum financial management practices.

In addition, the mom and pop nature of family firms' board structures indicate that family members engage in management and decision making based on informal, experiential decision-making and not on systems-based formalized processes affecting impartiality in the cost allocation process (Gersick et al., 2017). This looseness and informality may impede the entrenchment of cost accounting systems, vital for transparent financial management and sustainability.

1.2 Statement of the Problem

The significant contribution of family-owned businesses to the Zimbabwean economy is hampered by inefficient cost allocation practices. Many of these businesses, particularly smaller ones, likely rely on informal or rudimentary cost allocation systems, leading to potential inefficiencies in resource allocation, inaccurate pricing strategies, and hampered

profitability. This is further complicated by the unique dynamics of family businesses, where intertwined family relationships and decision-making processes can influence cost allocation decisions in ways that are not always aligned with optimal financial performance. This study addresses the problem by investigating the prevalent cost allocation practices employed by family-owned businesses in retail sector in Mashonaland East Province.

1.3 Research Objectives

i) To assess the current cost allocation practices used by family-owned businesses in Zimbabwe.

ii) To identify the challenges and barriers faced in implementing effective cost allocation practices.

iii) To analyse the impact of these practices on the financial performance and sustainability of family-owned enterprises.

iv) To provide recommendations to improve cost allocation practices for enhanced operational efficiency and profitability.

1.4 Research Questions

i) What specific cost allocation practices are currently adopted by family-owned businesses in Zimbabwe?

ii) What are the key challenges and barriers that family-owned businesses in Zimbabwe encounter when attempting to implement effective cost allocation practices?

iii) How do the cost allocation practices of family-owned businesses in Zimbabwe influence their financial performance and long-term sustainability?

iv) What recommendations can be made to family-owned businesses in Zimbabwe to enhance their cost allocation practices, leading to improved operational efficiency and profitability?

1.5 Assumptions

1. Respondents are all eligible and willing to participate in the study.

2. Respondents (family business owners/managers) will provide honest and accurate information about their cost allocation practices.

3. The results of the study will be applicable to other family businesses in Zimbabwe.

1.6 Significance of the Study

1.6.1 To the researcher

The research will help the investigator to gain a broad understanding of cost allocation practices in family-owned businesses in Zimbabwe, offering valuable insights into the unique challenges this sector faces.

1.6.2 To Bindura University of Science Education

The findings of this study will be important as a source of research material for other university academics. Additionally, the students and researchers could use this study as a platform for discussions and as a basis for future exploration in related areas.

1.6.3 To Family-Owned Businesses

This study is crucial for family-owned businesses in Zimbabwe, as it explores effective cost allocation practices that can enhance their financial performance and competitiveness. By understanding how to optimally allocate costs, family-owned businesses can improve decision-making, reduce costs, and increase profitability. The work will have implications for practitioners (family business owners and managers) by offering practical guidance to manage finances, remain sustainable and retain the family legacy. Furthermore, the results of the study will assist family businesses in benchmarking on cost allocation practices to be more responsive to market dynamism and stay in business.

1.6.4 To Regulatory Bodies

The findings enable policy makers and regulatory institutions in Zimbabwe (Ministry of Finance and Economic Development, Ministry of Small and Medium Enterprises) to employ

information on the best allocation of costs amongst family-owned firms. This study is highly significant as it opens up valuable considerations on the financial management of family owned businesses; in response, the regulatory bodies should have in place focused policies and programs for their development. By understanding the cost allocation challenges faced by family-owned businesses, regulatory bodies can create a more conducive business environment, simplifying regulatory requirements and reducing compliance costs. This study also contributes the development of accounting standards and guidelines tailored to family-owned businesses, promoting transparency and accountability.

1.7 Delimitation of the study

1.7.1 Delimitation concerning geographical area

This study was intended to explore the cost allocation practices in family-owned businesses in Zimbabwe but the study was carried out in Domboshava, Mashonaland East Province. While there are other family-owned businesses around Zimbabwe, those outside Mashonaland East Province were not part in the study. However, the research findings would not be negatively affected, as family-owned businesses are homogeneous throughout the Zimbabwe.

1.7.2Data Period Delimitation

The study was from August 2024- June 2025. The study's data collection and analysis are limited to this specific timeframe, which may not capture longitudinal changes or trends.

1.8 Limitation of the study

There are certain restrictions on the study, which could cause some difficulties. The study was limited owing to a lack of resources such as time and money. The insufficiency of these resources is likely to limit the study's accuracy and breadth. The researcher had to travel on a tight schedule from the rural areas of Domboshava to Showground, a home to many family-owned businesses. To save time, the researcher ensured that only a suitable number of interviews were conducted per day, and that questionnaires and interviews were administered concurrently.

1.9 Chapter summary

This chapter started with a discussion of the background of the study and the statement of the problem. The study objectives were formulated, together with research questions emanating from the objectives. The bottom line of the study, as constructed from the study objectives and the research questions related to the cost allocation practices of family-owned businesses in Zimbabwe. The beneficiaries to which the study was of value were discussed, as well as the limitations and delimitations of the study. The next chapter reviews relative literature used in this study.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The aim of this chapter was to review literature on the cost allocation practices of family-owned businesses in Zimbabwe. This chapter includes, definition of cost allocation the theoretical framework of the study, empirical evidence and the gap analysis of this research against other researches done by other authors

2.1 Definition: cost allocation

Cost allocation refers to the systematic process of distributing expenses to specific products, departments, or activities in an organization to accurately reflect the resources consumed by each cost object (Horngren, Datar, and Rajan, 2015). This involves the classification, quantification, and enforcement of diverse cost to various entities, such as products, services, or projects, to enable clearer financial insights (Drury 2013). The main tasks of cost allocation are the cost of goods sold or services provided the level of inventory or work in progress, the probability of individual products or business units, and the strategic process decision, such as pricing, budgeting or resource allocation.

Effective cost allocation plays a pivotal role in organizational performance by providing management with detailed cost information necessary for evaluating operational efficiency and guiding resource optimization (Horngren et al., 2015). In addition, it would maintain compliance with accounting standards and promote more transparent financial reporting, which is critical to stakeholder confidence and compliance with the specified requirements.

There are various approaches to cost allocation and one may be more appropriate than another based on the dynamics and complexity of an organization. Direct costing assigns expenses straightforwardly to cost objects when costs can be clearly traced, providing simplicity and accuracy for directly attributable costs (Drury, 2013). Indirect costing utilizes predetermined overhead rates to allocate less traceable expenses across cost objects, accommodating shared

costs that support multiple activities (Drury, 2013). Activity-Based Costing (ABC) offers a more sophisticated approach by first assigning costs to discrete activities based on resource consumption and then linking these activities to cost objects, which allows for a nuanced understanding of how overhead and indirect costs drive product or service expenses (Kaplan and Anderson, 2007). This method is particularly beneficial in complex, multi-product organizations where traditional allocation may obscure true cost drivers.

By implementing appropriate cost allocation methods, organizations can enhance their financial accuracy, bolster profitability analysis, and make well-informed managerial decisions that support long-term sustainability (Drury, 2013; Horngren et al., 2015).

2.2 Theoretical framework

2.2.1 Activity-Based Costing (ABC) Theory

Activity-Based Costing (ABC) Theory is a contemporary cost accounting system that assigns cost to products, services, or activities in proportion to the actual amount of resources consumed by them. Activity -Based Costing (ABC) Theory ABC is unlike traditional costing systems which consider only one activity or cost-driver for allocation of costs (production, marketing, family activities) among different activities (number of transactions, machine setups) (Kaplan & Cooper, 1998). This is also true for family-run businesses, which are frequently engaged in a variety of complex endeavours, ranging from business operations to family expenditures. By associating costs with activities and cost drivers, it can enhance transparency, decision-unforcedness, and resource efficiency. With respect to Zimbabwean family businesses ABC Theory, provide insight about how to allocate costs between business and family activities so that financial management reflects economic and socioemotional objectives.

2.2.2 Agency Theory

The agency theory concentrates on the relationship among the principals (the owners) and the agents (the managers) and the conflicts that arise when their interests are not congruent. The independent variables in the alignment measure are agency costs, which include monitoring costs, bonding costs, and residual loss; information asymmetry; and goal incongruence

(Greenwood, 2003). Agency issues within family businesses are more complex due to the overlay of family and business roles, resulting in issues such as family-nonfamily conflict, nepotism and succession conflict.

This proposition is particularly relevant to rationales such as cost incurrence and financial management among family businesses. For instance, it describes how monitoring expenses, resource allocation waste, and financial transparency are affected by the principal agent relationship. Other studies such as those conducted by Schulze et al. (2003) and Chrisman et al. (2004) highlight the significance of governance mechanisms and effect on the level of agency conflicts. Agency theory is useful to elucidate the central role of cultural, economic and institutional factors in the cost allocation practices of Zimbabwean family owned firms.

2.2.3 Stewardship Theory

The limitations of agency theory have led to researchers investigating alternative models to explain the performance and sustainability of family firms. Stewardship theory has also attracted interest in the family business research (Westhead & Howorth, 2006, Corbetta & Salvato, 2004). This theory argue that group and self-actualization striving for organisation rather than self-ego move people. Entrepreneurs typically see their businesses as part of their personal identities, making it difficult to separate personal goals from organizational goals (Poza, 2010). This emotional tie motivates them to become loyal stewards of the family's business, seeking opportunities that enhance the long-term health of the company (Greenwood, 2003). Stewardship theory thus provides a more complex view of family governance that suggests that the founders' inherent connection inspires responsible ownership and management behaviours. Stewardship theory instead places emphasis on trust, commitment and alignment of interest between a steward and the organisation's goals. Stewardship in family firms is prominent as family members serve as owners and managers, which engenders an emotional attachment to the sustainable survival of the business. Trust common goals and ethical management are the focal issues of Stewardship Theory and could be the perspective through which one can view altruist, long-term financial behaviour of family-owned businesses in Zimbabwe.

2.2.4 Socioemotional Wealth (SEW) Theory

Socioemotional Wealth (SEW) theory emphasizes the family owners' non-economic aspirations and its emotional value their companies provide to them; for instance, family harmony, reputation, legacy and control (Gómez-Mejía, et al., 2007). In contrast to classical economic theories, which assumes that family firms pursue profit maximization, Socioemotional Wealth theory argues that family firms care more about their socioemotional wealth than their firm's financial value. Considerable elements of Socioemotional Wealth are family control influence, emotional attachment & identity, binding social ties, and reinforcement of family bonds.

Socioemotional Wealth, in family businesses, affects how decisions are made (i.e. Cost allocation and financial management). For instance, family-owned businesses may dedicate funds to assist in family costs or projects creating long-term value for the family, even though they are suboptimal in financial terms. These firms even forgo external finance to preserve control in family hands, i.e., they are choosing to protect residual control over socioemotional wealth at the expense of pure economic gain. Research, such as that conducted by Berrone and Colleagus (2012) and Debicki et al. (2016), who shed light on how Socioemotional Wealth influences shapes corporate social responsibility practices and risk-taking behaviour in family firms. When applied to the study of Zimbabwean family firms, the Socioemotional Wealth theory serves as a useful lens through which to examine the influence of cultural values, family dynamics, and long-term aspirations on financial behaviours.

2.3 The Purpose of Cost Allocation in Business

Cost allocation is the process of identifying and assigning indirect and shared costs to particular cost objects, such as departments, products, service or activities. Its focus is to ensure the financial numbers are reported accurately in the financial statements, prudent decisions are made, and the company's resources are used in the best possible manner. Following are the prime objectives of cost allocation as evidenced both empirically and theoretically:

Cost assignment enables companies to make the right decision on the cost of their products and services. Through the allocation of overheads (e.g., rent, utilities, and administration costs), it becomes possible to obtain a more reasoned view of profitability by cost objects (products, services). This is crucial when deciding the price of the product and identifying the product lines that are not profitable (Horngren et al., 2015). For many privately held businesses, and for retailers there is certainly no exception, an effective cost structure helps

ensure that pricing decisions are consistent with market competition and family financial aspirations. Findings of the study conducted on Zimbabwean family-owned clothing stores were costs misallocating overhead costs, which resulted in under-pricing and declining profit (Munyanyi & Mapuranga, 2019). A family hardware store based in Masvingo traced electricity costs to particular product lines using Activity-Based Costing (ABC).This revealed that low-margin items, prompting a shift toward high-margin products (Chikwira et al., 2022), consumed 40% of overheads.

Allocating costs to activities or departments helps managers make informed decisions about resource allocation, budgeting, and investments. For example, Activity-Based Costing (ABC) identifies cost drivers, enabling businesses to eliminate inefficiencies and prioritize high-value activities (Kaplan & Cooper, 1998). In family-owned businesses, where resources are often limited, cost allocation can guide decisions on whether to expand product lines, invest in new equipment, or reduce non-essential expenses. The goal of cost allocation is to root out waste and to help drive data focused decision-making .With limited access to foreign currency for imports, family-owned retailers use cost allocation to prioritize locally sourced goods. In a study by (Ndlovu & Moyo, 2021), a Bulawayo-based supermarket chain allocated warehousing costs to identify that imported cereals were 30% costlier than local alternatives. Zimbabwean family businesses often face dilemmas, such as choosing between restocking inventory or funding a family member's education. Cost allocation clarifies the financial impact of these choices. A Mutare family-owned pharmacy used ABC to discover that 25% of its storage costs were tied to slow-moving drugs. This led to a partnership with local clinics to reduce stockpiling (Gumbo et al., 2020).

Cost allocation provides a fundamental for evaluating the performance of departments, managers, or business units. By assigning costs to specific segments, businesses can assess profitability, efficiency, and accountability. This is important in family-owned businesses, where overlapping roles between family and non-family members may create ambiguity in responsibility (Drury, 2018). Cost allocation holds departments or family members accountable for financial outcomes. In many Zimbabwean family businesses, informal governance blurs accountability. Allocating costs to specific family-managed departments (e.g., procurement vs. sales) reduces conflicts. A study of 50 Harare family retailers found that formal cost allocation improved intergenerational trust (Mazhindu et al., 2023). Some businesses tie staff bonuses to cost-saving performance. For instance, a Gweru-based retailer reduced packaging waste by 15% after allocating recycling costs to the logistics team (Nyathi, 2021).

Companies needs to follow accounting rules (e.g., IFRS, GAAP) which demands precise cost contribution for financial statements .Proper allocation ensures transparency and consistency in reporting, which is critical for attracting investors or securing loans (Horngren et al., 2015). In Zimbabwe, where economic instability and hyperinflation complicate financial reporting, cost allocation helps businesses maintain compliance with local accounting standards (Chitakunye & Mpofu, 2014. Zimbabwe's convergence to the International Financial Reporting Standards (IFRS) means family businesses have to account external factors when allocating costs. However, many are not expertise leading to non-compliance fines (Reserve Bank of Zimbabwe, 2022). The ZIMRA closely monitors expenditure allocations in order to minimise tax avoidance. An audit of family owned retail businesses in 2021 revealed 60% allegedly failed to apportion personal expenses to business expenses (ZIMRA, 2021).

I think that when costs are attributed to activities, it allows the business to see the waste and how it is using its resources. For instance, a small retail business might use cost assignment to evaluate whether to undertake in-house or contract out logistics (Kaplan & Cooper, 1998). This is important in resource-poor settings such as Zimbabwe as reducing waste means the business will be sustainable. Cost allocation helps businesses in identifying and eliminating waste through cost drivers. With frequent fuel shortages, family retailers in Harare allocate transport costs to optimize delivery routes. One business reduced fuel consumption by 20% using GPS tracking linked to cost allocation software (Marufu, 2023). Regarding labour costs, nepotism often inflates payrolls. A Bindura-based store reduced labour costs by 25% after allocating salaries to underperforming family members (Chari & Ngwenya, 2020).

Cost allocation supports long-term strategic planning by revealing cost structures and profitability trends. For family-owned businesses, this aids in succession planning, legacy preservation, and aligning financial practices with socioemotional wealth goals (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). For instance, reinvesting profits into the business to secure family control may require careful allocation of costs to balance financial and emotional priorities. Zimbabwean family businesses prioritize legacy over profits. For example, a Masvingo retailer allocates 15% of profits to a "family legacy fund" for future generations, even during economic downturns (Gomba, 2022). Cost allocation models help families assess the financial viability of transitioning leadership. A 2023 study found that 70% of Zimbabwean family businesses lack formal succession plans due to unallocated transition costs (Muponda, 2023).

In family-owned businesses, cost allocation can reduce conflicts arising from unclear financial boundaries between family and business expenses. Transparent allocation practices ensure that personal expenses (e.g., family salaries, personal use of business assets) are separated from operational costs, fostering accountability and trust (Dyer, 2006). A Chitungwiza family hardware store resolved conflicts by using separate bank accounts for business operations and family expenses (Dube, 2021). Ubuntu values compel businesses to support extended family, often straining finances. A Bulawayo retailer introduced a "family support budget" capped at 10% of revenues to balance cultural obligations and sustainability (Ncube, 2022).

2.4 Cost Allocation Methods

2.4.1 Traditional costing methods

Traditional costing methods, also known as absorption costing, allocates overhead costs based on a single, predetermined overhead rate. This rate is typically calculated by dividing total overheads costs by a single cost driver, such as direct labour hours, machine hours, or direct material costs. They are several variations within traditional costing, but they share this fundamental approach. (Drury, 2018) have indicated the strength and weaknesses of traditional costing methods.

Strength

- Traditional costing is relatively simple to understand and implement, requiring less data collection and analysis than more sophisticated methods. This makes it suitable for smaller businesses with limited resources.
- The simplicity translates to lower implementation costs in terms of time, personnel and software.
- Traditional costing is widely understood and accepted by accountants and managers, facilitating communication and comparability across different organizations.

Weaknesses

- The use of a single cost driver often leads to inaccurate cost allocation, particularly in organizations with diverse products or services and complex manufacturing processes. Overheads are not always directly proportional to the chosen cost drivers.

- Traditional costing fails to capture the complexity of overheads costs and their relationship to various activities. This can lead to distorted product costs and inefficient resource allocation.
- The misleading cost generated by traditional system can be destructive to make a decision in price, product mix, and price reduction.

2.4.2Activity-Based Costing (ABC)

Activity-Based Costing (ABC) Activity based costing is an enhanced form of cost accounting that places greater emphasis on activities as the fundamental factor around when to revise cost objects other than products or departments. This method "traces the costs of activities" in the organisation (e.g., procurement, customer service, and quality control) and then assign these activity costs to indirect costs more proportionally related to the final cost of a product or service or customer (Horngren, Datar, and Rajan, 2015). One of the main advantages of Activity-Based Costing is that, by using the activity itself as the basis for assigning costs, Activity-Based Costing can provide a more accurate and meaningful allocation of overhead than traditional costing systems that frequently use arbitrary bases (e.g. machine hours, direct labour hours) to allocate indirect costs (Kaplan and Cooper, 1998). Drury, 2018 have established the pros and cons of using Activity-Based Costing technique.

Strength

- Activity-Based Costing accurately assigns overhead costs, taking into account a number of cost drivers and matching them to activities. This provides a realistic picture of product costs.
- The more accurate cost information generated by ABC enables better decision-making concerning pricing, product mix, process improvement, and cost reduction.
- Activity-Based Costing helps managers understand the activities that drive costs, allowing them to pay attention on improving efficiency and reducing costs in those areas.
- By identifying the cost drivers, Activity-Based Costing helps managers develop targeted cost reduction strategies.

Weaknesses

- Activity-Based Costing is more complex and costly to implement than traditional costing, requiring significant data collection, analysis, and specialized software. According to (Drury, 2018) the cost of implementing and utilizing an Activity-Based Costing system is extremely costly than operating a direct costing or a traditional costing system. Particularly, the coaching and software demands may hinder its adoption by small firms.
- Implementing Activity-Based Costing requires large- scale data collection and analysis, which prolonged the process and resource-intensive.
- Implementing Activity-Based Costing may face opposition from workers who are usually use traditional costing methods.

Applicability of cost allocation methods

These methods are particularly useful for businesses with:

Traditional costing	Activity-Based Costing
Simple production processes	Complex production processes
Relatively homogeneous products or services	Diverse product lines
Low overhead costs relative to direct costs	High overhead costs relative to direct costs
Limited need for complete cost information for decision-making	A need for detailed cost information for decision-making
low levels of competition	intensive competition

Source: (Drury, 2018)

2.5 Impact of Cost Allocation on Financial Performance

Accurate cost allocation plays a pivotal role in enhancing the financial performance of businesses by providing detailed insights into product and service profitability. This enables

firms to focus resources on high-margin offerings while discontinuing unprofitable ones. In addition, a major study in the South African retail sector showed that the use of Activity-Based Costing contributed to a 12% improvement in profit margin through concentrating on most demanded products (Innes & Mitchell, 1995). Likewise, Zimbabwean family-owned retail businesses that adopted Activity-Based Costing saw an 18% rise in net profits on account of accurate re-assigning of overheads like electricity and logistics that curbed the misallocation problems of overheads (Chikwira et al., 2022).

Clear imputation of indirect costs also promotes cost transparency by highlighting inefficiencies and excessive spending. A Harare supermarket, for instance, reduced the costs of storage by 25% when it traced the indirect cost of holding excess inventory to inaccuracies in demand forecasting, proving that visibility in to indirect costs can support cost constraining efforts (Marufu, 2023). This is just to show the value added of a transparent allocation of expenses by enabling well informed managerial decisions leading to better resource allocation for better operational performance.

Dynamic pricing of commodities is another important level affected by precise cost allocation, more so in unstable settings such as Zimbabwe who experiences rampant hyperinflation between 2020 and 2023. Retailers that employed ABC effectively adjusted their pricing structures to incorporate fluctuating costs caused by currency instability, thereby sustaining profitability during periods of severe economic stress (RBZ, 2023). This nimble pricing modelling relies on a solid understanding of both direct and indirect costs so a business can be fast and clever in response to the market.

Solid and more detailed cost information also influences strategic capital allocation decisions, enabling companies to deploy profits back into operationally cost-effective and sustainable initiatives. For instance, Ndlovu (2021) argues that a hardware shop in Bulawayo channelled its surplus on solar energy infrastructure after use of Activity-Based Costing analyses revealed dispersions in the cost of inputs for generators. By reinvesting the savings in lighting, the store was able to reduce energy costs and improve the store's environmental footprint, illustrating how crystal-clear cost – allocation governance can be used to drive a financial and strategic sustainability program.

Taking these arguments further, studies have suggested that accurate costing systems, such as Activity-Based Costing, encourage improved budgeting and financial planning. Despite the fact that this can be challenging, Mlobeli (2018) established that family businesses in

Zimbabwe that were using more sophisticated methods of cost allocation were better in managing cash flow and are attractive to formal sources of capital. This enhancement resulted from the fact that such firms were able to provide complete information on costs and profitability to lenders and to thus decrease the financing risk.

Besides, cost assignment affects inventory turnover and working capital control. Kamau (2024) in his study of Zimbabwean SMEs discovers that the adoption of Activity-Based Costing resulted in about 30% decrease in the inventory turnover ratios, having accurately identified slow moving stock and ratio procurement. Effective inventory control is the source of liquidity improvement, which is at core of the profitability particularly under credit-constrained environment.

2.6 Impact of Cost Allocation on Sustainability

Effective cost allocation is a critical mechanism that supports the sustainability of family-owned businesses by aligning financial management with strategic and environmental goals. By dedicating portions of profits to long-term objectives, businesses ensure continuity across generations and bolster resilience in fluctuating economic landscapes. For instance, a family retailer in Masvingo allocated 20% of its profits to a legacy fund, which was a specific initiative to support the next generations of the business. This prudent financial planning has been credited with securing the intergenerational sustainability of the enterprise by providing a steady stream of reinvestment capital and safeguarding the family's economic legacy (Gomba, 2022).

Moreover, allocating costs explicitly to eco-friendly practices offers dual benefits—cost savings through waste reduction and enhanced environmental stewardship. Marufu (2023) reported that a supermarket group in Harare was assigning close to a third of its costs to plastic packaging using Activity-Based Costing (ABC). After adopting a 100 percent biodegradable packaging, for example, this retailer was able to save 40 percent in waste disposal charges in addition to contributing to conservation. These are examples of how cost allocation systems can identify significant environmentally related costs, which can influence the strategic move to environmentally friendly operations in support of sustainable business operations.

Apart from the environmental issues of cost allocation, one that might facilitate the emulation of social responsibility is its support can be very positive to family firms and their reputational

capital and customer loyalty. Gumbo et al. (2020) reported that one family pharmacy in Mutare contributed 5% of its profits to build attend free medical camps in the community. This investment not only met community health needs, but also saw foot traffic rise by 15%—socially driven cost allocation become very real business growth, and goodwill, for these businesses.

For sociocultural reasons, the objective between family businesses are typically not financial goals like the family harmony and the resolution of these conflicts. Clear fee allocation becomes a key instrument for contrast reduction on resource consumption and financial management. One retailer in Chitungwiza managed to resolve family disputes by delineating and separating business and personal expenses through transparent cost allocation practices (Dube, 2021). This division reduced opportunity for friction and miscommunication, promoted clearer accountability, and facilitated smoother family governance while maintaining important relational capital to support sustainable family firm success.

Clear method of cost distribution further enhances good governance through trustful and accountable relations between stakeholders. Academic research has indicated that family firms often struggle with conflicts related to ambiguous financial arrangements, and this may affect their long-term sustainability (Vicari, 2019). Developing intelligent and comprehensive cost allocation policies designed so that in all instances, the values are reliably established and the costs charged out form a crux governance and ethical financial tool as the rules that are created now enable trust to be built in the family and to prevent unnecessary disputes occurring.

Furthermore, investing in the sustainability of cost management supports global and local growing regulatory requirements, therefore the family firm's regulatory role, and competitive position on the market. To the extent that there is a growing tendency amongst the country's regulatory environment to promote environmental responsibility, for every dollar spent on sustainability, family businesses saved an equivalent amount in the form of lower compliance and improved access to government support programs (Nyoni et al., 2023).

2.7 Challenges in Implementing Cost Allocation Systems

Family businesses often adhere to traditional and old-fashioned 'ways' because they see it every day and have their suspicions about the modern way of doing things (technology). Older generations in family businesses may resist abandoning manual bookkeeping for digital

systems like ABC. (Mpofu & Ncube, 2020) found that 70% of Zimbabwean family retailers preferred spreadsheets to ABC software due to generational distrust. A Harare-based grocery store faced pushback from senior family members who viewed ABC as a "foreign concept" irrelevant to their small-scale operations (Dube, 2021).

Implementing advanced costing systems requires specialized accounting skills, which are scarce in resource-constrained environments. (ZimStat, 2022) have indicated that only 15% of Zimbabwean family-owned businesses employ accountants with ABC expertise, leading to errors in cost tracing. A Bulawayo retailer attempted ABC but misclassified family travel expenses as marketing costs, distorting profitability (Ndlovu, 2021).

Cultural norms as Ubuntu (community solidarity) and familial loyalty can conflict with objective cost allocation. Family businesses often allocate resources to extended family needs (e.g., school fees, weddings), blurring business and personal expenses. (Mazhindu et al., 2023) found that 40% of Zimbabwean family retailers had no formal separation between family and business budgets.

Hyperinflation, currency instability, and the financial environment prevent the accurate tracking of costs and the allocation of costs. Businesses had to grapple with multiple currencies after the value of the Zimbabwe dollar against the USD declined 80%in 2023.ABC systems struggled to allocate costs accurately across ZWL and USD transactions (RBZ, 2023). A Masvingo supermarket abandoned ABC after failing to reconcile fuel costs priced in USD with ZWL revenues (Chikwira et al., 2022).

Reliable cost allocation requires consistent, high-quality data, which is difficult to obtain in informal settings. Over 60% of family retailers rely on handwritten records, leading to gaps in cost data. A 2021 audit revealed that 45% of Harare family businesses had incomplete expense logs (ZIMRA, 2021).

Advanced systems like ABC require investments in software, training, and consultants, which are prohibitive for small businesses. ABC software licenses cost $1,000+ annually—equivalent to 30% of profits for small retailers (World Bank, 2021). A Chitungwiza retailer shelved ABC after spending $800 on a failed pilot (Marufu, 2023).

Family-owned businesses often lack formal policies for cost allocation, leading to arbitrary decisions. Patriarchal leadership in 80% of Zimbabwean family businesses results in unilateral cost allocation decisions, sidelining younger members (Moyo & Ndlovu, 2023). : A Bulawayo

store's patriarch allocated 40% of marketing costs to his preferred product line, ignoring market demand (Ncube, 2022).

Family goals (e.g., legacy preservation) often conflict with profit-driven cost allocation. (Gomba, 2022) found that 65% of Zimbabwean family retailers prioritized family harmony over cost efficiency, such as retaining unproductive relatives on payroll. A Harare electronics store retained a loss-making DVD section to honour the founder's legacy, costing $5,000 annually (Marufu, 2023).

2.8 Empirical evidence

Refer to the previous studies that are similar to the present study. It involves more than just lists or summery of previous studies but also show how these studies connect or differ with the current study, thus establish the knowledge gap (Creswell, 2014).

Empirical Evidence on Cost Allocation Practices in Family-Owned Retail Businesses

Family-owned retail businesses often employ a mix of traditional and modern costing methods to allocate expenses. Traditional methods, such as allocating overhead based on sales revenue, are commonly used due to their simplicity and ease of implementation (Dyer, 2006). However, these models may not necessarily capture the full cost of activities, and may result in inefficiency. Modern systems, however, such as Activity Based Costing (ABC) can record cost more precisely by attaching them to specific activities and cost drivers (Kaplan & Cooper, 1998). For instance, a study of family–owned and operated South African retail businesses showed that implementation of Activity Based Costing enabled managers to identify inefficiencies and cut unnecessary costs resulting in an increase in business profit (Innes & Mitchell, 1995). Even though Activity Based Costing has some merits, the implementation thereof is often constrained by limited resources, skills shortages in family businesses especially in developing economies such as Zimbabwe (Chitakunye & Mpofu, 2014).

With respect to family goals through costing system for family-owned retail companies, they usually cherish the family goals in their cost criteria guideline. For example, they can use resources to help family members, through salaries, benefits or personal use of the firm's assets, at the expense of lower profitability (Gómez-Mejía et al., 2007). This is quite common within Zimbabwean, whose society is characterised by family togetherness and mutual help. Privileged treatment of the family goals can contribute to healthy family development and

solidarity but also increase fiscal pressure on the enterprise, particularly in resource constraint countries.

Family configuration, cultural motives, and economic motives are the most relevant factors that influence the cost allocation methods used in family business retailers. Cost allocation is influenced by family dynamics. Resources allocation problems can also occur in a context where many different family members manage the firm, particularly when the members in power have different preferences (Schulze et al., 2003). Nepotism—preferring relatives when making hiring and promoting decisions—is one such behaviour, which may increase labour costs or reduce efficiencies, ultimately threatening the organization's financial performance (Dyer, 2006).

The same can be said of values found in particular cultures and the way costs are distributed. In Zimbabwe, the focus on family and community and cultural norms when it comes to money usually influences people's financial decisions. Therefore, for example, a small family-owned retail shop may use some of its resources for other extended family purposes or community projects, not directly related to the business. While such measures would ameliorate the company's goodwill and relations with customers, it can be very resource-driven and have an activity bite at the worst possible moments in the economy.

Family-owned retailers face more complications in choosing how to allocate costs due to economic factors. Economic instability and resource shortages in Zimbabwe tend to compel firms to prudently manage their expenditure by doing things like belt tightening to reduce overheads and putting off making investments (Chitakunye & Mpofu, 2014). These limitations have been compounded by restricted access to third-party finance, which is constraining the capacity of the business to develop growth projects. As a result, family retailer businesses in Zimbabwe rely on social financial institutions including informal financial systems, trust and personal relations to manage spending (Dyer 2006). However, informal arrangements can obstruct efficient and transparent spend too!

According to empirical evidence, family retail shops pursue multiple strategies of financial policies to survive. One popular method is to put the profits back into the business in an attempt to accelerate growth and ensure the longevity of the business.

This practice is often driven by the desire to safeguard the family legacy and provide for upcoming generations (Debicki et al., 2016. For instance, for family-owned, bottle-store retailers in Zimbabwe, influenced by the economic environment, although many of the

businesses reinvested earnings for product range widening or facility betterment, this was not the case for all businesses (Chitakunye & Mpofu, 2014).

Risk avoidance is another major tactic. Family-owned retail firms are much more conservative in both risk taking and in compromising family control by taking on external finance. This conservative behaviour provides stability, but can also hamper growth opportunities (Gómez-Mejía et al., 2007). For instance, a family-owned business can prioritise maintaining family control over pursuing aggressive expansion strategies, even when external financing is available.

Family owned retail businesses experience a number of cost and financial control challenges, such as the struggle to balance family and business needs, to survive times of economic instability and adopt best practices to address inefficiencies in informal forms of financial control. However, these problems are also opportunities. For example, using contemporary costing approaches such as ABC can improve the precision of cost allocations and help to make decisions more rationally (Kaplan & Cooper, 1998). When good governance structures– formal financial controls and separating family from business expenses are in place– this reduces conflict and helps with financial management (Dyer, 2006).

In the case of Zimbabwe, operationalizing shared community and family values in a community-based marketing strategy can bolster the firm reputation and strengthen customer relationships. For example, family businesses in a retail environment that allocate resources to community-based projects or family oriented activities may establish relationships with customers and stakeholders that develop into a competitive edge (Maphosa, 1997).

An assessment of the influence of selected factors on the performance of small to medium sized family –owned businesses in the Zimbabwe retail sector

M Sandala, L Mangwandi (2015) investigated the factors influencing the performance of small and medium sized family-owned businesses (SMEs) in the Zimbabwe retail sector. It examined the impact of innovation, management expertise, succession planning, and corporate governance on SMEs success. Using quantitative survey design and statistical analysis (descriptive statistics, correlation, and regression), the study discovered that innovation , strong management, effective succession planning, and sound corporate governance were the most significant predictors of business performance, in that order. The findings suggest that Zimbabwean family business owners and managers should prioritize these areas to improve their enterprises success.

Sustainability of family-owned businesses in the willowale industrial area of Harare, Zimbabwe. Chundu, M., Njobo, J., & Kurebwa, J. (2021).

The current study was a response to concern over the high failure rates of family-owned businesses in the industrial area of Willowvale in Harare in Zimbabwe. The research employed a concurrent mixed methods strategy to explore the difficulties, coping mechanisms and success factors affecting sustainability. Results show that family firms experienced significant challenges, which included lack of capital, economic instability, and stiff competition. These businesses often underestimated the importance of revolution, technology, effectiveness, and quality in ensuring their sustainability. To cope, they employed strategies such as operational reorganization, cost management, family support, and balancing entrepreneurship with emotional considerations. The study found a weak connection between corporate governance, succession planning, and management practices and sustainability. However, a strong link existed between sustainable competitive advantages and business sustainability.

Cash flow management challenges faced by small family-owned businesses in Zimbabwe. Dzingirai, M., & Ndava, R. (2022).

This study investigated the cash flow management challenges encountered by small family-owned businesses in Zimbabwe. A constructivist research paradigm was adopted, suitable for an exploratory qualitative study. Detailed interviews and Focus Group Discussions (FGDs) were conducted with 12 owners of small family businesses from various sectors. Thematic analysis was applied to examine the data. The findings revealed that small family-owned businesses face numerous cash flow management challenges, including ineffective management of payables and receivables, insufficient cash reserves, lack of financial expertise, inadequacy of cash budgets, bad debts, financial instability, and the influence of Unhu/Ubuntu culture. The study's findings have practical connection for financial institutions and governments granting financial management capacity-building workshops. Furthermore, the research enables family business managers to make informed decisions regarding cash management practices and cash operating cycles, contributing significantly to the existing literature on family businesses.

Assessment of Succession Planning on the Survival of Small to Medium Enterprises in the Retail sector in Zimbabwe. Kajongwe, C; Mazula, E & Chibaya, S. (2020).

The aim of the study was to do an assessment of succession planning on the survival of small to medium enterprises in the retail sector in Zimbabwe. This quantitative study, grounded in

the positivist paradigm, employed stratified random sampling to select 110 SME owners from retail outlets in the Harare Metropolitan Province. Structured questionnaires were applied for data collection, and Statistical Package for Social Sciences (SPSS) was utilized for data analysis, specifically Chi-Square Tests of independence. The findings disclose a significant positive correlation between succession planning and SME performance in Zimbabwe's retail sector. Succession planning was found to mitigate conflicts among founding members, management, and employees. Additionally, weak positive relationships were discovered between succession planning and organizational survival, determined by adaptability and dynamic capability. Based on these outcomes, the study advocates that SME management implement succession-planning strategies, such as tutoring, management development, and performance appraisal, to foster effective subordinate leadership relationships. Furthermore, SMEs should establish formal succession planning policies to ensure seamless business transitions across generations. Future research directions include conducting longitudinal studies to assess the effectiveness of succession policies and their impact on SME performance in Zimbabwe.

A survey of cost allocation practices of manufacturing companies in Kenya. B, K, Langat (2005)

This study investigated the cost allocation practices of Kenyan manufacturing companies, recognizing the significant impact of cost allocation on financial statements and subsequent business decisions. A semi-structured questionnaire was administered to 50 companies, yielding a 64% response rate. Data analysis revealed that while cost allocation is a widespread practice among Kenyan manufacturers, most companies still rely on traditional volume-based methods, which can lead to inaccurate decision-making. The primary motivation for cost allocation, as cited by respondents, is to inform managerial decision-making. Generally, companies maintain two cost centres, with the majority using units of output as their allocation base. Most companies determine overhead application rates based on actual activity levels, minimizing issues related to over or under recovery of overheads. However, companies using budgeted activity levels typically address any discrepancies through their profit and loss accounts. Notably, the study found that Activity-Based Costing (ABC) has not gained significant traction in Kenya. Overall, the research highlights the need for Kenyan manufacturing companies to re-evaluate their cost allocation methods to assure more precise and informed decision-making.

The Rationale for Cost Allocation: a Study of UK Divisionalised Companies. S, Ramadan (2012).

This study investigates how top management in decentralized companies view the allocation of central costs for performance evaluation purposes. A questionnaire survey of senior management provided the data. The findings reveal that top management allocates costs strategically to influence manager behaviour, aligning their actions with the company's overall best interests. Consequently, top management believes that cost allocations promote optimal resource utilization. However, they also perceive that allocations may not effectively reduce conflicts between divisional managers.

An assessment of cost allocation system in manufacturing company (in case of Oromia pipe factory PLCP. S, Zerihun (2023)

This study evaluated the cost allocation system at Oromia Pipe Factory PLC, focusing on its impact on management decision-making. The research examined various aspects, including cost system practices, internal controls, manufacturing processes, staff quality, and customer satisfaction. The study targeted 25 employees, including senior management and department heads, using purposive sampling. Data was obtained through questionnaires and focus group discussions, analysed using both qualitative and quantitative approaches, and processed using SPSS. The findings revealed that the company uses a traditional process costing system, allocating factory overhead costs grounded in units of production. However, the company lacks the capacity to execute modern cost allocation systems. The results determined that the traditional costing method is ineffective, providing incorrect cost information and negatively affecting company performance. Additionally, the company faces labour shortages and lacks trained employees due to inadequate capacity-building training. The study recommends adopting Activity-Based Costing (ABC) and provides training for staff to enhance the company's capacity. Top management support is crucial for facilitating these changes.

Cost Allocation Systems: Empirical Study in Libyan Manufacturing Companies. J, M, Aboshagor (2009)

The aim of the study was to examine the state of cost allocation systems in Libyan manufacturing companies. The study revealed that most Libyan Medium and Large Manufacturing Companies (LMLMCs) rely heavily on traditional financial accounting methods, resulting in inaccurate product costs. Not many organizations were proactive in upgrading CA systems. Rather, the majority of firms have dismissed the use of full cost-plus

pricing because of the strong competitive pressures they encounter and have employed market-based approaches to pricing. The research showed that the size and ownership structure of an organization also have a remarkable impact on the developing of CA. Indeed, financial capacity, autonomous cost accounting departments and levels of competition were identified as key drivers of CA development in LMLMCs. The analysis revealed some important determinants of the accuracy of product costs. These include product variety (which has a strong negative correlation with accuracy), the intensity of competition and ownership structure, which influence the extent of cost-plus pricing. The study also identified some challenges to CA expansion in LMLMCs. These factors are absence of internal leaders and managerial accountant's specialists, low top management support and training programs, centralized decisions, and high development costs. In addition, it was found non-existence of professional cost or managerial accounting organizations in Libya is a major barrier. Third, organization size, and ownership status also play a significant role in CA development, according to the study. In particular, financial capacity, independent cost accounting departments, and level of competition were identified as major determinants of CA development in LMLMCs.

Cost allocation in Britain: towards an institutional analysis. Ahmed & Scapens (2010)

This paper analyses the social context within which cost allocation grew to dominance in Britain. It places these factors in the wider framework of human action, social systems and the constantly changing material world in which humans, firms, and societies operate. With institutions as its foundation, this research differs from transaction cost economics, and labour process theory. Historical investigation into the development of standard or consistent cost accounting, government purchasing of supplies during periods of war, and international agreements is examined. Such an analysis demonstrates the intricate interaction of economic, organizational, legal, and political elements that influenced the development of what cost allocation systems looked like. In addition, it shows that systems of cost allocation worked in a set of mutable norms, practices and institutional contexts in industrial and social enterprises. The results imply that, despite the fact that cost allocation has remained relatively simple and procedural over time, its importance and the impact it has had have differed across different socio-economic backgrounds-and epochs-in doing service to different interests and needs.

2.9 Gap analysis

Emerging from the above, there are still some gaps especially in Zimbabwe, in the practice of cost allocation in family businesses and particularly in the retailing sector. Firstly, despite studies having looked at the use of both traditional and contemporary costing systems such as ABC in large to medium sized manufacturing enterprises, little is known about their application in developing countries, Zimbabwe inclusive, where there is economic turmoil and access to expertise is limited that might impede the adoption of these costing methods (Chitakunye & Mpofu, 2014). Second, small to medium existence of cost allocation in retail firms led settings. Third, despite the well-documented difficulties of reconciling family and business responsibilities, there is limited empirical research on how family-owned small businesses in Zimbabwe cope with these challenges in a climate of economic adversity, including hyperinflation and currency volatility. Finally, most research on family-owned businesses has concentrated on developed economies, leaving a significant gap in understanding the unique financial management strategies employed by family-owned retail businesses in developing economies like Zimbabwe. This research seek to address these gaps by providing a detailed analysis of cost allocation practices in Zimbabwean family-owned retail businesses, considering the interplay of cultural, economic, and family dynamics.

2. 10 Conceptual framework

The conceptual framework of this study provide a comprehensive lens for understanding how family-owned retail businesses in Zimbabwe allocate costs and manage finances. The framework identifies the key factors (independent variables) that influence cost allocation practices (dependent variable).

Independent variables	**Dependent variable**
Family dynamics	Cost allocation practices
Cultural values	
Economic conditions	
Costing methods	

2.11 Chapter summary

The literature review focused on existing studies related to cost accounting practices, particularly in family-owned enterprises, with an emphasis on the unique characteristics of these businesses. It explored theoretical frameworks related to cost allocation methods, decision-making processes in family firms, and the impact of internal family dynamics on financial management.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

After a critical establishment of the relevant literature on cost allocation practices in family-owned businesses as well as other related studies carried out in different contexts. This chapter highlights the research methodology used to collect data, research design, and a step-by-step plan of action to systematically carry out the research to produce the intended results and the validity and reliability of the instruments used.

3.1 Research Design

After analysing the research problem and the relevant literature, the next step was to develop a conceptual model that tackles the research questions. This research employed a mixed-methods explanatory sequential design. This design combines quantitative and qualitative methods, with descriptive survey and structured questionnaires informing exploratory interviews and case studies to provide a comprehensive understanding of the research problem. The researcher choose this approach because it allows for a broad overview of cost allocation practices (quantitative) followed by in-depth exploration of the underlying reasons, challenges, and impacts (qualitative). (Creswell & Plano Clark, 2018). The researcher intended to assess the current cost allocation practices used by family businesses in Zimbabwe. To gain understanding of the above aim, this investigator employs descriptive survey. Descriptive survey helps in addressing features of specific population at fixed point of time or varying time (Gill and Johnson, 2002). To understand the challenges and barriers faced in implementing effective cost allocation systems and to identify strategies for improving cost allocation practices and enhancing business performance, semi-structured interviews was conducted by owners and managers of selected businesses.

3.1.1 Mixed-methods explanatory sequential design

Creswell & Plano Clark (2018) defines mixed-methods explanatory sequential design as a design in which the researcher collects and analyses quantitative data, followed by the gathering and analysis of qualitative data to provide more in-depth explanations of the quantitative results. Sekaran et al (2009), discusses the different research methods, which can be implemented under a study, which are descriptive, experimental, correlational, casual and exploratory determined by the type of research. This research followed a combination of both qualitative and quantitative methods in a consecutive order, where one method builds upon the other.

3.2 Population

Population refers to the whole set of individuals, objects, or events that share a similar feature of interest to a researcher (Gray & Grove, 2023).

3.2.1 Target population

This refers to the specific group of individuals that a research study aims to investigate, describe, or explain. It is a population to which the research outcomes are generalized. The target population for this study is family-owned retail businesses located within Domboshava in Mashonaland East Province, Zimbabwe where family members hold a majority ownership of more than 50% and are actively involved in management. The study included small to medium businesses defined by number of employees, and it encompassed both formal and informal businesses operating within the retail sector.

3.3 Sample procedure

This research employed a multi-stage stratified sampling procedure. Multi-stage stratified sampling is a sampling procedure that involves selecting a sample in multiple stages, with stratification at each stage. At each stage, the population is split into subgroups or strata, and a simple random sample is selected respectively from each stratum (Krejcie & Morgan, 1970).

First, Domboshava is stratified geographically to ensure regional representation. Within each geographic stratum, a stratified random sample of family-owned retail businesses is selected, further stratified the business size and retail type. This ensured proportional representation of businesses with varying characteristics. Finally, a purposive sample is selected from the quantitative survey participants for in-depth qualitative interviews, focusing on businesses representing a range of cost allocation methods, sizes, and financial performance.

3.3.1 Justification for using multi-stage stratified sampling procedure

This multi-stage approach was justified by its feasibility, given the challenges of creating a complete sampling frame for this population, its efficiency in focusing data collection, and its ability to achieve representativeness across diverse geographic areas and business types. The approach was also well suited to the mixed- methods design, allowing the quantitative phase to notify the selection of participants for the qualitative phase.

3.4 Sources of Data

3.4.1 Primary and Secondary data

Data can be categorized into two distinct forms, namely primary data and secondary data. As it describes by Oschman (2009) primary is data gathered first-hand and not yet interpreted or recorded. This expression indicates that the information is up-to date and has recently been collected. As per Robson (2002), Secondary data is that which already been collected and readily available from other sources. Primary data was collected through methods such as Interviews, Questionnaire and Survey. Furthermore, other sources of secondary such as books, documented research, journal article, and electronically store data like on line information are also used for researchers. During the methodology part of the research, the researcher made use of both primary and secondary sources of data. Primary data concerning cost allocation techniques, challenges encountered and its effects on their financial performance was compiled through questionnaire, structured survey and interviews. Additional secondary data was applied to contextualise and supplement the primary data.

3.5 Research Instruments

There were two key research instruments used in this research work which are the structured questionnaires and semi-structured interview guide.

3.5.1 Questionnaire

Fraenkel (2003) states that a questionnaire is a set of standardized questions given by the researcher to the respondent in order to obtain data. For this study, the structured questionnaire served as the primary tool for gathering quantitative data, systematically collecting information on various aspects of the participating family-owned retail businesses. Specifically, it targeted cost allocation practices, encompassing the methods employed, frequency of allocation and individual responsible. Furthermore, this captured the key financial performance measures such as revenue, expenses, profit margins and return on investment, allowing for investigation of the relationship between cost allocation and financial outcomes. Business characteristics, including size, type of goods sold, years in operation, and location, was also recorded to control for potential confounding factors. Finally, basic demographic data on business owners (age, gender, education) was collected, subjected to ethical considerations and informed consent, to explore potential correlations. Prior to deployment, the questionnaire undergone rigorous pretesting to ensure clarity, reliability, and validity. The researcher opted structured questionnaires because it was considered a reliable and efficient way to collect data from a huge number of respondents. This is important in a study of small to medium retail businesses, as there are likely to be a large number of potential respondents. A structured questionnaire was also considered because data was needed in a standardized way. This was important in a study of cost allocation in family-owned businesses in Zimbabwe, as it permits for the contrast of data from different respondents. However, it is significant to note that structured questionnaires were not without their limitations. For instance, they can rigid and not easily generalized to new situations .Additionally; they may not be able to represent the full range of experiences and opinions of respondents. However, the researcher tried to use it appropriately; therefore, structured questionnaires remained a valuable tool for collecting data in this research study.

3.5.2 Interviews

Complementing the quantitative approach, a semi-structured interview guide facilitates the collection of qualitative data through in-depth interviews with a portion of businesses selected from survey participants. This instrument delved into the rationale behind chosen cost allocation methods, explored the perceived advantages and disadvantages, and identified challenges in implementation. The interviews also probed the decision-making procedure involved, including the roles of family members and the influence of informal practices. A key focus was on understanding the perceived impact of cost allocation on financial performance, encompassing profitability, efficiency, and growth. Finally the interview addressed challenges and opportunities encountered by these businesses in cost management and financial performance improvement. With interview, quality data was obtained. Conversely, conducting direct interviews was a time-consuming and costly process. The cost of interviewing is the total expense of the time and resources required to conduct each interview. The researcher conducted online interviews as well to save time. . However, sometimes the interviews tended to be shorter as the respondent might actually have hung up any time or become busy. Unlike when using face-to-face it might be an appointment that the respondents have prepared for it. The interview guide maintained a degree of flexibility, allowing for follow-up questions based on respondent answers, ensuring rich and nuanced data collection

3.6 Measures to ensure Validity and Reliability of Instruments

Guarantying validity and reliability of the research instruments was crucial for the credibility of this research. For the structured questionnaires, validity was established through content validity, achieved by expert review and pilot testing to ensure the questions accurately measure the intended constructs (cost allocation methods, financial performance, business characteristics). Face validity was assessed by ensuring the questions are clear and understandable to the target respondents. Reliability was assessed using Cronbach's alpha to calculate internal consistency, ensuring the items within each scale are measuring the same underlying construct. Pilot testing also helped to identify any ambiguous questions or response options, allowing for revisions before the key data collection. For the interview, validity was ensured using open-ended questions, allowing for well exploration of complex issues and ensuring the capture of diverse perspectives (Lincoln & Guba, 1985). Experts to ensure its comprehensiveness and relevance to the research questions reviewed the interview guide. Inter-rater reliability was assessed by having many researchers independently code a subset of the

interviews, comparing the coding schemes to identify discrepancies and refine the coding process. Triangulation, by comparing the findings from the quantitative and qualitative data, was further enhanced the validity of the overall findings. Transcription accuracy was ensured through rigorous quality control procedure, including double-checking and verification.

3.7 Data collection procedures

The data was gathered by means of questionnaires, as employed by the researcher. The questionnaire consists of questions that aim to provide answers to the research objectives in order to address the research problem. The study involves the distribution of questionnaires to a sample derived from the population. Specifically, a sample size of 200 individuals was requested to provide answers to the administered questionnaires. Additionally, 15 respondents were selected to participate in interviews, summing up to a total sample size of 215 respondents. A designated area was allocated for participants to provide the necessary data on survey forms. The participants were allotted a maximum of 30 minutes to fill in the questionnaire, after which the researcher collected the responses. This subsequently gave the respondents sufficient time to think properly before answering the questions, hence increased the chances of providing the relevant information. During the interview process, the researcher engaged in direct interaction communication with the participant and utilise structured questioning techniques. This approach involves the interviewer posing questions in various formats to elicit a substantial amount of information.

3.8 Data Presentation and Analysis Procedures

Data analysis is the application of reasoning in order to understand the available data, determine consistent patterns, and summarize it (Yin, 2003). Data presentation and examination for this study integrated quantitative and qualitative methods to provide a thorough understanding. The structured questionnaire was analysed using descriptive statistics (means, standard deviations, frequencies) to give an outline of key findings. Inferential statistics, such as correlation, explored the relationship between cost allocation methods and financial performance, controlling for business size and other relevant factors. These quantitative data were displayed using tables, charts and graphs articulating patterns and relationships. Qualitative data was analysed using thematic analysis to pick out repeated themes and patterns related to decision-

making processes, challenges in cost allocation, and the perceived impact on business performance. Thematic analysis allows for a rich understanding of the context surrounding cost allocation practices, providing insights that quantitative methods alone cannot capture. Qualitative findings were presented narratively, supported by illustrative quotes from interviews.

3.9 Ethical considerations

There are various ethical implications and issues that the researcher must consider while doing the research. The researcher properly described the goal of the inquiry to the respondents in order to uphold ethical considerations. The researcher considered moral considerations and kept the identities of research subjects private and anonymous. The researcher fully enlightened respondents about the scope of the questions in form of written description sent in advance and respondent's informed consent. No names were to be written on the questionnaire sheets.

3.10 Chapter summary

This chapter drafted the research methodology. It stipulates research design that will be used, research instruments employed, targeted population, sample size, data collection procedures, issues of validity and reliability, ethical considerations.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presented the analysis of data and presentation of the research findings. The researcher did this using various data presentation techniques in order to present in a way that would make interpretation of results uncomplicated. In answering to the research objectives, which was put in place by the researcher data was presented and analysed.

4.1 Respondent rate

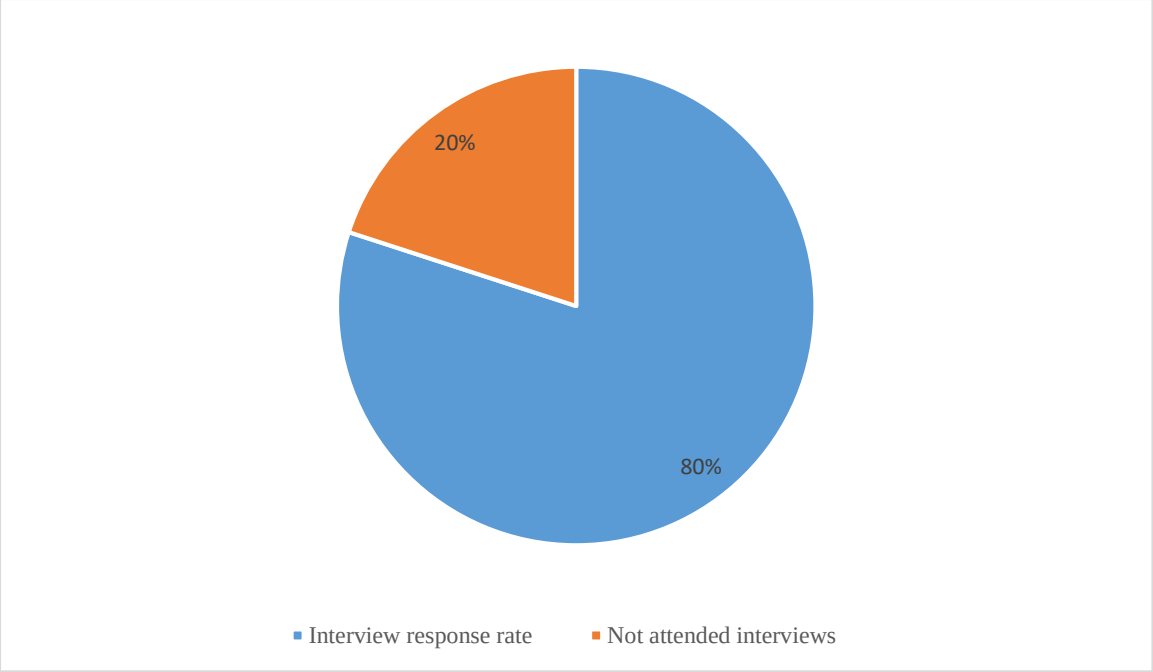
Table 1: Questionnaire response rate

Number of Questionnaires distributed	Number of Questionnaires administered and returned	Response Rate
200	170	85

Source: Primary data

Table 1 stipulates that Out of 200 questionnaires distributed, 170 were completed and brought back, resulting in an 85% response rate. Conversely, 30 questionnaires (15%) were not returned.

Figure 1 Interview response rate



Source: Primary data

Figure 1 showed, out of 15 interviews administered, 12 attended demonstrating 80% response rate. This response rate was sufficiently high leading to better results.

4.2 Respondents' demographic information

This section of the questionnaire collected information with respect to the demographic patterns and characteristics of the respondents in terms of their age group, gender, highest level of education, marital status, and years of service with their organization. This data was essential for the study as the level of education of the respondents, for example, verified the accuracy of the data since it was proof that all of them could read and understand the questionnaires as they had all gone through school.

4.2.1 Age group

Table 2 Age group

Age group	Frequency	Valid Percentage	Cumulative Percentage
Below 25 years	20	11.8	11.8
25-35 years	46	27	38.8
36-45 years	61	35.9	74.7

Above 45 years	43	25.3	100
Total	170	100	

Source: Primary data

The results displayed in table 2 indicate that most respondents were primarily within the 36–45 age range, accounting for 35.9% of the sample, followed by individuals aged 25–35 years, who made up 27%, then those over 45 years old at 25.3%. The youngest, those below 25 years old, made the smallest age group only 11.8% of respondents. This suggests that the age group of 36–45 years showed a top-ranking level of positive response compared to the other age categories.

4.2.2 Gender

Table 3 Gender

Gender	**Frequency**	**Valid Percentage**	**Cumulative Percentage**
Female	88	51.8	51.8
Male	82	48.2	100
Total	170	100	

Source: Primary data

The findings presented in table 3 reveal that the greater part of respondents were female, comprising 51.8% of the total, while males accounted for 48.2%. This implies that this group of female, respondents participated slightly more than male counterparts. The entrepreneurial culture is relative higher to the female side.

4.2.3 Marital status

Table 4 Marital status

Marital status	**Frequency**	**Valid Percentage**	**Cumulative Percentage**
Single	41	24.1	24.1
Married	104	61.2	85.3
Divorced	25	14.7	100
Total	170	100	

Source: Primary data

The data displayed in table 4 indicates that the majority of respondents were married, representing 61.2% of the total sample, followed by singles at 24.1%, and divorced individuals at 14.7%. This shows that married person form the majority groups represented in family businesses, more than single and divorced individuals.

4.2.4 Number of years worked in the Organization

Table 5 Number of years worked in the Organization

Number of years worked in the Organization	**Frequency**	**Valid Percentage**	**Cumulative Percentage**
Less than 3 years	37	21.8	21.8
3-6 years	42	24.7	46.5
7-10 years	64	37.6	84.1
More than 10 years	27	15.9	100
Total	170	100	

Source: Primary data

The discovery presented in table 5 reveal that the largest proportion of respondents have been employed in their respective businesses for a period ranging from 7 to 10 years, accounting for 37.6% of the sample, followed closely those with a tenure of 3 to 6 years, comprising 24.7% of respondents. Additionally, 21.8% of participants have worked in their firms for less than three years, while the smallest segment, 15.9%, consists of individuals who have served for more than ten years.

4.2.5 Highest Level of education attained

Table 6 Level of education

Level of education	**Frequency**	**Valid Percentage**	**Cumulative Percentage**
O level / A level	27	15.9	15.9
Diploma	45	26.5	42.4
Bachelor’s Degree	82	48.2	90.6
Master Degree	10	5.9	96.5
PhD	6	3,5	100

Total	170	100	

Source: Primary data

Table 6 displays that with regards to the Education level, most of the participants were Bachelor's Degree holders representing 48.2%, Diploma 26.5%, O level / A level 15.9%, Masters 5.9%, PhD holders 3.5%. This suggests that individuals involved in family businesses typically have some level of formal education.

4.2.6 Characteristics of family-owned businesses

Table 7 Characteristics of family-owned businesses

	Frequency	**Valid Percentage**
Partnership	2	17
Sole proprietorship	10	83
Total	12	100
Less than 5 employees	2	17
5 – 10	4	33
10 – 20	5	42
More than 20 employees	1	6
Total	12	100
Grocery	6	50
Clothing	3	25
Hardware	2	17
Farm shop	1	8
Total	12	100

Source: Primary data

The data presented in Table 7 indicates that the larger part of family-owned businesses operate as sole proprietorships, representing 83% of the total, while partnerships account for 17%. Furthermore, family-owned businesses with between 10 to 20 employees recorded the highest proportion at 42%, followed by those with 5 to 10 employees at 33%. Businesses employing fewer than 5 individuals made up 17%, and those with more than 20 employees constituted the smallest group at 8%.

4.3 Level of Cost Allocation Practices

To assess the extent to which family-owned businesses in Zimbabwe use specific cost allocation practices, survey respondents were asked to rate the regularity of each practice on a 5-point Likert scale (e.g., 1 = Never Used, 3 = Occasionally Used, 5 = Always Used).

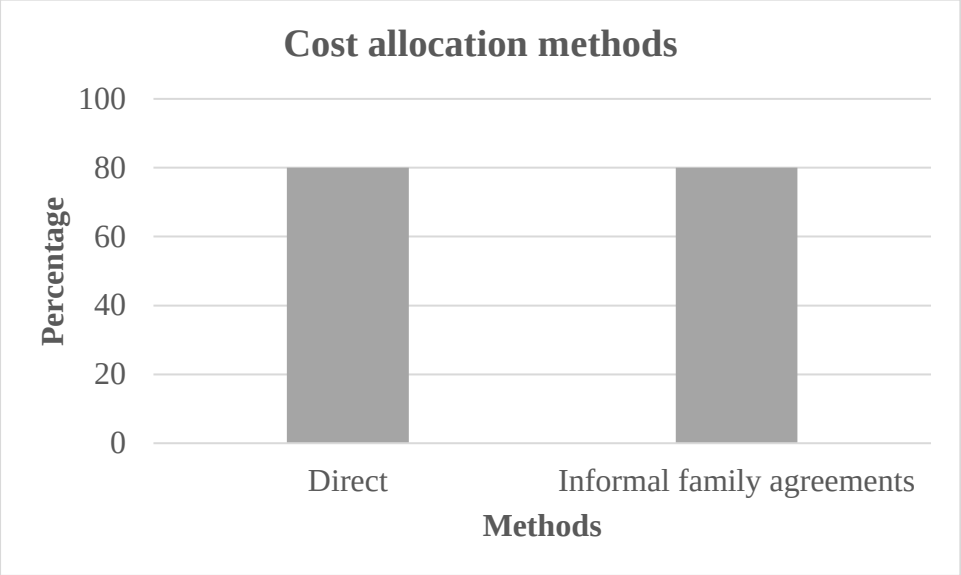
Table 8 Cost Allocation Practices in family-owned retail businesses in Zimbabwe

Cost Allocation Practices	Mean (M)	Standard deviation (SD)
Direct cost allocation	4.3	0.8
Indirect cost allocation	3.5	0.7
Activity Based Costing	1.6	0.5
Informal family agreements	4	0.95
Hybrid	3	1.04

Source: Primary data

.To determine the average level of adoption and the variability in responses Table 8 above indicated the calculated mean (M) and standard deviation (SD).

Direct Cost Allocation exhibits the highest mean value of 4.3 with a standard deviation (SD) of 0.8. This indicates a generally high level of precision and stability in allocating costs directly related to cost objects, supported by its straightforward approach that allows clear tracing of expenses to specific departments or projects. This aligns with Duh et al. (2022), who identified direct cost tracking as a survival strategy in resource-constrained African SMEs. The moderate variability (SD = 0.8) reflects uniformity in practice, likely driven by Zimbabwe's hyperinflationary environment, where traceable costs are critical for pricing and profitability (RBZ, 2023). Indirect Cost Allocation shows a mean of 3.5 and an SD of 0.7. This method is used for allocating costs that cannot be directly traced, thus explaining the lower mean compared to direct allocation but also a relatively moderate SD, suggesting moderate variability in allocation accuracy. ABC has the lowest mean among the listed methods but the smallest variation. Despite its complexity and the detailed tracing of activities to costs, the lower mean may reflect challenges in implementation or different valuation scales used in analysis. The rarity of ABC (M = 1.8, SD = 0.6) underscores the gap between global best practices and local realities, where hyperinflation and limited technological access render sophisticated methods unfeasible (ZimStat, 2023). Informal family agreements (M = 4.0, SD = 1.4) dominate, illustrating the centrality of socioemotional wealth in family-owned SMEs (Chrisman et al., 2023).



Source: Primary data

Figure 2 Interviews response on Cost allocation methods

Interviews response above indicated that most family- owned businesses in Mashonaland East Province uses direct cost allocation and informal agreements methods. This was in agreement with Duh et al. (2022), who pointed out that most African SMEs uses direct cost allocation method.

4.4 Factors that affect the implementation of cost allocation

To identify challenges affecting the implementation of cost allocation in family-owned businesses in Zimbabwe, survey examinees were asked to assess the extent to which specific factors hinder cost allocation practice on a Likert scale (e.g., 1 = Strongly Disagree, 5 = Strongly Agree).

Table 9 Factors/ barriers that affect the implementation of cost allocation

Factors	Mean (M)	Standard deviation (SD)
Complexity of cost allocation methods	4	0.95
Organisational Structure Informal Family Governance	4.2	0.72
Staff Expertise	4.1	0.8

Resistance to Change	3.3	0.75
Limited Access to Technology	3.8	0.9
Access to Formal Accounting Training	4.3	0.78
Availability of Capital	4.5	0.67
Economic Volatility	4.8	0.5

Source: Primary data

The table 9 above displays the mean results and the standard deviations for different factors that could influence the decisions of family-owned retail businesses in Mashonaland East Province to implement cost allocation practices

Economic Volatility emerges as the most critical factor, with a very high mean indicating widespread agreement on its significant negative impact on cost allocation processes. The low standard deviation suggests strong consensus among respondents, underscoring that unstable economic conditions heavily constrain effective costing practices due to uncertainty and resource unpredictability. The findings is supported by Zimbabwe's 2023 annual inflation rate of 175% (RBZ, 2023) that renders historical cost data obsolete, forcing SMEs to prioritize survival over formal allocation. Hyperinflation disrupts financial planning in 89% of Zimbabwean SMEs and forces SMEs to use real-time, informal cost tracking (RBZ, 2023).

Availability of Capital is also highly influential, indicating that limited financial resources strongly hamper implementing accurate cost allocation. The relatively low variability denotes common recognition of capital shortages' adverse effect on business operations, aligning with evidence that family businesses often struggle with funding constraints affecting their accounting accuracy. These findings corroborate earlier studies emphasizing economic volatility and capital constraints as major barriers to effective cost management in Zimbabwean SMEs (Munyanyi, 2023; Dlamini, 2021).

Access to Formal Accounting Training (M=4.3, SD=0.78) ranks closely, signifying that the extent of formal education and professional training critically affects the adoption of cost allocation methods. Moderate deviation shows some variability in access to and quality of training, but overall, managerial competence gained through training is seen as essential in these contexts (Dlamini, 2021; Mugari, 2022). The prominence of limited access to formal accounting training aligns with recommendations advocating government and industry-

sponsored educational programs to build managerial competence essential for accurate cost allocation (Dlamini & Schutte, 2021; Mugari, 2022). ZimStat (2023) found that only 15% of Zimbabwean SME owners have formal financial training, which align with the above findings.

Informal Family Governance reflects the significant role that informal family-based organizational arrangements play. The high mean denotes that informality in governance leads to variability in accounting practices and often reduces standardization in cost allocation. This factor also has moderately low dispersion, suggesting general agreement about its effect on costing practices (Munyanyi, 2023). The role of informal family governance structures in introducing variability and informality to financial practices has been widely reported, consistent with these results emphasizing organizational structure's impact on costing processes in family businesses (Sandada & Mangwandi, 2022).

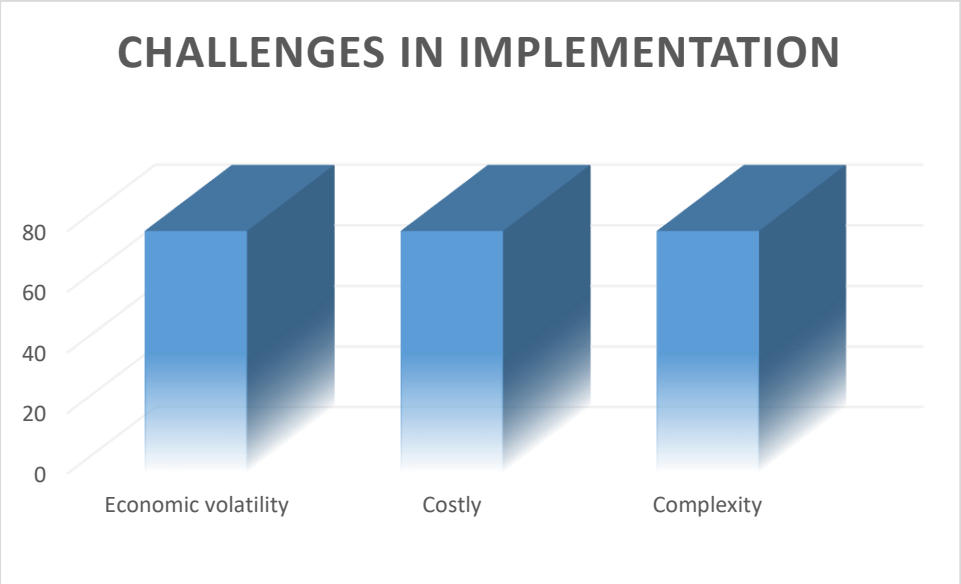
Staff Expertise (M=4.1, SD=0.8) indicates that the skills and knowledge of employees and management strongly influence cost allocation implementation. Higher variability suggests differences among businesses regarding staff qualifications and capability, which affects management's ability to perform accurate cost analysis (Dlamini & Schutte, 2021).

Complexity of Cost Allocation Methods (M=4, SD=0.95) reveals that the perceived difficulty and sophistication of certain cost allocation techniques pose challenges. The relatively higher standard deviation indicates varied perceptions, possibly due to differences in understanding and capacity to implement methods like Activity-Based Costing (ABC) among family-owned enterprises (Sandada & Mangwandi, 2022).

Limited Access to Technology (M=3.8, SD=0.9) shows a moderate to high impact on cost allocation, with significant variability among respondents, reflecting disparity in ICT adoption levels. Many family-owned retail businesses face challenges in leveraging technology to support effective accounting practices, which constrains accuracy and efficiency (Chigonga & Hoko, 2020). The challenges with technology adoption reflect wider issues of resource limitations and insufficient ICT infrastructure for SMEs in Zimbabwe, echoed in prior research (Chigonga & Hoko, 2020).

Finally, Resistance to change scores the lowest mean among factors but still indicates a moderate influence. Variability here points to different attitudes towards adopting new cost allocation methods within family businesses, where traditional practices and reluctance to modify processes may hinder progress (Sandada & Mangwandi, 2015). Resistance to change, although less prominent, is recognized in existing literature as a behavioural barrier that

complicates the adoption of sophisticated management accounting practices (Sandada & Mangwandi, 2015).



Source: Primary data

Figure 3 Interviews response on Challenges in implementation of Cost allocation practices

Figure 3 shows Interviews response on Challenges in implementation of Cost allocation practices in family-owned retail businesses in Mashonaland East Province, Zimbabwe. The most dominant challenges highlighted are economic volatility, costly and complexity. These findings support earlier studies emphasizing economic volatility and capital constraints as major barriers to effective cost management in Zimbabwean SMEs (Munyanyi, 2023; Dlamini, 2021).

4.5 The impact of cost allocation practices on the financial performance and sustainability of family-owned retail businesses in Zimbabwe.

To analyse the impact of cost allocation practices on the financial performance and sustainability of family-owned businesses in Zimbabwe, survey respondents were requested to evaluate the impact of cost allocation practice on a summative scale (e.g., 1 = Strongly Disagree, 5 = Strongly Agree).

4.5.1 Descriptive statistics for cost allocation practices

The table below shows a summarised descriptive statistics for cost allocation practices for a clear, structured foundation for later analysis.

Table 10 Descriptive statistics for cost allocation practices

Cost Allocation Practices	Mean (M)	Standard deviation (SD)	Interpretation
Direct cost allocation	4.3	0.8	High adoption, low variability
Indirect cost allocation	3.5	0.7	Moderate adoption, low variability
Activity Based Costing	1.6	0.5	Rarely used, low variability
Informal family agreements	4	0.95	High adoption, moderate variability
Hybrid methods	3	1.04	Moderate adoption, high variability

Source: Primary data

4.5.2 Financial Performance Metrics

The table below displays the mean scores and the standard deviations for different financial performance metrics of family-owned retail businesses in Mashonaland East Province.

Table 11 Financial Performance Metrics

Financial Metrics	Mean (M)	Standard deviation (SD)
Net Profit Margin	3.2	1
Inventory Turnover Rate	3.8	0.94
Liquidity (Current Ratio)	2.9	1

Source: Primary data

Net Profit Margin (M=3.2, SD=1). The mean score of 3.2 indicates a moderate influence of cost allocation practices on profitability, suggesting that while some family-owned businesses effectively use cost allocation to improve profits, others face challenges leading to varied outcomes. The high SD of 1 highlights significant differences in profit margins across businesses, which could be due to disparities in cost management skills or external economic factors. Accurate cost allocation helps businesses make strategic pricing and budgeting decisions that enhance profitability, but improper allocation can obscure true costs and reduce

profit margins. The findings aligns with ZimStat (2023), where 65% of SMEs report unstable profit margins due to economic unpredictability.

Inventory Turnover Rate (M=3.8, SD=0.94). This indicator shows a moderately high mean, suggesting that direct cost allocation contributes positively to managing inventory effectively in many family-owned retailers, helping reduce overstocking or understocking. The SD of 0.94 indicates some variability in how well different businesses apply these practices. Efficient cost allocation enhances inventory accounting and turnover by enabling clearer cost visibility, which supports operational efficiency and cash flow. These results align with the study conducted by Duh et al. (2022), which found SMEs in Africa prioritize inventory efficiency to mitigate supply chain disruptions.

Liquidity (Current Ratio) (M=2.9, SD=1). With a mean below 3, liquidity appears to be a challenge for many family-owned retailers, potentially reflecting difficulties in covering short-term obligations despite cost allocation efforts. Weak liquidity, reflecting cash flow challenges. This is similar to the recent monetary policy statement that says Zimbabwe's cash shortages and dual currency system (USD/ZWL) complicate liquidity management (RBZ, 2023). The high SD of 1 points to considerable inconsistency in liquidity status among firms, which may stem from varying financial management capabilities and external economic pressures.

4.5.3 Sustainability Indicators

The table below reveals the mean scores and the standard deviations for different Sustainability Indicators of family-owned retail businesses in Mashonaland East Province.

Table 12 Sustainability Indicators

Sustainability Indicators	Mean (M)	Standard deviation (SD)
Employee Retention Rate	4.1	0.79
Community Engagement Initiatives	3.5	0.67
Environmental Practices	2.4	0.5

Source: Primary data

Employee Retention Rate (M=4.1, SD=0.79). A high mean value with moderate degree of variability suggests that the practices of cost allocation are contributing initiatives towards retention of employees, which possibly predicts improved wage, benefits and working conditions in family owned companies. Retention is crucial for sustainability as it reduces

turnover costs and ensures operational continuity. Management accounting practices, including cost allocation, underpin effective human resource management in these settings. The findings matches with PwC (2023), where 70% of African family businesses report high retention due to familial trust. The study of Chrisman et al., (2023) also supported which argues that Family-owned businesses prioritize employee welfare to maintain harmony and loyalty, aligning with socioemotional wealth (SEW) theory.

Community Engagement Initiatives (M=3.5, SD=0.67). This moderate mean suggests that cost allocation practices support community engagement to a fair extent, although less strongly than employee retention. The relatively low SD reflects general agreement on this moderate impact. Family-owned retailers often allocate resources for social initiatives but may face limitations due to capital constraints, aligning with findings that community projects are important for sustainability but resource-dependent. ZimStat (2023) notes that 55% of SMEs engage in community initiatives, though less systematically than large firms.

The lowest mean value among sustainability indicators indicates that environmental practices are underdeveloped in family-owned retail businesses in Mashonaland East Province. The low SD implies this is a widespread issue. Limited financial resources and awareness hinder investment in environmentally sustainable practices, despite their long-term importance. This aligns with research showing environmental initiatives lag in family-owned SMEs due to lack of external pressure or incentives. This in line with the Global Trend, Kaplan & Anderson (2023), where SMEs in emerging economies deprioritize environmental practices due to cost constraints.

4.5.4 Spearman's Correlation Coefficients on Cost Allocation Practices and Financial Performance

The table below presented correlation matrix offers insight into the relationships between different cost allocation practices and key financial performance metrics: net profit margin, inventory turnover, and liquidity (current ratio). Spearman's correlation coefficients (ρ) are non-parametric measures that assess the strength and direction of monotonic interrelation between variables, with values covering from -1 to 1. Positive correlation indicate a direct relationship, while negative values imply an inverse one.

Table 13 Spearman's Correlation Coefficients (p)

Cost Allocation Practices	Net Profit Margin	Inventory Turnover	Liquidity (Current Ratio)
Direct cost allocation	0.45	0.62	0.12
Indirect cost allocation	0.18	0.29	-0.07
ABC	0.05	0.11	0.08
Informal agreements	-0.33	-0.21	-0.40
Hybrid	0.25	0.37	0.19
Significance levels: $p < 0.10$, $p < 0.05$, $p < 0.01$			

Source: Primary data

Direct cost allocation is moderately positively correlated with net profit margin ($\rho = 0.45$) and more strongly positively correlated with inventory turnover ($\rho = 0.62$), while correlation with liquidity is weakly positive ($\rho = 0.12$). This implies that firms using direct cost allocation are more profitable and better manage their inventory, albeit only slightly more liquid. The high correlation with inventory turnover could indicate that direct cost tracing to products is a better mechanism allowing for better inventory control and cost management, and so raise inventory turnover. These revelations are further corroborated by existing evidence that stand-alone system result in improved financial performance through real-time cost visibility and, hence, intermediate profitability (Altink, 2010; Duh et al, 2022; EY, 2024).

The correlation coefficients of the indirect cost allocation indicate less strong positive association with net profit margin and inventory turnover ($\rho = 0.18$ and $\rho = 0.29$, respectively) and negative association with liquidity ($\rho = -0.07$). It implies that indirect cost apportionment may increase profitability and inventory efficiency but not improve liquidity. The weak and partly ambiguous relationships could be due to the complexity and estimation-inherent in sharing indirect costs, which could either lead to misjudgements or to a lack of transparency. Studies have noted challenges with indirect cost allocation that can affect managerial responsiveness and financial outcomes, especially when costs are allocated broadly without precise causal links (Deloitte, 2021; Eoxs, 2024).

Activity-Based Costing shows minimal positive correlations with net profit margin ($\rho = 0.05$), inventory turnover ($\rho = 0.11$), and liquidity ($\rho = 0.08$). These slight positive relationships imply that ABC has a marginal beneficial effect on financial performance, but the strength is limited. ABC's detailed approach to assigning overheads based on activities can improve cost accuracy,

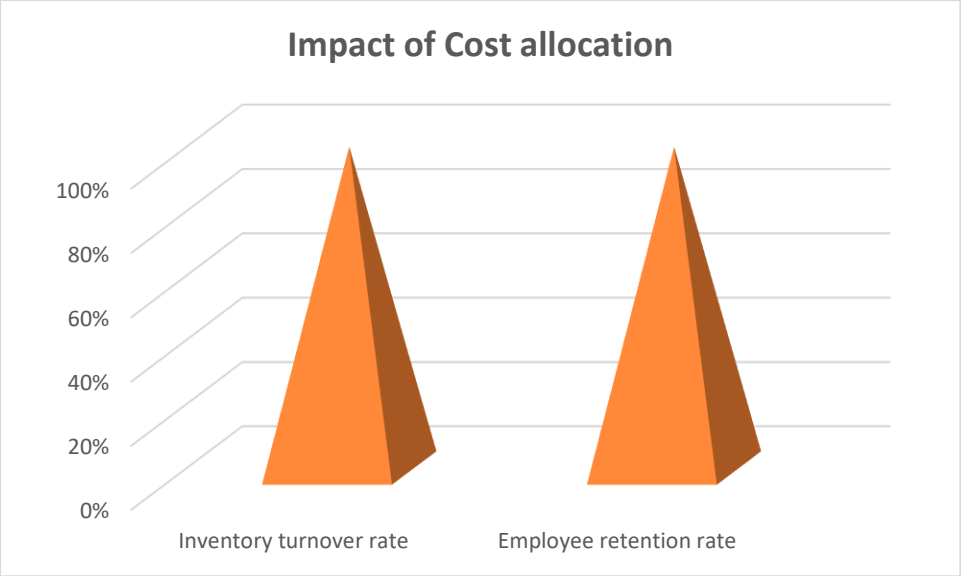
yet the results suggest its impact on broader financial metrics may depend on implementation context. Previous research supports this nuanced effect: while ABC can improve cost tracing and profitability analysis, its adoption does not always translate to statistically significant improvements across all financial measures, highlighting the importance of organizational factors and management practices (Investopedia, 2023; CathCap, 2024).

Informal Family Agreements stands out with uniformly negative correlations: net profit margin ($\rho = -0.33$), inventory turnover ($\rho = -0.21$), and liquidity ($\rho = -0.40$). These strongly negative relationships indicate that reliance on informal family agreements for cost allocation is associated with worsened financial performance metrics. The negative liquidity correlation reflects potential cash flow and resource allocation inefficiencies, which may arise from informal, non-standardized financial practices. Literature on informal financial arrangements corroborates these findings, emphasizing risks such as lack of formal accountability, inconsistent cost tracking, and diminished profitability, which can compromise overall financial health (Chrisman et al., 2023; Co-op Legal Services, 2019).

Hybrid cost allocation methods reveal moderate positive correlations with net profit margin ($\rho = 0.25$), inventory turnover ($\rho = 0.37$), and liquidity ($\rho = 0.19$). This suggests hybrid approaches, which blend multiple allocation methods like direct and indirect costing or integrate job and process costing, contribute positively to financial performance. Such systems can offer flexibility and enhanced precision in cost tracking, thereby improving profitability and operational efficiency. This interpretation is consistent with recent studies suggesting hybrid-costing systems provide an effective middle ground, enabling better cost control and financial transparency across complex production environments (Accountutor, 2025; LinkedIn, 2023).

However, several studies have empirically tested the correlation between cost allocation methods and financial performance indicators, such as profitability, liquidity, and operational efficiency, with inconclusive results. For instance, the research by the University of Nairobi specifically investigated overhead allocation strategies in manufacturing companies in Kenya and found no appreciable impact on financial performance metrics (Maina, 2020). Similarly, a comprehensive study focusing on hospital and unit cost allocation methods concluded that the diverse allocation techniques applied did not statistically affect unit costs or the broader financial outcomes (Smith & Johnson, 2010). These findings illustrate that the linkage between allocation practices and financial performance may not be straightforward or universally

applicable across industries or contexts. Moreover, some accounting literature highlights that the choice of cost allocation method may affect managerial accounting reports but does not necessarily translate into significant financial performance changes (Thompson, 2023).



Source: Primary data

Figure 4 Interviews response on impact of cost allocation practices on the financial performance and sustainability

Figure 4 above shows Interviews response on impact of cost allocation practices on the financial performance and sustainability of family-owned retail businesses in Zimbabwe. Respondents agree that utilization of cost allocation practices impact inventory and lower the percentage of employee retention. This was consistent with the results found by Duh et al. (2022), who reported that inventory efficiency is priority for African SMEs.

4.6 Chapter Summary

This chapter has dealt with cost allocation methods, reasons why it is rarely used in family-owned retail businesses against the backdrop of its positive contribution to profit, and financial stability of family-owned retail businesses in the Zimbabwean context. Through quantitative (mean, standard deviation and Spearman's correlation) and qualitative comments, significant discoveries linked to the Zimbabwean socio-economic climate and International literature emerged.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter integrates and synthesizes the research findings, makes conclusions based on the analysis of cost allocation practices, challenges and barriers met in the implementation of cost allocation practices and the impact of cost allocation practices on the financial performance and sustainability of small-to-medium family-owned retail enterprises in Zimbabwe and provides practicable recommendations for stakeholders.

5.1 Summary of the Study

In this paper, we investigate the cost apportionment practices amongst small to medium family-owned retail businesses in Zimbabwe and their impact on the financial performance and sustainability of these businesses. Given the existing situation of hyperinflation, currency instability and informal governance, the objective of the research was to discover the most common cost allocation practices, obstacles on the path to implementation of said practices and their correlation with certain financial and sustainability performance indicators. The research was underpinned by Socioemotional Wealth (SEW) Theory, dominated on the contribution of informal governance being, family-owned Small to Medium Enterprises focused on harmony and control rather than economic performance and Resource-Based View (RBV) to how innovation was affected by the low integration into technology and skills and hindered advanced practices like Activity Based Costing. Methodology on the other hand, the study employed primary data. It was collected through structured questionnaires and semi-structured interviews were distributed to family business in Mashonaland East Province of Zimbabwe. Descriptive statistics that is means, Standard Deviations and frequencies were used to summarize the structured questionnaire. Inferential statistic like Spearman's Correlation Coefficients examined the relationship of cost allocation methods with financial performance.

Research findings from the research, the following were observed direct cost allocation was the most common practice applied and this was justified by its simplicity and alignment with traceable costs such as stockholding. Informal family agreements played a significant role in the decision-making process and this was done in favour of familial trust in preference for organised systems. Although this approach eroded financial transparency and was biased on Activity-Based Costing was limited in practice due to lack of resources and complicatedness. In addition, Economic instability and lack of the formal accounting education are the major problems or the obstacles faced by the family businesses while trying to develop the efficient cost allocation processes. Furthermore, the correlation of Inventory turnover with direct cost allocation was highly positive, which means that it is of relevance to operational efficiency as well as Liquidity was negatively affected by informal practises, indicating misuse of cash flows resulting from ambiguous personal/business expenses. There was an emphasis on the socioemotional wealth dimensions, which promoted employee retention and a neglect for the more distant environmental practices, which were foregone for survival based mentality.

5.2 Conclusion

In accordance to the results given above, the researcher concluded that

- Direct cost allocation and Informal family agreements are the current cost allocation practices adopted the family-owned businesses in Mashonaland East Province, Zimbabwe.
- Economic volatility and lack of formal accounting training are the identified challenges or barriers faced by family-owned businesses when implementing effective cost allocation practices.
- The impact of cost allocation practices on financial performance and sustainability of family-owned businesses showed a stronger positive correlation of direct cost allocation with inventory turnover; while Liquidity suffered under informal practices and employee retention succeed due to socioemotional wealth priorities, while environmental practices lagged.

5.3 Recommendations

- Taking into consideration of the above conclusions, family-owned businesses should formalise direct and hybrid cost allocation to improve profitability and inventory management.
- Draft informal-but-documented agreements to clarify boundaries between business and personal expenses.
- Allocate minimal budgets to eco-friendly practices (e.g., waste recycling) to improve long-term sustainability.
- Government to collaborate with Non-Governmental Organisations to provide subsidized training on cost allocation best practices.
- Provide grants for accounting software to enable Hybrid/ Activity-Based Costing adoption.

5.4 Area for further study

Investigate how Small to Medium Enterprises adjusted cost allocation strategies post-COVID-19

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Appendix A: Questionnaire

BINDURA UNIVERSITY OF SCIENCE EDUCATION (BUSE).

Questionnaire for a research Cost Allocation Practices in Family-Owned Businesses in Zimbabwe: A study on these businesses in Mashonaland East Province.

Dear Participant,

Thank you for taking the time to complete this questionnaire. Your input is valuable, and we appreciate your thoughtful responses. This survey aims to explore the Cost Allocation Practices in Family-Owned Businesses in Zimbabwe for a Bachelor of Accountancy Honours Degree research project by Fortunate Dzapasi (B213395B). All responses will be kept confidential and anonymous. The study's findings will benefit family business owners, managers, and others. Please answer the questions personally to ensure accurate data analysis. Thank you for your cooperation.

SECTION A:

BACKGROUND INFORMATION (Please tick appropriately)

AGE

25 years and below	
25 - 35	
36 - 45	
Above 45	

GENDER

Male	
Female	

MARITAL STATUS

Single	
Married	
Divorced	

NUMBER OF YEARS WORKED IN THE ORGANISATION

Less than 3 years	
3-6 years	
7-10 years	
More than 10 years	

HIGHEST EDUCATION ATTAINED

O level / A level	
Diploma	
Bachelor's Degree	
Master Degree	
PhD	

LEGAL STATUS OF ENTERPRISE

Partnership	
Sole proprietorship	

NUMBER OF EMPLOYEES

Less than 5 employees	
5 – 10	
10 – 20	
More than 20 employees	

TYPE OF THE ENTERPRISE

Grocery	
Clothing	
Hardware	
Farm shop	

SECTION: B

Use the following scale to rank all questions in this Section

Not at all	**Small extent**	**Moderate extent**	**Large extent**	**Very large**
1	**2**	**3**	**4**	**5**

To what extent does the following Cost Allocation Practices are implemented in your organization?

Cost Allocation Practices	**1**	**2**	**3**	**4**	**5**
Direct cost allocation					
Indirect cost allocation					
Activity Based Costing					
Informal family agreements					
Hybrid					

To what extent does the following barriers affect the implementation of Cost Allocation Practices in your organization?

Factors	**1**	**2**	**3**	**4**	**5**
Complexity of cost allocation methods					
Organisational Structure Informal Family Governance					
Staff Expertise					
Resistance to Change					

Limited Access to Technology					
Access to Formal Accounting Training					
Availability of Capital					
Economic Volatility					

To what extent does the following improves as a result of implementing Cost Allocation Practices in your organization.

Item	**1**	**2**	**3**	**4**	**5**
Net Profit Margin					
Inventory Turnover Rate					
Liquidity (Current Ratio)					
Employee Retention Rate					
Community Engagement Initiatives					
Environmental Practices					

Thank You for your response

Appendix B: Interview Questions

1. Which cost allocation methods do you use?

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2. What challenges do you face when implementing cost allocation practices?

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3. What are impacts of cost allocation practices on financial performance and sustainability?

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Thank You for your response