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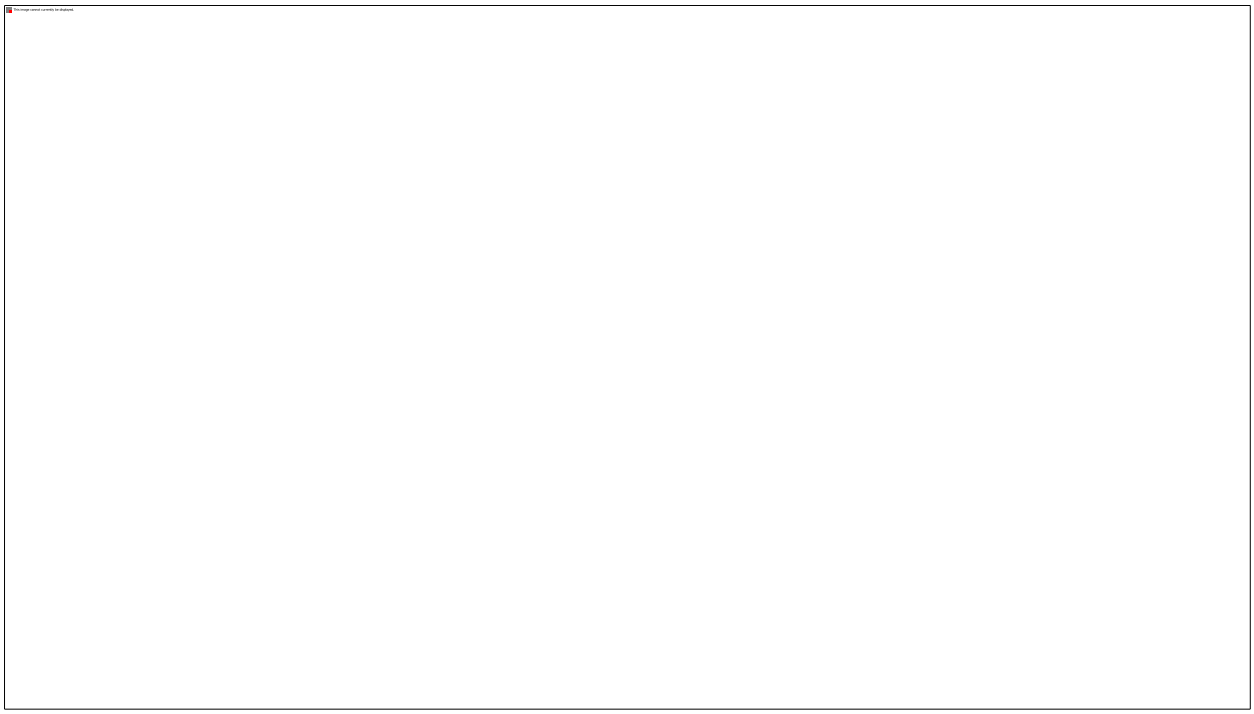

TARGET COSTING AND COST REDUCTION IN ZIMBABWE: A CASE OF MANUFACTURING SMALL TO MEDIUM ENTERPRISES.

BY

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A RESEARCH PROJCT SUBMITTD IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR BACHELOR OF ACCOUNTANCY HONOURS DEGREE.

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To be completed by student

I certify that this dissertation meets the preparation guidelines as presented in the faculty guidelines for dissertations.

Signature of student  Date …30……. /……09……/……24….

To be completed by the supervisor

This dissertation is suitable for submission to the faculty. This dissertation should be checked for conformity with faculty guidelines.

Signature of supervisor…  … Date 30…/…09…/……24…….

To be completed by Chairperson of the Department

I certify to the best of my knowledge that the procedure has been followed and the preparation criteria has been met for the dissertation.

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DEDICATION

I’m deeply grateful to the Almighty for divine guidance and grace throughout my academic journey. I extend my heartful appreciation to my loving mother, uncle and grandmother for their unwavering support, encouragement and motivation. Your presence in my life has made a significant difference and I am forever grateful.

ABSTRACT

This study investigates the effectiveness of target costing and cost control in Zimbabwe manufacturing SMEs. The primary objective is to explore the impact of target costing and cost reduction strategies on the financial performance of these enterprises. A survey of 32 SMEs in Harare was conducted using structured questionnaires and secondary data was collected from journals and electronic media. The data analysis was performed using SPSS version 20, revealing that negative variance persisted, leading to decreased organizational performance. The cost control method had no motivational impact on employee training, worker involvement and enhanced control reports to improve the situation.

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CHAPTER 1

INTRODUCTION

1.0INTRODUCTION

Due to increased cost and intense competition, the financial health of the manufacturing sector in Zimbabwe has declined as sales and profit levels have been affected (Yushang et al 2020). To address these challenges many manufacturing, SMEs are turning into target costing and cost reduction strategies. The research seeks to determine how the use of cost control techniques can help to improve the performance of manufacturing SMEs in Zimbabwe, as it will investigate how these techniques can be used to reduce costs and improve the overall performance. This chapter will discuss the objectives, challenges, research questions and the scope of the study. In addition, it will explain the significant of the study and provide a summary of the research problem.

1.1 BACKGROUND OF STUDY

According to Luiz et al (2021) study, found that the recent increase in the manufacturing SMEs cost and reduction in sales revenue had led to a decrease in the financial performance like the profitability of the sector. This research seeks to address this problem by investigating the impact of target costing and cost reduction can play in improving the financial performance of manufacturing SMEs example profitability and remain competitive.

Manufacturing is a sector of the economy responsible for producing a wide range of products and goods. SMEs are businesses that maintain revenue, assets or a number of

employees below a certain level. According to Shemi Procter (2018), SMEs in the manufacturing sector are important drivers of economic innovation and development worldwide. As noted by Mageto (2018), through creating jobs, generating income, increasing productivity and reducing poverty and inequality. The added value of these SMEs creates through the manufacture of goods and services that stimulate economic growth development at the regional level.

Globally, other countries have embraced and introduced cost reduction techniques to reduce costs in their manufacturing firms so as they improve their financial performance. (Abara & Litunya, 2022), examined the link between target costing and financial success in Kenyan cement manufacturing company, finding that target costing significantly influenced financial performance. Also, (Alkababji, 2023) investigated the effect of target costing implementation and ongoing enhancement on long-term competitive excellence in Palestine manufacturing companies.

In Africa, small to medium enterprises are considered to be crucial for economic growth and job creation, (Nyamwanza, 2014) despite the challenges of global economic slowdown. (Bomani, , Fields , & Derera, (2015)), revealed that the future of developing countries depend heavily on the effectiveness of SMEs particularly those in manufacturing sector, hence they should effectively manage their cost. Slater (2010) explored the impact of target costing on motor industry, finding that the strategic technique prevented the launch of unprofitable products, thus enabling the company to release its desired profits.

In Zimbabwe, SMEs have the potential to play a key role in the country's economic development with manufacturing SMEs being precisely important given their role in the industrial and economic growth. (Mabenge, Ngorora- Madzimure, & Makanyeza, 2020), states that SMEs in Zimbabwe's manufacturing sector have played a crucial role in filling the gap left by larger companies.

According to the (Zimbabwe National Statistics Agency, 2021) SMEs annual survey report (2021), there are over 1,9m SMEs in Zimbabwe. Of these around 195000 are into manufacturing sector engaged in the production of wide range of products including food, clothes and furniture. These sub-sectors are critical to the country's economic growth hence they require sound and strategic management. The country's national development plan, Vision 2030, identifies the manufacturing sector as one of the key sectors that will drive the country's transformation into middle-income economy by 2030 (GOZ, 2018).

(International Monetary Fund (IMF), 2019) reports shows that the SMEs in manufacturing sector contributes significantly to employment, productivity and innovation into the capital city Harare. Also, they play a vital role in the country's economy as it contributes to the Gross Domestic Product of the whole nation. These businesses range in size and scope from small family-owned businesses to larger more stabilized companies. Despite their importance, SMEs in manufacturing sector face numerous challenges like increased cost, limited access to finance, poor infrastructure and lack of skilled labour and lack of necessary knowledge and skills to effectively implement cost reduction techniques.

Many of the SMEs had been operating in stop supply for some time and the health of its finances are now in peril due to mounting expenses. The manufacturing companies' daily operating revenues are decreasing. The companies have been losing money for several years, and its financial stability is under threat due to escalating expenses. They have been connected with significant expenses which prevented the co-operation from competing its objectives like profitability. High labour cost, loss and spoilage, repairs and maintenance have all contributed to the decline in operating performance and others reducing their production levels. Many businesses use traditional production methods which can be inefficiency and costly hence reduced financial performance. (Shreya, 2014), defines cost reduction as the process of lowering production cost without altering the desired use of product. To regulate cost and improve profitability manufacturing SMEs have to establish costing techniques (Abdul & Isiak, 2015).

Locally, (Msipha & Chinjova, 2020) studied about the application of like target costing in cost reduction of manufacturing SMEs. In their study, they revealed that many companies were already using target costing as a way to reduce their cost and improve financial performance even though the cost kept rising. Also, in their 2021 study on cost reduction they revealed that the techniques can be effective in improving the financial performance only if they are implemented correctly. They found that manufacturing SMEs need to carefully consider their cost drivers and set realistic targets for cost reduction hence the approach can be counted productivity. (Chasweka, 2017) , who conducted studies on the increased effectiveness of cost-cutting methods, profitability is one of the most important factors for any business, therefore implementing cost-cutting efforts is essential to achieving goals and setting benchmarks. Similarly, (Obara, 2014) stated that in order for cost-cutting measures to be successful, care and standards must be established; failing to do so may result in the strategy being ineffective. Cost minimization is one strategy employed to ensure that a business maximizes earnings and survives. Target costing (TC) is a costing technique that is mostly utilized when the product is being designed, to lower manufacturing expenses in order for the final good to face competition in the market, according to (Kabra & Lokhande, 2020).

According to (Maware & Adetunji , 2019), research on using lean manufacturing to enhance production efficiency, the research showed that lean manufacturing could be used as a cost reduction technique which improves production efficiency in the manufacturing sector in Zimbabwe. They found that companies that implemented lean manufacturing principles were able to reduce cost and improves quality leading to customer satisfaction.

Also, (Dlamini & Schutte, 2021) research on target costing in manufacturing companies found that many manufacturing SMEs in Zimbabwe were aware of the benefits of target costing as cost reduction technique but, only a small percentage had successfully implemented it. They revealed that the challenge to implementation was lack of knowledge and expertise as well as resistance to changes. Due to lack of knowledge and technical expertise, SMEs often make mistakes when it comes to managing their cost, which can lead to in efficiencies and increased cost. These mistakes are often a result of not understanding how to properly monitor and control production cost and reduced profitability. The manufacturing SMEs in Zimbabwe face similar challenges which have led to issues like cost management and financial performance.

To overcome these challenges SMEs, need to implement efficient cost control techniques.

1.2: STATEMENT PROBLEM

Manufacturing SMEs have been facing challenges such as high labour cost, waste and spoilage which have negatively impacted their performance, reduced sales and profits. In order to address these challenges, SMEs have attempted to implement cost reduction techniques, but many have struggled to do so successfully due to lack of knowledge, expertise and resistance to change. This has resulted in increased production cost and reduced profitability presenting a significant challenge for SMEs in the sector. This study will explore the impact of target costing and cost reduction techniques on manufacturing SMEs' performance.

1.3: RESEARCH OBJECTIVES

1.3.1: Main research objectives

1. To explore the impact of target costing and cost reduction techniques on manufacturing SMEs in Zimbabwe, including their ability to reduce cost, increase efficiency and improve the overall performance.

1.3.2: Sub-research objectives

1. To determine the effectiveness of target costing in manufacturing SMEs.
2. To ascertain the challenges of cost control on organizational performance in manufacturing SMEs.
3. To identify the reason why manufacturing firms has been suffering losses despite techniques put across by management of the manufacturing SMEs to cut expenses.

1.4: RESEARCH QUESTIONS

1.4 1: Main Research Question

This study seeks to investigate how target costing and cost reduction strategies impact the economic performance on Zimbabwean manufacturing SMEs.

1.4.2: SUB-RESEACH QUESTION

- What types of cost reduction techniques do manufacturing SMEs use?
- What are the key objectives and motivations behind implementing cost reduction in manufacturing SMEs?
- What are the main challenges and barriers to implementing cost reduction strategies in manufacturing SMEs?

1.5: SIGNIFICANT OF RESEARCH

1.5.1 TO THE RESEARCHER

In order to ostensibly provide the researcher with a platform to apply college-level theory, the researcher has fulfilled a portion of the degree requirements. The researcher's ability to think critically and make defensible conclusions both improved.

1.5.2 TO THE UNIVERSITY

The researcher’s findings will be crucial for the institution since some of the data from the study may be used as sources by other students. It also shows the university's dedication to high-quality research, working with industry partners, enhancing the curriculum, disseminating information, influencing policy, and encouraging alumni involvement. It demonstrates the university's applicability and influence in solving real-world issues and advancing the growth of Zimbabwe's SME industry.

1.5.3 RELEVANT TO ORGANIZATIONS

This research aims to equip the manufacturing company with strategic cost optimization strategies. It will also enable management to pinpoint areas of expenditure to prioritize, enhancing operational efficiency and eliminating recurring financial losses.

1.6 ASSUMPTIONS

i. Information provided is free from bias.
ii. The chosen group sample possesses a high knowledge about the topic.

1.7 DELIMITATIONS OF THE STUDY

This research is specifically focused on costing practices of manufacturing firms and its scope does not extend to other industries or sectors. The findings of this study are intended to be applicable solely to small and medium-sized manufacturing enterprises operating in Zimbabwe and should not be extrapolated to other geographic locations or contexts. In other words, the results of the study are context-specific and not universally generalizable.

1.7 LIMITATION OF THE STUDY

To enhance the practicality of this research, it is essential to acknowledge its time-bound nature, which limits its ability to capture long term trends and patterns. The study's duration was relatively brief and its findings are a snapshot of the conditions prevailing during the period.

Additionally, time constrain meant that the researcher had to prioritize efficiency, relying on the internet-based data collection and limiting the scope to the manufacturing SMEs. This focus, while necessary, means that the findings may not be universally applicable.

Furthermore, some desired information may have been withheld due to confidentially concerns, as companies may have deemed its sensitive or proprietary. To mitigate these limitations, the researched utilized questions to gather data.

1.8 DEFINITION OF CRUCIAL WORDS

In the context of this research, the following terms are defined

Cost - (Akeem, 2017) conceptualizes cost as the monetary value of the inputs used by company to produce a single unit of output.

Small and medium sized enterprise – According to (Nyoni & Bonga, 2018) , SMEs are defined as registered business with workforce of no more than 100 employees and annual sales revenue of up to $830 000.

Cost Reduction – reducing cost to pre-established threshold.

1.9 SUMMARY

This study mostly centered on the backdrop of the issue under study. The goals of study were covered in this chapter, including study questions. The subsequent chapter conducts a survey of related scholarly literature.

CHAPTER 2

LITERATURE REVIEW

2.0 INTRODUCTION

This section will explore the existing research on the topic of target costing and cost reduction on manufacturing SMEs in Zimbabwe. This will involve gathering the information form variety of sources, including online resources, academic journals and previous research studies. The review will cover theoretical and empirical literature on how these techniques can affect the profitability of financial performance of manufacturing SMEs, as well as challenges and barriers to their implementation. Moreso, it will examine the conditions necessary for effective cost control and the potential impact of mitigation strategies for changes associated with implementation. This type of review aims to create a comprehensive understanding of the current knowledge base by synthesizing the research conducted by authoritative sources in the field.

2.1 TYPES OF COST IN MANUFACTURING SMEs SECTOR

In essence, (Akeem, 2017) conceptualizes cost as the monetary value of the inputs used by company to produce a single unit of output. The concept of cost is multifaceted and has different meanings depending on the context in which it is used. For instance, in the manufacturing sector, cost is typically measured in terms of the cost per unit of production, while in service-oriented businesses seek to ascertain the cost of the service they provide. (Akenbor & Agwor, 2015), states that cost is a crucial component of profitability for firms, as all productive activities require the expenditure of resources.

According to (Pettinger, 2017), there are various types of cost like fixed cost or overhead cost which are going expenses that the business must incur regardless of the activities or output. Fixed costs are not influenced by changes in the volume of production and remain statics across a wide range of activity level (Fapohunda , 2020).

Variable cost are costs that are directly linked_to the level of output or activity of a business. As the quantity of goods or services produced changes, so do the variable costs incurred by the business. Lastly, common or unallocated cost are expenses that cannot be linked to a specific cost objective. These costs which can include research and executives' salaries (Fapohunda , 2020), are shared overheads costs that cannot be directly assigned to a single product. Multiple products often share the resources associated with this cost, making it challenging to allocate them to specific products

2.2 THEORETICAL FRAMEWORK

The theoretical framework for this study is anchored in the following key concepts:

2.3 Standard costing

Based on the work of (Drury, 2018), standard costing is a system of accounting that establishes predetermined standards for production cost and compares them to actual cost to identify variances. It involves setting standards for each product or service concerning the tangible and intangible cost linked to with their production or provision. These comparisons of standard and actual costs enable businesses to identify deviations from expectations and implement corrective measures, if needed. In manufacturing SMEs, this approach can help identify areas where costs are higher than expected, enabling organizations to develop targeted cost reduction strategies. Moreover, standard costing can support the integration of target costing into the overall cost management system of manufacturing SMEs in Zimbabwe. As proposed by (Garrison & Noreen, 2021), standard costing can be used to develop cost targets and access progress against those targets, enabling organizations to identify areas where actual costs are exceeding target cost and make corrective action. In addition to its role in identifying and reducing cost, use of standard costing can facilitate performance evaluation and decision making by providing a basis for comparing actual performance against pre-established standards (Fapohunda , 2020). (Fapohunda , 2020) (Worku, 2018), standard costing can be used to set performance targets for employees, such as achieving a certain level of cost savings or reducing waste in a specific process, and rewards can be tied to achievement of these targets. This can motivate employees to actively contribute to cost reduction efforts and supports the overall cost management strategy of the organization.

Previous studies have used standard costing theory to explain the effectiveness of standard costing in improving cost control and decision making in Zimbabwean manufacturing SMEs. Firstly, Mutambara (2018), used standard costing in improving profitability and competitiveness in Zimbabwean SMEs. They found that standard costing enabled firms to identify and control cost overruns and variances, which led to improved profitability and cost efficiency and also facilitates cost control and decision making. Similarly, Tanyanyiwa and Mutambara (2016), explored the application of standard costing in Zimbabwean SMEs, with a particular focus on its relevance to target costing. They found that standard costing could be an effective tool for determining the "cost of doing the business" and proving accurate cost information for product design and development, hence it is an important management accounting tool that can help SMEs to make better decisions and improve their competitiveness. In 2020, Moyo and Sibanda found that standard costing helped Zimbabwean manufacturing SMEs to improve their inventory management and reduce overstocking, leading to reduced carrying cost and improved cashflow. Standard costing enabled Zimbabwean SMEs to identify inefficiencies in their production processes, leading to improved process efficiency and reduced production cost. Also, standard costing in Zimbabwean SMEs helped them to identify and reduce waste and improve process efficiency (Chikwekwete ,2022).

However, the system also has drawbacks. (Eisenberge, 2016), notes that management accountants can manipulate standard to generate positive variances leading to excessive budgeting and cost control. Shabahang (2015) points out that standard costing is suitable for non-routine projects and activities, as they do not lend themselves to standardization. In addition, (Maheshwari, 2021) asserts that standard costing is ineffective if there is a lack of coordination between different departments within an organization. On the other hand, research has shown that implementing standard costing in manufacturing SMEs can lead to improvements in the overall organization's performance.

2.4 TARGET COSTING

Target costing, as defined by (Cooper & Drury, 2019) is a managerial approach that involves setting cost and quality targets simultaneously at the outset of product design, and then carefully managing cost to achieve these targets. This approach, is said to

provide a guiding framework for decision making and management throughout the product life cycle.

Various research has consequently shown on the beneficial effect of costing on the competitiveness and profitability of Zimbabwe manufacturing SMEs. (Dlamini B. , 2020), found that Zimbabwean manufacturing sector utilizing target costing were more likely to see improvements in profitability and market share compared to those not employing this approach. Target costing techniques were able to improve their product design and cost management processes leading to increased customer satisfaction and higher sales. The results emphasize the potential benefits of target costing for manufacturing SMEs in Zimbabwe, particularly in terms of achieving cost reduction and competitiveness in the market. (Abara & Litunya, 2022) proposed a theory of targeting costing for SMEs in developing countries like Zimbabwe. The theory is focused on customer value where customer needs, preferences, design products and services that deliver value at the lowest possible cost. Value engineering, cost to save among others and it can help SMEs to achieve sustainable competitive advantage by delivering customer value at lower cost.

While the benefits of target costing have been well-established, some limitations have also been identified in previous studies. For instance, (Chinjova & Msipha, 2020) noted that some Zimbabwean SMEs lack the necessary expertise and knowledge to effectively implement target costing strategies. This can lead to suboptimal outcomes and missed opportunities for cost reduction and competitiveness. Another challenge identified by Mabasa & Mutambara (2018), is difficulty of gathering accurate and reliable cost data, which can hinder effective target costing implementation.

Despite these limitations, the potential benefit of target costing makes it an attractive strategy for Zimbabwean SMEs. To address the challenges of expertise and data collection, some studies suggest that manufacturing SMEs can partner with consultants or use cost management software to enhance their target costing capabilities. Therefore, target costing can provide a valuable framework for manufacturing SMEs in Zimbabwe to achieve cost reduction and competitiveness, but success will depend on effective implementation of the strategy.

2.5 ACTIVITY BASED COSTING

It is a management accounting approach that allocates overheads cost to generate services that require cost bearing activities, rather than traditional methods like machine hours or labour hours (Drury, 2018). Activity based costing (ABC) is a technique used to assigns overheads costs from multiple cost pools to relevant manufacturing activities, utilizing cost drivers as key inputs. According to Garrison et al. (2014), recurring cost and execution periods are two crucial elements. Business across various sectors consider ABC a more accurate cost allocation system than standard costing because it relies on multiple cost drivers for different activities to allocate cost to specific products. Godil et al. (2015), defines cost determinants as the basis for cost occurrences at the service, good or unit level.

Research conducted by several scholars has shown that ABC can be an effective tool for manufacturing SMEs in Zimbabwe as it enhances cost management and profitability. For instance, (Chinjova & Msipha, 2020) demonstrated that ABC can help Zimbabwean SMEs to identify and reduce non-value-added activities, leading to better cost control and improved profitability. Furthermore, they also revealed (Chinjova & Msipha, 2020) found that ABC, when combined with other cost management techniques like target costing, can provide significant benefit for Zimbabwean SMEs, such as enhanced cost reduction and improved competitiveness. These findings highlight the potential of ABC as a valuable cost management strategy for manufacturing SMEs in Zimbabwe.

(Chinjova & Msipha, 2020), reviewed that activity-based costing provides a robust framework for the mechanism of how cost is incurred and allocated in manufacturing process. In the study, the theory is grounded on accurate cost allocation in manufacturing SMEs in Zimbabwe. According to Fisher et al, ABC can help manufacturing SMEs identify cost drivers and develop targeted cost reduction strategies, which is essential for improving profitability and competitiveness in challenging economic environment. Also, states that ABC can be used to identify cost drivers and allocate cost accurately to specific products or services. Additionally, the implementation of ABC in Zimbabwe, manufacturing SMEs may be informed by the concept of continuous improvement, which is the key principle in lean manufacturing. Petch (2021), proposed that ABC can support culture of continuous improvement by providing detailed cost information that can be used to identify opportunities for improvement and prioritize areas for improvement initiatives. Moreso, the use of value

stream mapping can complement ABC by identifying waste and non-value adding activities throughout the manufacturing process (Zhou & Lu, 2023). This technique can provide insights that support the development of targeted cost reduction strategies based on the ABC data, leading to more effective cost management and improved organizational performance. It advocates for the use of ABC methods to accurately identify and allocate cost based on specific activities or processes that consume resources. This theory aligns with the target costing approach, as it enables organizations to identify cost drivers and optimize their resources for maximum efficiency and value creation. (Chinjova & Msipha, 2020) conducted a study on Zimbabwean manufacturing SMEs, revealing that understanding the true cost of products and services improves cost control, enabling business to identify and eliminate waste and inefficiencies which lead to enhanced profitability. (Chinjova & Msipha, 2020), shows that ABC provides more accurate cost information, enabling the SMEs to make better decisions about pricing, product mix and customer segmentation.

(Ezeagba , 2017) investigated the effects of ABC on organizational performance in manufacturing SMEs in Nigeria, with a particular focus on output. The use of ABC significantly influenced profit output, with product cost being the most crucial factor determining the profitability of manufactured goods. The research findings indicated that ABC contributed positively to organizational performance by enabling manufacturing companies better understand and allocation their cost, ultimately leading to improved profitability.

However, despite their importances, activity-based costing also has potential negative impacts like it is associated with high implementation costs as costly in terms of time, resources and expertise, which may be challenging for SMEs with limited resources (Ndoro &Mpofu, 2020). Mariga et al., (2018), revealed that some employees may resist to the adoption of ABC due to concern about job security or lack of understanding of the benefit, leading to implementation delays or failures.

2.6 Decreasing employee wages and salaries

(Meer & West, 2016), highlights that as a consequence of economic challenges faced by many organizations, salary and wages reduction have become a common strategy for increasing profitability. This has been collaborated by Mashalli (2014) & Habib (2015)

who states that many companies are employing labour cost reduction tactics such as flexibility in the utilization of skilled and unskilled labor, furloughs, decreased working hours, pay reduction and job sharing.

However, it is important to note that cost cutting measures can sometimes backfire, leading to legal issues and potentially putting the lives of employees at risk, as pointed out by (Drury, 2018). Also, (Collins & Hussey, 2014) points out that there is often conflicts between management and staff when cost reduction measures are put into effect. (Shreya, 2014) further stresses that adherence to the Fair Labor Standards Act is critical when considering pay and salary reductions as a cost cutting measures. It is essential for organizations to avoid any legal issues that could arise from implementing such measures.

2.7 Retrenchment

According to Marlene (2012), retrenchment is the process of dismissing employees due to redundancy. It can help organizations reduce cost by eliminating underperforming employees and restricting the number of workers in each job segment. Downsizing strategies often involve merging job responsibilities, resulting in the dismissal of crucial employees if not carefully planned.

Thomas (2012) emphasizes the importances of giving employees ten days' notice before downsizing to avoid potential legal ramifications. The Board of People Practices in South Africa (2014) highlights that retrenchment should be at the last resort in cost reduction measures as it can lead to the loss of skilled an experienced employee, which could negatively impact the organizational performance and competitiveness. Therefore, manufacturing SMEs should explore other cost reduction strategies such as reducing expenses or improving efficiency before resorting to retrenchment. This approach should only be considered only if other methods have been exhausted and the company's viability is at risk.

2.8 CONCEPTUAL FRAMEWORK

Conceptual framework for target costing and Activity-Based Costing in Zimbabwean manufacturing SMEs

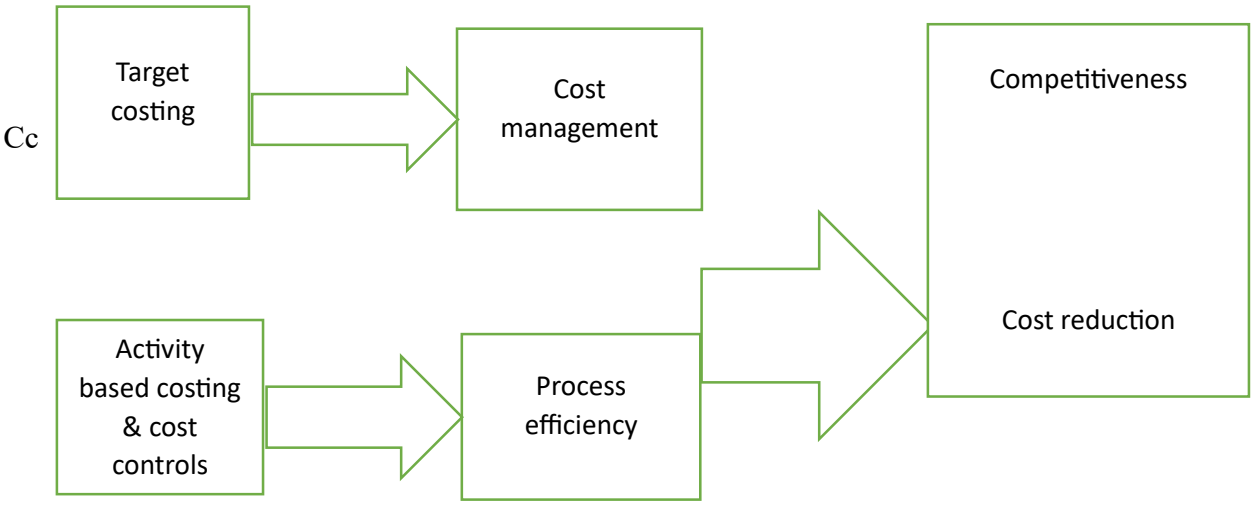

Figure 2. 1 Conceptual framework

Author: Researcher

The diagram depicts the relationship between target costing, cost management and competitive advantage as well as the relationship between ABC, process efficiency and cost reduction.

Target costing is a method for setting cost targets early in the product design process, which can help align processes and activities to achieve these targets. Effective cost management involves controlling cost and ensuring thy align with cost targets set by costing, which is crucial when implementing target costing. This can lead to improved competitiveness for manufacturing firms.

Activity based costing is a costing approach that allocates cost to products, services and customer segments based on the activity that they consume. This can help to identify non-value-added activities, which can be reduced or eliminated to improve process efficiency and reduce cost hence improved financial performance and profitability.

Hypothesis 1: The adoption of target costing in Zimbabwean manufacturing SMEs will lead to improved cost management and competitiveness.

Target costing is a widely used cost management strategy that has been shown to improve cost management and competitiveness in various industries (Cooper & Drury, 2019). In a study of south African manufacturing SMEs, (Chinjova & Msipha, 2020) found that the use of target costing was associated with improved cost management and

competitiveness. A survey of Zimbabwean manufacturing SMEs found that those that had implemented target costing reported significantly lower cost and improved competitiveness compared to those that had not (Mariga et al.,2018). Furthermore, a case study by, (Yushang et al 2020). on Zimbabwean manufacturing SMEs found that the use of target costing leads to a 20% reduction in costs and 5% increase in market share.

Hypothesis 2: The implementation of ABC in Zimbabwean manufacturing SMEs will lead to cost reduction by improving process efficiency and identifying and reducing non-value-added activities (Cooper & Drury, 2019).

Activity-based costing offers a robust approach to optimizing cost control and management in manufacturing SMEs by identifying non-value-added activities (Cooper & Drury, 2019). The implementation of ABC in manufacturing SMEs has been shown to reduce cost by as much as 10% (Barney, 1991). A study of South African manufacturing SMEs found that those that had implemented ABC reported a significant reduction in non-value-added activities and 5% reduction in overall cost (Ncube, 2019). Furthermore, (Chinjova & Msipha, 2020), found that the companies that had implemented ABC in Zimbabwean manufacturing firms had reported improved process efficiency and a 10% reduction in cost.

In conclusion, the research supports both hypotheses, demonstrating that implementing target costing and Activity-Based Costing can significantly improve cost management, competitiveness and cost reduction in Zimbabwe manufacturing SMEs. These findings have important implication for manufacturing SMEs in Zimbabwe, as they suggest that adopting cost management strategies can lead to significant improvements in performance and competitiveness.

2.9 PRIOR STUDIES ON TARGET COSTING AND COST REDUCTION

Various studies were conducted in relation to target costing and cost reduction in manufacturing SMEs in Zimbabwe. Firstly, Banda et al. (2020), conducted a case study of three Zimbabwean manufacturing SMEs and found that target costing was a powerful technique for cutting cost, improving efficiency and enhancing competitiveness. (Dlamini B. , 2020), conducted a survey of SMEs in Zimbabwe manufacturing sector

and found that many organizations were using cost reduction strategies such as outsourcing, automation and process improvement but faced challenges related to access to technology and skilled labour. They concluded that cost reduction ae effective in improving efficiency and profitability in organizations. Also, SMEs should adopt holistic approach to cost reduction that takes into account the specific needs and constraints of their organizations.

A recent study by (Alkababji, 2023) explored the impact of Target costing TC and continuous improvement strategies on achieving sustained competitive advantage in industrial enterprises in southern Palestine. The findings reveal that TC and continuous improvement was found to have a positive effect.

Multiple factors, such as alignment with business strategies, customer needs, technology adoption and effective leadership, influence successful implementation of target costing and cost reduction strategies in Zimbabwean manufacturing SMEs. These factors interact in complex ways and contribute to enhanced profitability and competitiveness.

2.10 THE DIFFICULTIES EXPERIENCED WHEN EXECUTING EFFECTIVE COST REDUCTION IN MANUFACTURING SMEs.

2.10.1 Inadequate knowledge of methods of reducing cost

According to Hafez et al. (2015), resistance to cost cutting measures can often be attributed to lack of understanding among employees. It is essential for employees to grasp the opportunities that cost cutting can bring, rather than perceiving it as a threat. Without proper knowledge, the employee may not implement cost cutting measures correctly, hindering their effectiveness. Chigara (2013) recommends employee training and attendance at cost cutting seminars to equip employees with skills necessary to assess cost accurately. However, many manufacturing SMEs hire employees without the required knowledge, making it difficult to implement cost-cutting initiatives.

Maiga et al. (2013) highlights the lack of knowledge about cost controls methods and their benefits among the majority of workforce. The author suggests that for the cost reduction system to be successful, manufacturing firms require adequate information technology and staff with the skills to adapt to technological advancements.

Misinformation about cost control methods can be a significant disadvantage that adversely affects an organization's performance. However, insufficient knowledge alone is not a valid reason to abandon cost-cutting initiatives. It is importance for organizations to provide employees with necessary the necessary training and information, so that cost cutting strategies can be successfully implemented.

Watkins (2014) cautions that without proper education and training about cost cutting strategies, organizations will struggle to accomplish cost cutting objectives. Employees need to understand the rationale behind cost cutting measures and hoe they contribute to the organization's overall objectives. Without this understanding, employees may not fully support or implement cost cutting initiatives, hindering their effectiveness.

2.10.2 Insufficient endorsement from upper management

(Akenbor & Agwor, 2015) highlights the absence of top management' support as the key primary obstacle to effective cost cutting measures, impeding their potential for improving a company's performance. The researchers argue that leaders often prioritize their own interest's organizational long-term sustainability, hindering the effective implementation of cost cutting initiatives. Moreover, Sani &(Allahverdizadeh 2013) points out that business executives often view cost reduction measures as a means to their own ends, focusing more on their personal gains and benefits than on improving financial performance of the organization.

(Akenbor & Agwor, 2015) denotes that executives in most industries are often hesitant in implementing cost control measures, neglecting their responsibility to thoroughly examine external factors like inflation, political instability, government policies and technological changes. This lack of awareness and understanding can hinder the effectiveness of cost cutting initiatives, reducing their potential impact on the company's financial performance. The author further notes that businesses are often unaware of external variables that can impede the effectiveness of cost reduction strategies, despite their crucial role in shaping an organization's profitability.

According to Sami & Hashim (2013), top management support is crucial for successful cost cutting initiatives, it is not only the factor that determines the effectiveness. Instead, they highlight the impact of untrained employees, emphasizing that utilization of inexperienced personnel can lead to mistakes and inaccurate conclusions, derailing the

ultimate goal of cost savings. Also, Chigara et al. (2013), provide an alternative perspective, stating that inadequate communication between supervisors and their subordinates, rather than inadequacy of cost cutting measures themselves, is often the root cause of ineffective cost control strategies.

2.10.3 Inconsistency in application of techniques

To sustain cost control efforts and avoid reacting to temporary setbacks, organizations must consistently apply cost cutting techniques across all business operations, as (Bragg & .Collins, 2012)suggest. Any form of manipulation or deviations from standard operational practices is not acceptable, as this can lead to lack of benchmarks for controlling expenses in manufacturing firms. Moreover, (Sahu, 2015), highlights the benefits of long term, consistent cost cutting practices, which can help organizations recover more quickly during unexpected events such as economic downturns and mitigate their impact on financial performance. This further highlights the importances of adopting a long-term mindset when implementing cost control measures, rather than focusing on short term gains. Also, consistency in implementation of cost reduction strategies across entire organizations is essential for their effectiveness, as (Burbige, 2014) explains. Hence, careful planning and diligent execution of cost reduction strategies are vital to achieve the desired results.

According to (Drury, 2018), resistance to change is a negative reaction from employees due to perceived decease in their importance or usefulness as a result of change. Employees may resist cost reduction initiatives if they believe that the changes may make their roles less significant or valuable to the organization. This resistance is more likely to occur when management introduces changes without consulting employees or line managers (Lawrence, 2015). Furthermore, resistance can spread from employees to managers when upper management imposes changes without providing sufficient communication or explanation. (Adenle & Kary, 2013), states that this can create a hostile and uncooperative working environment from top to bottom. Moriarty (2015), denotes that offering incentives for employees who embrace change, such as recognition or training opportunities, can provide motivation and overcome resistance.

2.10.5 Improper cost management strategy

(Nair, Osamah, & Salwa, 2020), underlines the importances of having budgets to help cost control committees identify deviations and take necessary remedial actions. Deviations from the company's annual budgets should be addressed through corrective measures by management. Moreover, Nair et al emphasizes that variances can be useful for managers in identifying areas where cost cutting measures need to be implemented.

2.10.6 Heavy cost associated with cost cutting

(Akenbor & Agwor, 2015) suggest that the challenges of improving a company's financial performance through cost cutting lie in the high cost associated with such measures. They argue that cost-cutting should not simply entail reducing expenses, but rather focus on eliminating wasteful practices. Mittal (2020) further adds that a more effective cost cutting strategy should involve customers throughout the process. While efficient cost-cutting measures can indeed lower costs, significant costs associated with these measures can also reduce a company's financial performance, as Watkins (2014) points out.

According to (Akenbor & Agwor, 2015), selecting cost cutting methods that do not align with a company's specific requirements can result in high cost. Therefore, they recommend that management conduct continuous research on how expenses vary with different level of development, as suggested by Watkins (2015).

2.11 RESEARCH GAP

Despite the significance of cost reduction and target costing techniques in enhancing the competitiveness of manufacturing SMEs, a substantial research gap exists in understanding their effectiveness in the context of Zimbabwean manufacturing SMEs. While existing literature has explored cost reduction strategies in large-scale manufacturing settings, there is a scarcity of research on the suitability and impact of these strategies in smaller-scale manufacturing enterprises in Zimbabwe, particularly in addressing challenges such as high labor costs, waste, and spoilage. Furthermore, the unique economic and industrial challenges faced by Zimbabwean manufacturing SMEs, including hyperinflation, currency fluctuations, and supply chain disruptions, have not

been adequately addressed in the existing literature, highlighting a need for context-specific research to bridge this knowledge gap.

2.12 CONCLUSION

This chapter's focus was on the impact of cost reduction on financial performance, considering the challenges and factors that contribute to cost reduction success or failure. The review of existing literature explored the factors that affect cost growth and the obstacles that management faces when implementing cost cutting strategies. Additionally, the chapter proposed effective measures that can be used to enhance the success of cost-cutting initiatives.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter seeks to explore whether cost cutting measures can enhance the organizational performance of SMEs in manufacturing industry. It will present an overview of the research methodology, including data collection procedures, the rationale for the selection of methods and the testing of the research model. This chapter will address on various components of the research design and provide justification for their selection. It will also explain the research tools that will be employed, their reason for selection and how the collected data will be analysed to answer research questions and derive conclusions.

3.1 Research Philosophy

Based on the work of (Collins & Hussey, 2014), research philosophy serves as a conceptual framework that shapes how researchers conduct research based on their beliefs about reality and knowledge. According to the author, they are two fundamental research philosophies, namely positivism and interpretivism, which guides and inform how researchers approach and interpret phenomena within the context of research. Meanwhile, (Solanke,, 2015) highlights the significant of philosophical stance in guiding researcher's decisions throughout the research process, arguing that it shapes data collection methods, analysis and interpretation.

Positivist approach, as described by (Biggam, 2015) & (U, 2015)is a quantitative research method that involves formulating and testing hypotheses grounded in established theoretical foundation through observation, experiments and measurement of social realities. This approach was chosen for this study as it allows for a well-defined

structure that is suitable for the use of closed-ended questionnaire and statistical analysis. Positivism, often associated with realism, assumes that methodologies and philosophies used in natural sciences are equally relevant and applicable to social sciences to data collection and analysis. The interpretivist approach, also known as interpretivism, involves researchers in the subjective interpretation of the study elements. This methodology recognizes the importance of human experiences and social constructs such as language and shared meanings, in shaping our understanding of reality (Myers, 2018). Interpretivism is associated with the idealistic philosophical position and encompasses diverse approaches such as social constructivism.

3.2 Study approach

(Maarouf, 2019) observes that the emergence of mixed research methods necessitated the development of the philosophy that supports the integration of both qualitative and quantitative approaches in the single study. In order to analyse the data, the researcher applied a mixed method approach, conducting independent analysis of the quantitative data sets. To ensure thorough analysis and accurate uncovering insights from data, the quantity of data underwent a separate analysis approach.

3.3 Research design

(Bloomfield & Fisher , 2019) conceptualize research design as the strategies and approaches utilized by the investigator to carry out the study effectively, generate reliable data and address research problems. (Fisher M. J., 2019) states that a comprehensive research design should effectively address the problem statement. The author emphasizes the importance of a robust research design as it has significant implications on the outcome of research. The different research approaches include descriptive, explanatory and exploratory research (Fisher M. J., 2019). Descriptive research seeks to communicate information about variables under study and their attributes, including their relationship and whether there is any association with the expected results.

Also, (Fisher M. J., 2019), denotes explanatory research explores new information in areas where there is limited prior research on the required data. According to (Dahleberg & Mccaig), exploratory research is a crucial step in questionnaire design as it provides valuable insights into research problem and supports the advancement of effective

solutions. Ravi & Shastry (2022) argue that exploratory research helps researchers gain an initial understanding of the complex phenomenon, establish a theoretical framework and develop a research hypothesis for further investigation. For this study, a descriptive research approach was selected as the most appropriate methodology, which will be explained in further detail in the following paragraph.

3.3.1 Detailed Focused Research

As cited by Staples (2021), descriptive research design is a technique that helps researchers obtain data about the status of the phenomenon, allowing them to create reliable explanations for the relevant factors. The study utilized a descriptive methodology as it allowed for the interpretation of relationships between the pertinent variables. However, this approach posed some challenges to the researcher as it did not enable statistical testing (Howes,2019). Despite these limitations, the advantages of using descriptive research outweigh the disadvantages, as it utilizes quantitative data collection methods, which provides reliable and generalizable results (Bloomfield & Fisher , 2019). Descriptive research design was used by (Narshaih, 2020), in their related search on target costing and performance analysis Indian Automobile industry.

Also, descriptive research was used by (Alkababji, 2023) in a related study titled the influence of target costing and continuous improvement in southern Palestine. The results showed that the companies apply target costing at high levels and target costing continuous improvements had a positive impact on sustainable competitive advantage. This methodology was deemed appropriate due to its emphasis on describing and explaining the phenomena under study without attempting to influence or alter the variables involved. It adopted survey research methodology using questionnaire to gather information from managers, accountants and accounting clerks in the manufacturing SMEs. The choice of the quantitative method was based on its goal-oriented approach, which emphasizes intersubjective standards grounded for reality (Thomas, 2003). This method allowed for an objective analysis of the usage and effects of expenditure reduction strategies on organizational performance.

This method was chosen as it provides reliable and generalisable conclusions, which were necessary for academic purpose. In addition, the survey data was then analysed to determine the extent to which cost reduction measures were used in manufacturing

SMEs and to identify the factors influencing their selection for organizational performance.

The investigator selected to use a case study approach due to its capacity to yield detailed and specific information about the selected manufacturing SMEs. This method allows for more comprehensive understanding of the phenomena being studied, as well as the opportunity to uncover relationships between variables that may not be apparent in larger, more generalized samples. Feagin (2020) supports the use of case studies in descriptive research, and Thomas (2021) also endorses the use of case studies to generate detailed and comprehensive insights.

3.4 Sampling Procedures

Sampling procedures involves the strategic selection of individuals from the target population to provide data for generalising the findings to the larger population (Bird & Cassel, 2013)

3.4.1 Stratified Random Sampling

(Saunders Rajasekar, Chin, & R, 2012) asserts that probability sampling is beneficial in research as it guarantees that each individual in the section process ensured equal presentation from the target population selected for the study, ensuing fairness and accuracy in the results. Stratified random sampling was used to ensure a fair chance of being chosen for all individuals in the research sample. This sampling method allows for the creation of subgroups or strata's within the population, and then selecting participants randomly from each subgroup. This approach guarantees a thorough investigation of each sub group and a balanced representation for respondents. Given the organizational structure of the manufacturing SMEs, which includes different departments such as leadership, financial management, clerical, sales, administration and maintenance personnel, stratified random sampling was deemed the most appropriate sampling method to achieve a representative sample of respondents. This kind of sampling was used by (Narshaih, 2020), in the study target costing and performance analysis in the Indian automobile sector. Also, (Otieno, Ngari, & Ayuma, 2023) in their study on relationship between target costing, its application and Financial Performance in manufacturing companies operating in Kenya's North Rift Economic

Block, they used stratified random sampling therefore the sampling method is deemed reliable.

Table 3. 1 Sample size ad population

PARTICIPANTS	STUDY POPULATION	RESPONDENTS	PERCENTAGE OF THE POPULATION
Leadership	6	5	83
Financial management	5	4	80
Clerical	4	4	50
Sales	8	7	75
Administration	4	3	75
Maintenance personnel	5	4	80
TOTALS	32	28	84

Source: Researcher

The target group and selection size utilized in this project are presented in the table above. The selection of large sample size (74%) indicates a high level of confidence in the accuracy and reliability of the results. (Cooper, Schindler, & Kinmond, 2018) stated that, a sample size of at least 60% is required to yield valid and trustworthy outcomes. Therefore, the selected sample size is deemed adequate for generating reliable findings that accurately reflect the target population. The data presented in the table above further indicates that the chosen sample size provides a strong representation of the focus group, enhancing the reliability of the research's findings.

3.5 Secondary Evidence Source

The researcher employed various data collection and exploitation methodologies in this study, due to the combination of field and published data.

3.5.1 Secondary Data Collection

Secondary data may be extracted from internal or external sources, such as posited by Sindhu (2012). The author further states that secondary data is easier to acquire than primary data, given its accessibility. The study utilized secondary data as it allows for

comparison with previous research on cost cutting measures, thereby offering the author a basis for drawing conclusions. While secondary data proved beneficial in this study, Bajpai (2011) contends that its collection can be time-consuming, as opposed to primary data. For current research, published data was gathered from academic journals and publication like the Zimbabwe economic journal that contain data on manufacturing SMEs in Zimbabwe as this approach required less effort and expenses. Additionally, the reading of existing literature helped the researcher identify gaps in the field, and the gathered secondary data reinforced the research hypothesis. Thus, secondary data contributed significantly to research's overall scope and success, enhancing the researcher's ability to draw insightful conclusions from the collected data.

3.6 Primary source of data

The effective and efficient allocation of primary data is essential for ensuring the accuracy and reliability of the information gathered, as argued by Kothali et al. (2018). In order to achieve this goal, the researcher in this study used questionnaires and interviews as data collection tools. This allowed for the collection of up-to-date information on cost cutting strategies and their impact on organizational performance, enabling the researcher to scrutinize the detail of the current practices and perspective within the Zimbabwe manufacturing SMEs sector.

3.7 Data collection procedures

The researcher used a multiple-faceted approach to data collection by distributing surveys electronically via email and hand-delivering them to respondents. To encourage a higher response rate and eliminate any potential ambiguities within the questionnaire, the researcher followed up with the participants to gather additional information and clarification.

3.8 Research Instruments

The researcher conducted a comprehensive evaluation of various data collection methods to select the most suitable approach that minimized bias, cost and duration of data collection while ensuring efficient and effective data collection. The questionnaire was selected as the primary data collection tool due to its numerous advantages,

including independence from potential biases of the interviewer (Sakshaug et al., 2017) and ease of reaching busy executives in manufacturing sector. The survey instrument enabled all respondents to provide their responses independently and a time that was convenient for them, mitigating the limitations associated with other data collection methods. This triangulation of method was adopted in order to supplement each instrument's strength and weaknesses, ensuring that the result obtained are accurate and reliable (Bush, 2019). According to Pazur (2022), the use of multiple instruments can provide complementary insights and enhance the quality of research data.

3.8.1 Questionnaires

To effectively collect data, the study employed self-administered questionnaires, which allowed participants to express their opinion on the research topic in a convenient and accessible manner. The respondents were provided with electronic questionnaires containing written information that enabled them to check the boxes representing their views and perceptions regarding the subject matter. The researcher utilized closed-ended questions with response options, enabling the participants to actively indicate their opinion by ticking the appropriate options. This approach enables direct and efficient data collection and analysis, as participants are guided to use predetermined rating scales, such as Likert scales, to actively express their opinions on provided statements. Steed et al. (2016) asserts that the Likert scale is user friendly, enabling respondents to convey their views on issues without encountering any difficulties. Singh and Pareek's (2018) study on the success of cost-cutting methods in the service industry relied on questionnaires as a data collection tool. The same approach was used by Helen Otieno et al 2023, in their research on the impact of target costing on financial performance of manufacturing firms in the north Rift Economic Block of Kenya, using primary data collected through questionnaires with close-ended questions. Their questions were guided by objectives adopted from (Adebisi & Imeokparia , 2016). This approach allowed them to gather comprehensive information from the participants in a structured manner, enabling them to successfully complete their investigation (Munguti & Opiyo, 2020).

3.8.2 Advantages of questionnaires

- The collected data was used to make comparisons with other researches in order to find whether there are any changes
- The respondents were given adequate time to think and fully express them when answering the questions without fear that there will be identified in the questionnaires.
- The questionnaire yields more objective data since the researcher will not influence the participants.
- The questionnaire method was used because it does not consume time when administering and the respondents are free to respond in whatever manner they wish to, on their own schedule, enabling them to send their most thoughtful replies.
- With the use of questionnaire method, anonymity of the respondents is maintained.

3.8.3 Disadvantages

- Some respondents did not put much thoughts into the questions asked.to grab the respondent's attention key words were highlighted in bold in the questionnaire.
- Questionnaire consumed a lot of time during designing for usage. In order to resolve this, preparations for the questionnaires were made well in time by the researcher before they were due for usage through the help of the research supervisor and colleagues.
- Interpretation of the questions by the respondents was incorrect which led to wrong responses. In order to resolve this, the researcher used simple and understandable terms to explain the meaning of the words when the respondents ask.

3.9 Data Validity

The concept of validity in research relates to the accuracy of the collected data in presenting the study's objectives, ensuring that it provides a clear and precise image of research. According to Bryman et al. (2012), the validity of the study tools employed to produce final recommendations is also affirmed. To maintain the credibility and trustworthiness of the study, the researcher took various measures, including ensuring that the questions in the questionnaire were comprehensive and concise and sufficiently covered the research objectives, as ambiguity in questions can undermine the initial validity of the study instruments, as highlighted by Ramesh (2019). Ghassan Falah Matarneh1 Abdel-Rahman Kh. E, they used a similar methodology in their study the

role of target costing in reducing cost and developing products in the Jordanian public shareholding industrial companies.

3.10 Data Reliability

Reliability and dependability of the research data are essential for ensuring the accuracy and reproducibility of the findings (Body, 2016). To determine the reliability of the information obtained, the author selected experienced staff members in the field of cost reduction and costing, whose expertise lent credibility to research. Additionally, a pilot study was conducted, utilizing a small sample of close-ended questionnaires to verify the reliability of research instruments. These measures were taken to ensure that the data collected could be trusted and relied upon, thereby enhancing the validity of research. Ramesh (2019), has previously recommended these strategies to enhance reliability and dependability of the research data.

3.11 Data Presentation

The effective presentation of the research data is essential for ensuring that the findings can be easily understood and interpreted. Bird (2013), emphasizes the importance of employing appropriate and rigorous techniques for data analysis and presentation. The author of this research, utilized various statistical and graphical techniques to efficiently present and interpret the data gathered. The dataset was subjected to descriptive statistical analysis, utilizing SPSS software to extract meaningful insights and summarize the key characteristics of the dataset. (Narshaih, 2020) also used SPSS software to analyze data in their related studies. Kotler and Armstrong (2006) emphasize the importance of developing succinct and clear summaries of quantitative data, to ensure that the information gathered is accurately understood. In this study, following the data analysis, an overview of core findings and recommendations was provided, facilitating the comprehension and interpretation of the result. By doing so, the researcher sought to ensure that the study's results and conclusions were communicated in a manner that was both comprehensive and readily accessible to readers.

Regression Model

$OP = \beta 0 + \beta 1\ M1 + \beta 2\ M2$

Where

OP = Organizational performance

B0 = Constance

M1 = Cost control

M2 = Target costing

3.12 Ethical Considerations

Velikonja et al. (2017) emphasize the need for researchers to adhere to ethical principles such as confidentiality, privacy and respect for participants' rights. Ethical considerations in this research encompass the measures undertaken by the researcher to adhere to moral ethical principles during the research process. The study's author demonstrated a commitment to ethics by respecting the time and workload of the respondents, working with them to schedule interviews and questionnaires at convenient times. Sensitive information collected during the study was handled with complete secrecy and utilized solely for the purposes of this research. Proper citations and referencing were employed to acknowledge the sources of secondary data. In order to maintain objectivity, the researcher took great care to avoid any personal bias that may have influenced the data gathered and conclusion drawn.

3.13 Summary

This section of the research explored the process of data collection for the research project, which necessitated the utilization of sampling techniques to ensure that the sample selected was representative of the overall population. The rationale for the selection of the specific research instrument was discussed, highlighting their appropriateness for gathering the required data. The researcher emphasized the

importance of maintaining confidentiality and privacy when collecting data from respondents, in line with ethical consideration. Finally, the chapter concluded with a discussion of the ethical questions related to the study.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter presents the results of the field research, which employed questionnaires to collect data from a sample of 32 respondents. The data was analysed and presented using SPSS, a software package. The findings, summarized from this analysis form the basis of the research's conclusions and recommendations, providing a comprehensive and data-driven understanding of the topic. The rigorous analysis and presentation of the data ensure. The accuracy and dependability of the research findings outcomes.

TABLE 4. 1 QUESTIONAIRRE RESPONSE RATE

Group cluster	**Questionnaire distributed**	**Questionnaire response**	**Respondents rate %**
Accountants	6	5	83
Financial management	5	4	80
Clericals	4	4	50
Sales representatives	8	7	75
Administrative representatives	4	4	75
Maintenance personnel	5	4	80
Total	32	28	84

Researcher's findings

According to the data presented in table 4.1, the researcher received 28 complete questionnaires out of the 32 sent to respondents, resulting in a response rate of 84%.

Patch (2008) suggest that ta response rate below 50% is deemed unacceptable, whereas a rate of 70% or higher is considered acceptable. Consequently, the information gathered in this study can be reliably applied in the analysis, recommendations, summary and conclusion as it meets the acceptable response rate threshold.

4.1.2 DEMOGRAPHIC PROFILE RESPONDENTS

This section focuses on the demographic characteristics of individuals employed in small to medium-sized manufacturing enterprises. The demographics examined include the gender, age ranges, educational attainment, working experience, occupational roles and the various products manufactured by these companies.

TABLE 4. 2 PROFILE OF RESPONDENTS

Questions		Frequency	% of frequency
Gender	Female	13	46.4
	Male	15	53.6
	Total	28	100
Age	18-30	12	42.9
	31-40	9	32.1
	41-50	6	21.4
	50 and above	1	3.6
	Total	28	100
Academic Qualification	Certificates	4	14.3
	Diploma	5	17.9
	Degree	10	35.7
	Masters	6	21.4
	Doctorate	3	10.7
	Total	28	100
Working experience	Less than 5yrs	10	35.7
	5-10		

	11-19 20-25 26 years and above Total	7 4 5 2 28	25.0 14.3 17.9 7.1 100
Occupation	Financial manager Clericals Sales manager Administration personnel Maintenance personnel Production manager Total	6 8 5 2 4 3 28	21.4 28.6 17.3 7.1 14.3 10.7 100
Products	Furniture Clothing Food Aluminum and glass merchant Others Total	4 6 5 3 10 28	14.3 21.4 17.9 10.7 35.7 100

An analysis of the demographics composition of manufacturing SMEs reveals a notable gender imbalance, with males constituting 53.6% of the total population of 28 individuals compared to 46.4% females. Furthermore, the age distribution indicates that the dominant age group is 18-30 years, accounting for 42.9 of the population, followed closely by the 31-40 age bracket which represents 32.1%. The 41-50 age group

comprises 21.4%, while individuals aged 50 and above make a small proportion of 3.6%.

The educational background of the population is presented in the table, revealing a diverse range of academic achievements. Notably, 14.3% of the individuals have completed secondary school and poses certificates, while 17.9% holds diplomas. The largest proportion ,35.7% consist of degree holders which is unsurprising given the presents of recent university graduates participating in graduate training programs. Additionally, 21.4% of the population have earned master's degrees and 10.7% holds doctoral degrees indicating a significant proportion of highly educated individuals. The table further reveals the work experience of respondents in the study. A significant proportion of 35.7% have less than 5years of experience, which is attributable to the presence of graduate trainees. Additionally, 25% of the respondents have accumulated 5-10 years of work experience, while 14.3% had worked for 11-19 years. Notably, 17.9% of respondents have spent 20-25 years in manufacturing sector and 7.1% have dedicated 26years or more to their careers in this field.

The occupation of the participants in the study is further broken down in the table, revealing a diverse range of roles. Financial managers comprise 21.4% of respondents, while clerical staff make up to 28.6%. Sales managers account for 17.3%, administration personnel represent 7.1%, maintenance personnel constitute 14.3% and production managers make 10.7%. In terms of the area of operation, the results show that 35.7% of respondents operate in unspecified area of manufacturing (others), while 14.3% specialize in furniture production, 21.4% in clothing, 17.9% in food production and 10.7% in aluminum and glass merchant activities. These findings indicate that the respondents manufacture a wide range of consumer good and products, reflecting a diverse scope of operations.

4.2 SCALE DIMENSIONALITY ANALYSIS

Scale dimensionality analysis is a statistical technique used to identify the underlying structure of a set of variables or items, determining if they can be presented as a single dimension or scale as stated by (DeVellis,2017). According to (Cortina 1993), this analysis is crucial in research to ascertain that the measurements are trustworthy and

dependable, and that results can be accurately interpreted. It is crucial to assess each dimension individually to precisely account for the variations, as combining them might mask significant differences.

4.2.1 Components analysis results to determine the effectiveness of target costing in manufacturing SMEs.

The study employed scale dimensionality analysis to investigate the effectiveness of target costing in manufacturing SMEs. The analysis aimed to identify the underlying factors that influence the success of target costing implementation in these organization. Th following table shows the factor analysis to determine the effectiveness of target costing in manufacturing SMEs as it was loaded on the SPSS

TABLE 4. 3 : Factor analysis for the result to determine the effectiveness of target costing in manufacturing SMEs.

Item	Factor
The implementation of target costing has led to increased customer satisfaction in the firm	.958
The use of target costing enhance collaboration among different departments.	.949
Target costing helps our manufacturing SMEs in effectively managing product development cost.	.946
Target costing enables the firm to reduce time taken to bring new products to the market and deliver high quality products at competitive price.	.914
The company has observed a reduction in product cost due to target costing.	.899
	87.15%

Variance explained	7.21
Eigen value	.777
The Kaiser-Mayer-Olkin measure of sampling adequacy	.000
The Bartlett's test of sphericity	.969
Reliability	

Source: SPSS output 2024

To investigate the dimensionality of the scale and assess the effectiveness of target costing in manufacturing SMEs (Table 5), principal factor analysis was employed. Th results showed that the data was suitable for factor analysis, as indicated by the significant Bartlett's test of sphericity ($p<0.001$) and a satisfactory Kaiser-Mayer-Olkin measure of sampling adequacy (0.777). A single factor explained 87.15% of the total variance, and the Cronbach's alpha reliability coefficient of 0.969 indicated excellent internal consistency of scale.

Table 4. 4 : Factor analysis for the results to ascertain the challenges of cost control on organizational performance in manufacturing SMEs.

Item	Factor
Lack of knowledge on the use of available tools and technology affect the organization project.	.970
The pressure to meet cost control target in our manufacturing organization often leads to short term decision making.	.956
The company faces challenges in maintaining cost control during period of high volatility.	.938
Poor management decision making will indirectly affect the organizational expenses.	.916
Failure to get all necessary information impact cost control effort in the organization	.912

Variance explained	88.06%
Eigen value	7.15
The Kaiser-Mayer-Olkin measure of sampling adequacy	.735
The Bartlett‟s test of sphericity	.000
Reliability	.973

Source: SPSS output 2024

To examine the underlying structure of the scale and evaluate the results of challenges of cost on organizational performance in manufacturing SMEs, a principal factor analysis was conducted. The results revealed that the data was amenable to factor analysis, as confirmed by the statistically significant Bartlett's test of sphericity ($p<0,001$) and a satisfactory Kaiser-Mayer-Olkin measure of sampling adequacy (0.735). a single factor accounted for 88.06% of the total variance and the Cronbach's alpha reliability coefficient of 0.973 indicated excellent internal consistency of the table.

Table 4. 5 : Factor analysis was conducted to investigate the reason why manufacturing firms have been suffering losses, despite the cost cutting techniques implemented by the management of manufacturing SMEs.

Item	Factor
The firm's failure to invest in modern technology has contributed to its losses.	.945
The losses the firm has suffered are due to high production cost.	.942
The firm's losses are due to increased competition in the market.	.936
The losses suffered by manufacturing firm are due to poor financial management and decision making.	.928
The firm's losses are a result of declining customer demand for our products.	.920

	87.33%
Variance explained	1.202
Eigen value	.814
The Kaiser-Mayer-Olkin measure of sampling adequacy	.000
The Bartlett’s test of sphericity	.971
Reliability	

Source: SPSS output 2024

To investigate the dimensionality to investigate the reasons why manufacturing firms have been suffering losses, despite the cost-cutting techniques implemented by the management of manufacturing SMEs, principal factor analysis was employed. Th results showed that the data was suitable for factor analysis, as indicated by the significant Bartlett’s test of sphericity ($p<0.001$) and a satisfactory Kaiser-Mayer-Olkin measure of sampling adequacy (0.814). A single factor explained 87.33% of the total variance, and the Cronbach’s alpha reliability coefficient of 0.971 indicated excellent internal consistency of scale.

4.3 Reliability test of demographic data collected

To assess the reliability of the demographic data collected, the Cronbach's Alpha test was employed. This test measures the internal consistency and reliability of the data collected across six demographic items: Age, gender, Academic qualifications, working experience, occupation, and products offered. Cronbach's Alpha values range from 0 to 1, with higher values closer to 1 indicating greater reliability and values closer to 0 indicating lower reliability. According to Cooper and Schindler (2003), a reliability coefficient of 0.7 0r higher is considered acceptable, while 0.8 and 0.9 indicate good and high reliable respectively. The demographic data collected from 28 questionnaires yielded a Cronbach's Alpha value, as shown in the table below

Table 4. 6 : Reliability statistics 1

Cronbach's Alpha	Number of Items

.713	6

Source: SPSS

The Cronbach's alpha coefficient for the demographic data was 0.713, surpassing the recommended threshold 0f 0.700. This indicates a high level of consistency and reliability in the data, as noted by George and Malley (2010), who emphasize that Cronbach's alpha approaches 1, the data reliability increases, and our score suggests a strong level of reliability in our demographic data.

4.3.1 Reliability test for research questions

The three research objectives were translated into questions utilizing a Likert scale, with five questions dedicated to each objective. These questions aimed to assess the impact of target costing and cost reduction practices on the research objectives. The reliability of the data collected was evaluated using Cronbach's Alpha, and the results are presented in the table below, providing insight into the consistency and reliability of the responses.

Table 4. 7 : Reliability Statistics 2

Cronbach's Alpha	Number of Items
.991	15

Source: SPSS output 2024

The table above reveals that the data collected from questions aligned with the research objectives yielded a Cronbach's Alpha coefficient of 0.977, indicating a high level of internal consistency. As suggested by George and Mallery (2010), a Cronbach's Alpha score of 0.700 or higher is generally considered acceptable. Notably, the obtained score

of 0.991 surpasses this threshold, providing strong evidence that the items comprising the construct are reliable and exhibit excellent consistency.

4.4 Regression Analysis To ascertain the challenges of cost control on organizational performance in manufacturing SMEs.

The results of the multivariate regression analysis, presented in the table below, reveal the impact of cost control on organizational performance in manufacturing SMEs. The analysis conducted using SPSS, highlights the challenges associated with cost control and organizational performance.

Analysis of Multivariate Regression outcomes using SPSS Software

Table 4. 8 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747[a]	.558	.522	.412

a. Predictors: (Constant), COST CONTROL, Target costing

Dependent Variable: Organizational performance

Source: SPSS 2024

From the above table, the R known as the model correlation coefficient value is 0.747 which indicate a positive correlation between the independent variables cost control and target costing and the dependent variable which is the organizational performance. According to Hair et al, (2020), an R value of 0.70 or higher indicates a strong correlation.

The R Square value is 0.558 which is also known as coefficient of determination which can be interpreted as 55.8% 0f the independent variable explains a substantial amount of the variability in the outcome variable. Field 2018, denotes that R-squared value range from 0 to 1 with higher values indicating a greater proportion of variance explained.

Adjusted R Square: The value of Adjusted R Square is 0.522. This is a modified version of R Square that adjusts for the number of predictors and the sample size. The Adjusted R Square is emphasizing findings made by the R Square (Warner,2019).

Std. Error of the Estimate: The value of the standard error of the estimate is 0.412. Which is low showing that data is close to the actual facts and is not biased, a high Std. Error of Estimate indicates that findings are far from the actual facts indicating biased data.

Table 4. 9 : ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	37.345	2	18.672	15.760	.000[b]
	Residual	29.620	25	1.185		
	Total	66.964	27			

a. Dependent Variable: ORGANIZATIONAL PERFORMANCE

b. Predictors: (Constant), COST CONTROL, Target costing

Source: SPSS output 2024

The above table shows that the result of the variable is strongly predicted by the regression model. The statistical significance of the used regression model is shown by the "Regression" row and the Sig. column. In this instance, $p < 0.0005$, which is less than 0.05, shows that the model used can statistically and substantially predict the outcome variable as a whole.

The degree of variability in financial performance that is explained by the predictor variable cost control and target costing total is indicated by the regression's sum of squares (37.345).

According to the regression's mean square (Mean Square = 18.672), the dependent variable's variability is often explained by the regression model highlighting a significant extent of relationship between financial performance and the collective efficacy total.

TABLE 4. 101: COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.458	.791		.579	.000
	Target costing	1.160	.305	1.111	3.802	.000
	COST CONTROL	-.555	.369	-.440	-1.505	.000

Dependent Variable: ORGANIZATIONAL PERFORMANCE

Source: SPSS output 2024

From the above table, the dependent variable, financial performance, is a continuous variable measured as return on (ROI). The independent variable, target costing and cost control, are continuous variable measured through questionnaires (Sekaran & Bougie, 2016). The constant intercept of 0.458 represents the expected value of financial performance (ROI) when target costing and cost control are equal to zero. For every one unit in target costing, financial performance (ROI) increases by 1.160 units, while controlling for cost. According to Ittner & Larcker, 2001) suggests a positive relationship between target costing and financial performance. The standard Coefficients (Beta) of target costing 1.111 and cost control of -0.440 indicates the relative importance for each independent variable in predicting financial performance. Target costing has a stronger relationship with financial performance than cost control (Hair et al., 2017).

Regression Model

$OP = \beta 0 + \beta 1\ M1 + \beta 2\ M2$

$OP = 0.458 + -0.555 + 1.1160$

4.5 Descriptive statistics

This study will explore two essential descriptive statistics, skewness and kurtosis, which provides insight into the core properties of data set. According to convectional guidelines, skewness value ranging from -2 to 2 indicate normality, while kurtosis values within this same range (-2 to 2) are considered acceptable and representative of normal distribution as noted by George and Malley (2010).

TABLE 4. 12 Descriptive statistics

Descriptive Statistics

	N	Sum	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
TC1	28	97	-.664	.441	-1.015	.858
TC2	28	100	-.694	.441	-1.183	.858
TC3	28	98	-.645	.441	-.982	.858
TC4	28	97	-.659	.441	-1.314	.858
TC5	28	99	-.645	.441	-1.024	.858
CC1	28	96	-.650	.441	-1.297	.858
CC2	28	102	-.711	.441	-1.151	.858
CC3	28	97	-.667	.441	-1.112	.858
CC4	28	102	-.678	.441	-1.117	.858
CC5	28	95	-.645	.441	-1.277	.858
LF1	28	102	-.627	.441	-1.124	.858
LF2	28	96	-.650	.441	-1.297	.858
LF3	28	102	-.678	.441	-1.117	.858
LF4	28	97	-.667	.441	-1.112	.858
LF5	28	99	-.645	.441	-1.024	.858
Valid N (listwise)	28					

Source: SPSS 2024

The table presents the descriptive statistics for the data collected on three research objectives. The first objective aimed to assess the effectiveness of target costing on manufacturing SMEs, with five questions labelled TC1 TO TC5. The second objective sought to identify the challenges of cost control on organizational performance in manufacturing SMEs, with five questions represented by CC1to CC5. The third objective explored the reason why manufacturing firms have been incurring losses despite cost cutting measures implemented by management, with questions labeled LF1 to LF5. The skewness of data ranged from -0.711 to -0.627 which falls within the acceptable range of -2 to 2, indicating normality as emphasized by George and Mallery (2010). Additionally, the Kurtosis values, which ranged from -1.015 to -0.982 are also within acceptable range, suggesting a normal distribution and values greater than 0 indicating a flatter curve than

normal. The findings indicate that the data collected from the research questions is normally distributed and suitable for further analysis.

4.6 PEARSON'S CORRELATION

- The sign of the coefficient, which compares the sample distribution to normal distribution, reveals the normal distribution reveals the direction of skewness.
- A higher coefficient value indicates a greater deviation from the normal distribution. A coefficient value of zero signifies no skewness.
- A large negative coefficient indicates a negatively skewed distribution, whereas a large positive coefficient indicates a negatively skewed distribution. The magnitude of the coefficient reflects the extent of departure from normality, providing insight into the distribution's asymmetry.

Pearson's correlation coefficient ranges from -1 to 1 where:

- r= 1 means perfect positive linear correlation
- r= -1 means perfect negative linear correlation
- r= 0 means no linear correlation
- Pearson's correlation results are presented per objective in a tabular form as shown below

.

Table 4. 11 Pearson correlation on determining the effectiveness of target costing in manufacturing SMEs.

Correlations

		TC1	TC2	TC3	TC4	TC5
TC1	Pearson Correlation	1	.801**	.935**	.852**	.927**
	Sig. (1-tailed)		.000	.000	.000	.000
	N	28	28	28	28	28
TC2	Pearson Correlation	.801**	1	.805**	.953**	.831**
	Sig. (1-tailed)	.000		.000	.000	.000
	N	28	28	28	28	28

	Pearson Correlation	.935**	.805**	1	.811**	.972**
TC3	Sig. (1-tailed)	.000	.000		.000	.000
	N	28	28	28	28	28
	Pearson Correlation	.852**	.953**	.811**	1	.821**
TC4	Sig. (1-tailed)	.000	.000	.000		.000
	N	28	28	28	28	28
	Pearson Correlation	.927**	.831**	.972**	.821**	1
TC5	Sig. (1-tailed)	.000	.000	.000	.000	
	N	28	28	28	28	28

**. Correlation is significant at the 0.01 level (1-tailed).

Source: SPSS 2024

Table 4.12 shows the correlation coefficient of 0.801**, suggesting a robust and a favorable relationship between the use of target costing to enhance collaboration among departments and the reduction in product cost. Also, the correlation of 0.935** indicates an extremely strong positive linear relationship between implementation of target costing and increased customer satisfaction in the firm. It means that about 86% of the variation is explained by the implementation of target costing. All results from the table above show a very strong correlation since the ranges are in between 0.8 to 1.0. At the 0.01 level of statistical significance, the association is there and is statistically significant.

Table 4. 12 Pearson ‘s Correlation ascertaining the challenges of cost control on organizational performance in manufacturing SMEs.

Correlations

		CC1	CC2	CC3	CC4	CC5
	Pearson Correlation	1	.848**	.950**	.859**	.950**
CC1	Sig. (1-tailed)		.000	.000	.000	.000
	N	28	28	28	28	28
	Pearson Correlation	.848**	1	.792**	.969**	.841**
CC2	Sig. (1-tailed)	.000		.000	.000	.000
	N	28	28	28	28	28
	Pearson Correlation	.950**	.792**	1	.815**	.957**
CC3	Sig. (1-tailed)	.000	.000		.000	.000
	N	28	28	28	28	28
	Pearson Correlation	.859**	.969**	.815**	1	.820**
CC4	Sig. (1-tailed)	.000	.000	.000		.000
	N	28	28	28	28	28
	Pearson Correlation	.950**	.841**	.957**	.820**	1
CC5	Sig. (1-tailed)	.000	.000	.000	.000	
	N	28	28	28	28	28

**. Correlation is significant at the 0.01 level (1-tailed).

Source: SPSS 2024

The table 4.11 above shows the positive correlation between the challenges in maintaining cost control during period of high volatility and the lack of knowledge on the use of the available tools and technology affecting the organization's project indicated by a correlation of 0.950**. This suggests that as the company struggles to maintain cost during times of high volatility, the lack of knowledge on using available tools and technology exacerbates the issue, leading to significant projects impacts. At the 0.01 level, the association is statistically significant.

Table 4. 13 Pearson's Correlation identify reason why manufacturing firms has been suffering losses despite techniques put across by management of the manufacturing SMEs to cut expenses.

Correlations

		LF1	LF2	LF3	LF4	LF5
LF1	Pearson Correlation	1	.825**	.947**	.843**	.899**
	Sig. (1-tailed)		.000	.000	.000	.000
	N	28	28	28	28	28
LF2	Pearson Correlation	.825**	1	.828**	.950**	.874**
	Sig. (1-tailed)	.000		.000	.000	.000
	N	28	28	28	28	28
LF3	Pearson Correlation	.947**	.828**	1	.815**	.905**
	Sig. (1-tailed)	.000	.000		.000	.000
	N	28	28	28	28	28
LF4	Pearson Correlation	.843**	.950**	.815**	1	.845**
	Sig. (1-tailed)	.000	.000	.000		.000
	N	28	28	28	28	28
LF5	Pearson Correlation	.899**	.874**	.905**	.845**	1
	Sig. (1-tailed)	.000	.000	.000	.000	
	N	28	28	28	28	28

**. Correlation is significant at the 0.01 level (1-tailed).

Source: SPSS 2024

The Pearson correlation coefficient of 0.899** indicates a robust correlation is detected between the firm's failure to invest in modern technology and high production cost that have

contributed to its losses This suggest that the firm's reluctant to adopt modern technology has led to inefficient production processes, resulting in higher costs, which in turn have contributed significantly to the firm's losses.

SUMMARY

This chapter presents and analyzes the data, highlighting the study's findings. The demographic profile reveals a balanced presentation of males and female, with an equal number of participants from each gender. The assumption underlying single linear bivariate regression were examined to explore the relationships between independent and dependent variables. The results indicate a positive correlation between the variables. The findings are discussed in detail. The next chapter summarizes the results, provides recommendations and identifies avenues for future research.

CHAPTER 5

SUMMARY, RECOMMENTATION AND CONCLUSIONS

5.0 INTRODUCTION

This chapter aims to interpret and discuss findings of the research. Extracting meaningful insights and draw conclusions. The focus will be on synthesizing the results, making recommendations and identifying potential avenues for future research.

5.1 SUMMARY

Chapter one of the research paper introduced the study's context, problem statement, objectives, research questions and defined key terminology used throughout the study. The primary focus was to investigate the causes of persistence losses in manufacturing SMEs despite the implementation of cost-cutting measures. The chapter emphasized the impact of cost reduction efforts on organizational performance and aimed to identify the cost factors influencing cost differences, challenges management faced in developing cost reduction strategies, and the techniques for effective cost minimization. Additionally, the study sought to understand why manufacturing SMEs continued to incur losses despite management's cost reduction efforts. Overall, chapter one provided a comprehensive overview of the research topic and objectives setting the stage for the research study.

The literature review in chapter two synthesizes the findings of numerous researchers, shedding light on complex relationship between cost reduction initiatives and organizational performance. This chapter delves into research objectives outlined in chapter one, uncovering crucial insights. The analysis reveals that cost reduction efforts may falter without top management support and adequate employee knowledge and skills. Moreover, chapter two explores a range of cost reduction strategies suitable for manufacturing SMEs and examines various costing methods for determining product cost. The chapter also

weighs the advantages and disadvantages of each costing method, providing a nuanced understanding. By scrutinizing existing research, chapter two offers a rich foundation for understanding the impact of cost reduction on organizational performance and identifies potential cost saving strategies for manufacturing SMEs to consider.

In chapter three of the research paper, the author delineates the research approach employed in the study, opting for a descriptive research methodology. The limitations of the approach are also acknowledged. To facilitate an in-depth examination of a single unit of analysis, a case study methodology is employed. The research focuses on manufacturing SMEs, with personnel from these organizations comprising the participant population. Questionnaires serves as the primary data collection tool. This chapter delivers a sweeping overview of the research methods and procedures, detailing the data collection techniques and instruments utilized to gather information from the participants. By elucidating the research design and methods, chapter three establishes a transparent and systematic approach to investigating the research questions.

Chapter four, summarizes the researcher's findings on the impact of target costing and cost reduction on the financial performance of manufacturing SMEs. Th data collection tools described in chapter three were employed to gather data, which was then subjected to rigorous analysis and interpretation.

5.2 KEY RESEARCH RESULTS

5.2.1 COST FACTORS CAUSING CHANGES IN COSTS

This research investigates the effects of cost reduction strategies on organizational performance in manufacturing SMEs, revealing a decline in profit, liquidity and cashflows accompanied by a surge in costs. The findings highlighted that the sector faced significant expenses for repairs and maintenance due to outdated vehicles and poor road conditions in certain operating areas. Moreover, wastage and spoilage contributed to escalating cost resulting from inadequate handling practices within the organization. Notably, employees held neutral stance on the issue of increasing wages and salary bills, emphasizing that workers should be viewed as valuable assets rather than mere costs. The research findings suggest that manufacturing SMEs should explore cost reduction initiatives while investing

in employee development and addressing infrastructure challenges to enhance organizational performance.

5.2.2 Challenges Management faces when Developing Cost-Cutting Measures

The research reveals that management at manufacturing SMEs lacks comprehensive understanding of the cost reduction strategies they employ, hindering effective implementation. Moreover, management faces resistance from some staff members when attempting to cut cost and many managers are reluctant to implement cost reduction techniques due to concerns about potentially diminishing the company's value. Furthermore, most managers lack awareness of external factors that may impede the success of cost-saving initiatives. Th study also highlights that relying on inexperienced workers to execute cost-cutting measures often leads to failure, as they are more prone to errors. The researcher suggests that high cost associated with cost reduction initiatives stem from lack of competent skills among management personnel with adequate training and support to ensure the successful implementation of cost reduction strategies.

5.2.3 Cost-Reduction Techniques That Management Can Implement

Research suggests that manufacturing SMEs can enhance organizational performance by implementing various cost reduction strategies. The study reveals that approaches such as activity-based costing, target costing, standard costing and energy efficiency measures can mitigate waste and reduce labour cost. Furthermore, the sector can consider streamlining operations by eliminating non-essential functions, implementing temporary workforce reductions during slow periods or introducing flexible work arrangements. Additionally, the study proposes cost-cutting strategies like leveraging virtual technology and investing in innovative solutions can help alleviate the increasing cost of maintenance and repairs. Overall, the research findings offer several potential strategies for manufacturing SMEs to explore to minimis cost and boost organizational performance.

5.3 CONCLUSION OF THE STUDY

The researcher's primary objective was to investigate the impact of cost reduction on the performance of SMEs in the manufacturing sector. Although the study did not achieve a hundred percent response rate from questionnaires, the research was conducted rigorously, rendering the collected data valuable and reliable. The study revealed that the escalating cost plaguing manufacturing SMEs were primarily attributable to inadequate cost reduction measures implemented by management, workers resistance to adapting to new changes and insufficient knowledge of cost control mechanism. These factors have contributed to the detrimental effects of cost-saving method implemented by SMEs, resulting in declining profits and demotivated employees. Overall, the research findings suggest that manufacturing SMEs need to reassess their cost reduction strategies and enhance implementation process to improve organizational performance and mitigate negative consequences on the company.

5.4 RECOMMENDATIONS

The most effective approach for management in manufacturing SMEs is to adopt a hybrid strategy combining activity-based costing and target costing. However, to fully harness the benefits of these cost-saving method, management must possess the necessary expertise to implement them effectively. This can be achieved through comprehensive training and staff involvement in the cost reduction process. By engaging employes in activities that enhance company performance, management can also boost employee motivation and satisfaction. Regular training sessions can help maintain quality control and identify opportunities to minimize waste and resource spoilage. To maximize cost reduction, the SMEs can also explore additional measures such as workforce optimization and salary adjustments. Management should regularly review and refine the cost reduction techniques in place and establish strategic partnership with suppliers to mitigate issues like product delays and ensure seamless supply chain. By combining diverse cost reduction strategies and engaging staff in the process, manufacturing SMEs can achieve sustainable cost reduction and improved organizational performance.

5.5 SUMMARY

The final chapter of this research paper provides a comprehensive summary of the preceding chapters, distilling the key findings and recommendations for manufacturing SMEs. This

chapter commence with concise overview of the research problem, objectives, methodology and findings presented in the earlier chapters. It then delves into the most significant conclusion drawn from the study, including a synopsis of the research primary findings, their implications for the manufacturing SMEs and any limitation of the research. Furthermore, this chapter offers recommendations for manufacturing SMEs based on the research findings, such as cost reduction strategies, organizational policy or practice change, and potential avenues for future research. Ultimately, this concluding chapter serves as a crucial summary of the research, succinctly presenting a key takeaway for the organization and stakeholder.

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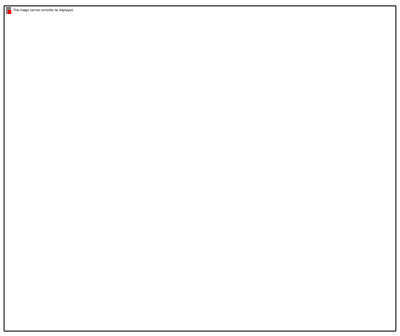
APPENDIX I



DEPARTMENT OF ACCOUNTING

APPENDIX 1: QUESTIONNAIRE

RESEARCH TOPIC

TARGET COSTING AND COST REDUCTION IN ZIMBABWE. A CASE OF MANUFACTURING SMALL TO MEDIUM ENTERPRISES IN HARARE.

RESEARCH PROJECT

BY

CHIEDZA NHAU

Dear Respondent I am an undergraduate student at Bindura University of Science Education researching on Target costing and Cost reduction in Zimbabwe. A case of manufacturing small to medium enterprises. This questionnaire is designed to assess your opinion and experiences with the accounting industry. Please, note that all information you provide will be treated as confidential and aggregated with other responses to identify themes emerging for the research and that the participant's names will not appear in the research project. Completing this questionnaire is entirely voluntary. However, your time and cooperation regarding this survey will be greatly appreciated and will provide a valuable information in the digital accounting systems. For any queries/questions, or for any clarity issues that may deem necessary, please do not hesitate to contact **Chiedza Nhau on 077 1793 857 or email: chiedzanhau@gmail.com**

INSTRUCTIONS:

Please answer all the questions to the best of your ability. Kindly indicate your answers by ticking where appropriate in the boxes provided. Your name or identity is not required.

SECTION A: DEMOGRAPHIC INFORMATION

Gender	**Response**
Male	
Female	
Age	
18-30	
31-40	
41-50	
50 and above	
Academic Qualifications	**Response**
Certificate	
Diploma	
Bachelor's Degree	
Masters/Post graduate	
Doctorate	

A4. For how long have you been employed by the firm you are currently working for?

Period of service	**Response**
Less than 5yrs	
5-10yrs	
11-19yrs	
20-25yrs	

26 yrs. and above	

A5. What is your level of occupation? Please indicate by putting a tick

Level of occupation	**Response**
Financial manager	
Accounts clerk	
Sales manager	
Administration personnel	
Maintenance personnel	
Production manager	

A6. What does your company deal in?

Product	**Response**
Furniture	
Clothing	
Food	
Aluminium and glass merchant	
Others	

SECTION B

In your opinion, please indicate the level of your agreement or disagreement using a tick on the following statements

1=strongly disagree 2=Disagree 3= Neutral 4= Agree 5= Strongly Agree								
CONSTRUCT	**ITEM CODE**	**ITEM DESCRIPTION**	1	2	3	4	5
	TC1	The use of target costing enhance collaboration among different departments.					

To determine the effectiveness of target costing in manufacturing SMEs	**TC2**	The company has observed a reduction in product cost due to target costing.					
	TC3	The implementation of target costing has led to increased customer satisfaction in the firm					
	TC4	Target costing enables the firm to reduce time taken to bring new products to the market and deliver high quality products at competitive price.					
	TC5	Target costing helps our manufacturing SMEs in effectively managing product development cost.					

SECTION C

In your opinion, please indicate the level of your agreement or disagreement using a tick on

the following statements.

1=strongly disagree 2=Disagree 3= Neutral 4= Agree 5= Strongly Agree							
CONSTRUCT	**ITEM CODE**	**ITEM DESCRIPTION**	1	2	3	4	5
To ascertain the challenges of cost control on organizational performance in	**CC1**	Lack of knowledge on the use of available tools and technology affect the organization project.					
	CC2	Failure to get all necessary information impact cost control effort in the organization					

manufacturing SMEs.	**CC3**	The company faces challenges in maintaining cost control during period of high volatility.					
	CC4	Poor management decision making will indirectly affect the organizational expenses.					
	CC5	The pressure to meet cost control target in our manufacturing organization often leads to short term decision making.					

SECTION D

In your opinion, please indicate the level of your agreement or disagreement using a tick on the following statements

1=strongly disagree 2=Disagree 3= Neutral 4= Agree 5= Strongly Agree							
CONSTRUCT	**ITEM CODE**	**ITEM DESCRIPTION**	1	2	3	4	5
Reason why manufacturing firms has been suffering losses despite	**LF1**	The losses the firm has suffered are due to high production cost.					
	LF2						

techniques put across by management of the manufacturing SMEs to cut expenses.		The losses suffered by manufacturing firm are due to poor financial management and decision making.					
	LF3	The firm's losses are due to increased competition in the market.					
	LF4	The firm's losses are a result of declining customer demand for our products.					
.	**LF5**	The firm's failure to invest in modern technology has contributed to its losses.					

Thank you for your cooperation