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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN ANALYSIS ON THE IMPACT OF COST CONTROL ON FINANCIAL PERFOMANCE OF AN ORANISATION

BY

CATHRINE MBIRE (R146891P)

THIS DISSERTATION IS SUBMITTED TO THE MIDLANDS STATE UNIVERSITY IN PARTIAL FULLFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF COMMERCE ACCOUNTING HONOURS DEGREE

GWERU ZIMBABWE, MAY 2018

DECLARATION FORM

I, Cathrine Mbire, declare that this project is my own work and has not been copied from any source without acknowledging the source.

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The undersigned do hereby certify that they supervised the student Cathrine Mbire (R146891P) on the research topic entitled: **An analysis on the impact of cost control on financial performance**, submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree (HACC) at the Midlands State University.

SUPERVISOR……………………………….. DATE…………………………………...

CHAIRPERSON…………........................... DATE………………………………….

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NAME OF STUDENT CathrineMbire

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SIGNED……………………………………….

PERMANENT ADDRESS: 761 20TH Crescent

Kuwadzana 1 Harare

CONTACT DETAILS 0775 405 187

EMAIL ADDRESS cathrinembire@gmail.com

DEDICATION

I dedicate this dissertation to my parents, family members and friends who played an important role through all forms of assistance that they provided for me to complete this project successfully.

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ABSTRACT

A continuous increase in costs were cited by the management at Bak as the major causes behind the sharp reduction of annual profits between the periods 2014 to 2016.A descriptive research design was employed using a mixed approach with a targeted census population of 30 staff members most of whom were from the administrative and operations departments. A total of 30 questionnaires were distributed and 3 interviews were conducted. The research found out that poor cost control causes increase in profits, time overrun, missed targets and loss of competitive advantage thereby adversely affecting financial performance. Government policies and regulations, inflation, poor infrastructure and high labour turnover are some of the challenges faced by the organisation making it difficult to operate a well as apply cost control techniques which then negatively affects financial performance. The organisation should keep abreast with technology changes, apply tax saving strategies, outsource as well as properly manage assets so as to encounter the prior mentioned challenges so as to increase profitability, performance of workers, utilisation of resources and as well as make informed decisions thereby enhancing the financial performance of the organisation. Cost reduction should be considered as a continuous performance and not seen as a once off activity. Management should also organise a cost control committee that operates within the organisation.

LIST OF ACRONYMS

GDP	Gross Domestic Product
HLT	High Labour Turnover

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This research sought to establish the impact of cost control on the financial performance of Bak Logistics (Pvt) Ltd. This is an organisation that has been relying mainly on cost control to improve the declining financial performance within the entity.

1.1 Background to the study

Researchers have been made about the relationship between cost control and financial performance in the manufacturing and construction sector. Omatayo and Kulatunga (2016), Athalye et al (2015) and Hazarika (2013) are of the opinion that in the manufacturing sector cost control improves financial performance because businesses will be focusing on cheap raw materials so as to increase profitability. Hafez (2015) further supported that cost control enhances financial performance in construction companies because the reduction of costs results in better pricing which then attracts a lot of customers. On the contrary, Tunji and Mojeed (2013) and Dixu (2013) said that in the manufacturing and construction sector cost control often results retrenchment of staff or cutting of salaries which leads to poor financial performance because it causes employees involved in the actual production of goods to be demotivated. Azis and Memon (2013) suggests that some costs in the manufacturing sector are not directly related to production that is they are fixed and hence they cannot be controlled to increase profitability. Akenbor and Aguar (2015) concurs with Premalal et al (2015), Sanni and Hashim (2013), Chigara et al (2013) and Adam et al (2013) on a totally different opinion as they said that cost control has no effect on financial performance in manufacturing companies because it is held back by external factors such as inflation and

government regulations/laws The aforementioned scholars focused on firms in the manufacturing and construction sector and this research sought to establish at the effect of cost control on the financial performance of a company in the transport and logistics sector.

From 2014 to 2016 Bak Logistics (Pvt) Ltd financial statement (2014-2016) shows, that the company has been experiencing a decrease in profit margins due to an increase in operating costs. This is illustrated by the Table 1:1 below:

Table 1.1: An extraction of Bak Logistics Financial reports

	Actual 2014	**Expected 2014**	**Actual 2015**	**Expected 2015**	**Actual 2016**	**Expected 2016**
Revenue	$3.2 m	$3.5 m	$3.0 m	$3.3m	$3.1 m	$3.4m
Expenses	$0.6 m	$0.45 m	$1.0 m	$0.7m	$1.5 m	$0.9m
Profit	$2.6 m	$3.05 m	$2.0 m	$2.6m	$1.6 m	$2.5m

(Source) Bak reports (2014), Bak reports (2015), and Bak reports (2016)

From Table 1.1 above, it is shown that operating costs are constantly increasing in the three years 2014 to 2016. In 2014 actual costs exceeded the expected costs by 33% and this was due to the company incurring unnecessary cost such as hiring costs. The unnecessary costs were as a result of breakdown of old trucks without reaching the service date and sub contracted mechanics were paid $35 per hour and this negatively affected financial performance as costs kept on increasing, (Bak Logistics (Pvt) Ltd minutes 2015). This affected the profit margin as it failed to meet the projected margins by 17%. Revenue also failed to meet the targeted $3.5 million by 9% and this was because companies closed down including some of the major clients thus adversely affecting financial performance as profits decreased due to decreased revenue thus negatively impacting cost control.

In 2015 the company failed to reach the targeted revenue by 0.3 million that is 10% below the target level thus causing a 1% change from that of 2014. This was as a result of the existence of competitors like J&J Transport and Strauss Logistics in the logistics industry who are more financially equipped and this adversely affected financial performance because profit decreased as well as revenue. In the year 2015, Bak Logistics (Pvt) Ltd acquired 2 tanker trailers and 5 cargo trailers in to cope up with competitors' standards thereby increasing affecting financial performance. Profit decreased by 23.08% as a result of stiff competition mentioned above which made it difficult to apply cost control thus adversely affecting financial performance.

In 2016 there was an expenditure of $4 million above the projected on the other hand the revenue for Bak Logistics (Pvt) Ltd failed to strike the target by 0.3 million that is 9.68% below the targeted level. A major cause to the deviation was pointed out to be an increase in fuel price which lead to an increase in costs as fuel is the main input to the running of the business thereby affecting financial performance. Takawira (2016) mentioned that the diesel prices increased by 9.26% thus moving them from $1.08 to $1.18 per litre and this impacted negatively on the profits.

In order to control costs management decided to cut insurance costs that are associated with flammable goods and other laboratory chemicals. Costs in the storage of flammables and other laboratory chemicals continued to rise with the storage fee remaining the same leading to the birth of operational losses within the department thus affecting financial performance, (Management meeting minutes 2017. Table 1:2 below shows an analysis of the insurance costs.

Table 1:2 An extraction of Bak Logistics insurance costs

	2014	**2015**	**2016**
Insurance costs	$112 621	$189 475	$292 380
As a % of total expenditure	18.77%	18.95%	19.49%

(Source) Bak Logistics financial reports (2014-16)

From Table 1:2 above, there has been a continual increase in the insurance costs affecting total expenditure by 18%. The organisation took a step to stop providing the storage services for flammables as well as reactive chemicals as this impacting negatively on the profits because they are costly to maintain and their insurance costs are high and very few clients are in this sector and this affected the financial performance of the organisation as costs increased. The research therefore focused on analysing the impact of cost control on the financial performance of this company in the transport and logistics sector.

1.2 STATEMENT OF THE PROBLEM

Bak Logistics (Pvt Ltd) experienced financial constraints from 2014-2016 as a result of high costs of maintaining old trucks, increased fuel costs, competition, loss of clients and insurance costs increased constantly. The company has relied on cutting down on the amounts spent on providing storage services for flammable goods to do away with the decrease on profit margins. This research sought to establish the effectiveness of cost control on the financial performance of this entity that is within the transport and logistics sector.

1.3 MAIN RESEARCH QUESTION

What is the impact of cost control on the financial performance of Bak?

1.4 RESEARCH OBJECTIVES

- To identify factors which result from poor cost control that adversely affect financial performance
- To determine how cost control enhances financial performance
- To examine challenges faced by Bak logistics and their effect on financial performance
- To identify ways to improve cost control methods and their effect on financial performance

1.5 RESEARCH QUESTIONS

- What are the factors resulting from poor cost control and how do they adversely affect financial performance?
- How does cost control enhances financial performance?
- What are the challenges faced at Bak and their effect on profitability?
- What are the ways that can be used to improve poor cost control and what effect does these have on the financial performance?

1.6 DELEMITATIONS

The research is delimited to people in the finance, transport and warehouse departments and is focused on the impact of cost control on financial performance in the transport and logistics sector. The research covered the operations of Bak Logistics (Pvt) Ltd from the period 2014-2016 and was limited to the head offices in Harare.

1.7 LIMITATIONS

Confidentiality was one of the challenges faced by the researcher as management initially reluctant to disclose the required information. The researcher however, used face to face interviews and questionnaires in which no names was included to ensure that the respondents would not be identified so as not breach the confidentiality clause. Also, the researcher had a challenge with authorisation to carry out the research at the targeted organisation. However, the researcher overcame this by following the due and proper application to the research at the organisation fully explaining its importance as it is for academic purposes only.

1.8 ASSUMPTIONS TO THE STUDY

For the purposes of this research information obtained is assumed to be uniform in all the branches of Bak Logistics (Pvt) Ltd.

1.9 DEFINITION OF KEY TERMS

- **Financial performance**- the degree to which an organisation meets its financial targets or objectives e.g. profit objective (Athalye et al, 2015)
- **Cost control** - According to Premalal et al (2015) cost control is a method of monitoring costs to remove unnecessary expenditure.

1.10 SUMMARY OF THE CHAPTER

Previous research have been made on the relationship between cost control and financial performance of organisations in the manufacturing and construction sector and this chapter focused on describing the need to research the effectiveness of cost control on financial performance in the transport and logistics sector. An overview of cost control and financial performance was given in relation to the problems within Bak Logistics (Pvt) Ltd. Research

objectives and limitations were highlighted in this chapter. The next chapter is focused on literature review in relation to the problem.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviewed relevant related literature to enhance the research study. It involves the discussed information and conclusions from various scholars on the subject of cost control and financial performance within organisations. Arguments of different authors concerning the issue at hand highlighted in this chapter helped the researcher with key points to consider about cost control and financial performance. The chapter's outline is guided by the research objectives.

2.1 Factors that result from poor cost control that affects financial performance

2.1.1 Increase in costs

Nalwade and Parakh (2013) concurs with Brijal et al (2014) to supports the view by saying there are huge costs associated with the process of cost control and as a result this may not improve financial performance of an organisation when the process is poorly performed as it results in increasing costs. According to Akenbor and Agwor (2015) and Oluwgbemiga et al (2014) poor cost control affect the financial performance of an entity when the control system is integrated with the wrong software applications and the process of integration on its own is costly let alone using the wrong software applications. Premalal et al (2015) and Barret (2015) are of the view that costs can also be increased when an organisation fails to recognise and choose the cost control most suitable and effective for the particular business needs and this has a negative impact on the organisational performance.

Olaleken and Tajudeen (2015), Zwikael et al (2016) and Azis and Memmon (2013) concurs to say poor cost control increases costs as it causes wastage of resources and this has a fatal

impact on an organisation's performance. Odaleken and Tajudeen (2015), Asika (2015) and Mazzarol et al (2015) agrees that poor cost control will cause a firm to purchase more from suppliers than required and as a result those resources will not be utilised thereby increasing costs and as a result the financial performance of an organisation is adversely affected.

However, Akenbor and Agwor (2015) and Daniel et al (2017) agree on the view that an increase in costs is not only as a result of poor cost control but by the occurrence of unplanned circumstances or events not budgeted for which adversely affect the organisational performance. Also, Prematal et al (2015) concurs with Akintoye (2015) on the view that an organisation may still maintain strict cost control policies but still incur increased costs which affect financial performance. This research sought to establish the impact of poor cost control on the financial performance of Bak Logistics (Pvt) Ltd.

2.1.2 Loss of competitive advantage

Nalwade and Parakh (2013) concurs with Oluwagbemiga et al (2014) to say that there is a positive relationship between cost control and an organisation's competitive advantage meaning to say that poor cost control leads to a loss of competitive advantage adversely affecting the financial performance. Sigalas and Pekka- Economou (2013) and Lawal (2017) goes on to say that poor cost control causes a firm to produce at a higher cost as compared to other firms within the industry leading to higher prices which does not attract customers which adversely affect the performance of an organisation as there is reduced sales.

Shibani (2015), Sikka (2013) and Hope et al (2014) explains that a firm with high prices tend to lose some customers as they tend to purchase goods at a low price ultimately this causes a reduction in market share thereby affecting performance as revenue would have increased. Nalwade and Parakh (2013) strengthen the thought by saying customers always want high quality products at low prices hence producing at high cost due to poor cost control is

disastrous to the financial performance of an organisation because some of the revenue is lost.

Akenbor and Agwor (2015) and Kennedy et al (2014) gives the view that poor cost control leads to a loss in competitive advantage when there is the production of low-quality goods caused by inadequate supervision thus ultimately affecting financial performance. Furthermore, competitive advantage is lost due the production of low quality goods resulting from poor cost control caused by strict cost control techniques on production and administrative costs which is sometimes necessary thereby affecting financial performance (Shibani, 2015).

However, Memon et al (2013) and Khan and Beg (2013) gives the view that losing competitive advantage is not really an issue of cost control but quality and hence organisations should focus on both reducing costs and producing at a high quality and this is what determines the competitive advantage of a company ultimately enhancing its financial performance. Khan and Beg (2013) further explains that competitive advantage involves quality and not price only as some customers prefer buying quality products or service at a higher price. On the same note Andreason and Wind (2014) supports the view by saying that an organisation does not have to be a low-cost player in the industry for it to achieve an excellent financial performance. This research sought to establish if poor cost control affects the financial performance of Bak Logistics.

2.1.3 Inability to meet targeted goals

Wong (2015) and Nalwade and Parakh (2013) argue that organisations set goals and objectives at the beginning of each year and the financial performance of the organisation is enhanced through the active application of cost control but however, poor cost control causes the firm to miss planned targets which then adversely affects the financial performance levels

forecasted. Also, Oyewo (2013) gives the view that poor cost control causes an adverse variance which is not favourable on a firm's financial performance in any sector. Oluwagbemiga et al (2014) highlights that there is a significant positive relationship between cost management practices and achievement of targeted goals and objectives thereby improving the financial performance of an entity and as a result much emphasis is to be placed on cost control.

In support of this, Barki, Rivard and Talbot (2014) say that poor cost control in relation to poor project management greatly affect the financial performance of an organisation as it causes the inability to meet targeted goals as there is wastage of resources. Wong (2015) adds on to say that in the manufacturing sector poor cost control in relation to poor project management causes under production or over production of goods which also leads to a failure of an organisation to meet targeted goals and objectives ultimately affecting performance.

However, Akenbor and Agwor (2015) gives the opinion that inability to meet targeted goals and objectives is not a merely a result of poor cost control but by the occurrence of unplanned circumstances or events not previously planned for and hence there is need to ignore budgeted costs so as to meet the targeted production goals. Athalye et al (2013) and Emingini et al (2014) argue that deviation from the budgets or targeted goals is a result of supplies increasing in suppliers which is not within the control of an organisation and organisations cannot stop producing due to the fact that budgeted costs have exceeded the budgeted and this ultimately affects the financial performance of an organisation and this is negatively related to poor cost control. Also, Premalal et al (2015) gives the view that poor cost control leads to less profits but however had the company maintained strict cost control policies the financial performance would have been in a much worse situation. This research sought to

establish the effects of poor cost control of the financial performance of Bak Logistics in relation to deviations from targeted goals and objectives.

2.1.4 Time overrun

Azis and Memon (2013) and Khan and Beg (2013) agree on the same view that poor cost control causes time overrun in various projects undertaken by an organisation negatively affecting the financial performance of an entity as companies take long to complete projects than expected. Frimpong et al (2013) studied groundwater projects and illustrated that poor cost control is one of the major causes of time overrun and this tends to affect the financial performance of an organisation as groundwater projects takes longer than expected.

Memon et el (2013) and Mwangi et al (2015) is in support of the view that poor cost control causes unavailability of resources which leads to time overrun as more time is needed for resources to be available so as to meet demand which negatively affects the financial performance. Khan and Beg (2013) and Mahadik (2015) argue that poor cost control reduces productivity as the organisation will take longer than expected to fulfil its targeted goals and as a result resources continued to be pulled towards completion adversely affecting the financial performance and also entails low service delivery within a long period of time.

However, Wong (2015) suggest that cost control is a plan for the quantities or resources that will be used to convert them into outputs in the manufacturing sector and this has nothing to do with time factor. In the car manufacturing industry Aref (2013) suggest that cost control enhances the financial performance of an organisation through the best use of resources regardless of time taken. On the same note Chigara et al (2014) argue that poor cost control is

a result of unskilled labour wasting resources of an entity causing poor financial performance and this does not mean in any way that the organisation will take longer than expected. This research sought to establish the effect of poor cost control on time taken by the company to complete various tasks and how it affects financial performance.

2.2 To determine how cost control enhances organisational performance

2.2.1 Profitability

Azis and Memon (2013) suggest that cost control cannot increase profitability as there are controllable and non- controllable costs such as fixed costs which are directly related to production meaning to say that these costs cannot be controlled and neither can they be avoided so as to increase profitability thus enhancing the organisational performance. In support of this Akenbor and Agwor (2015) concurs with Oluwagbemiga et al (2014) on the view that direct expenses are positively correlated with the needed production in an organisation and cannot be avoided but does not guarantee a good financial performance.

Watson et al (2013) and Oluwagbemiga et al (2014) suggest that employees are the biggest asset of an organisation and yet contributing the highest non- production overheads and controlling direct labour related costs can be detrimental to the financial performance of an organisation. There is a positive relationship between profits and direct labour and reducing these costs causes an organisation to decrease its productivity, Watson et al (2013).

Lutta (2017) suggests that cost control has no effect on financial performance that is profitability in particular because it is held back by external factors such as inflation and government regulations. Inflation causes a continuous increase in price thereby affecting cost control and ultimately organisational performance.

On the contrary, Marx (2014) and Warusawithana (2016) suggests that exercising cost control enhances organisational performance through yielding large profits. Omatayo and Kulatunga (2016) alluded that in the manufacturing sector cost control improves financial performance because business will be focusing on cheap raw materials so as to increase profitability. Hafez (2015) supported the view by saying cost control enhances financial performance in construction companies because the reduction of costs results in better pricing which attracts a lot of customers. This research sought to establish the impact of cost control on the profitability of Bak Logistics.

2.2.2 Utilisation of resources

Garvey et al (2012) say that cost control reduces employee motivation leading to them being more wasteful than ever before thereby causing a negative impact on the financial performance of an organisation. According to Azis and Memmon (2013) wastage of resources has a fatal impact on organisational performance.

Studies by Garvey et al (2012) show that in most companies the top management of an organisation is normally not held accountable for wastage of resources and yet they consume a large chunk of the resources of an organisation and as a result cost control will not lead to a proper utilisation of resources which improves financial performance. The top management is not usually affected by the cost control techniques used. On the same note Chigara et al (2013) argues that most companies have not adopted information technology as a tool in cost control and therefore it is difficult to detect variances when cost information is not automated meaning to say that cost control will not foster an effective use of resources so as to increase the firm's financial performance.

Otim et al (2012) establish the fact that cost control has not let to the effective use of resources because there are other factors to consider such as inadequate supervision and insufficient knowledge of cost control techniques. According to Chigara et al (2013) most workers have insufficient or inadequate information concerning cost control techniques or method thereby making it a challenge improves financial performance of an organisation as result of cost control.

However, Chigara (2013) and Evaggelia et al (2011) posited that cost control enables an organisation to identify resources being wasted and proffer solutions on hoe best they can be effectively used to improve the financial performance of an entity. Cost control ensures the maximum return from the assets employed by the organisation thereby increasing financial performance and this was posited by Maiga et al (2013). Hafez et al (2015) postulated that cost control makes the employees of an organisation to be cost conscious and as a result they are not wasteful in the use of these resources thereby positively affecting the financial performance of the organisation. Omatayo and Kulatunga (2016) also alludes to the same point by saying maintenance of equipment is a cost control measure and it prevents wastage of resources thereby ensuring a good financial performance. The research sought to establish how cost control has contributed towards the utilisation of resources and their effect on financial performance of Bak Logistics (Pvt) Ltd.

2.2.3 Decision making

Dixu (2013) posited that decisions made as a result of cost control are most likely to have a negative impact on the quality of goods and services provided by an organisation and as a result reduces financial performance since market demand is most likely to decline. On the same note Aref (2012) further warns organisations that they should not put the quality of products and services at risk through decisions influenced by cost control.

Sanni and Hashim (2013) are of the opinion that in an attempt to control costs the top management make use of inexperienced personnel which affects the decision making of an organisation thereby affecting its financial performance. Sanni and Hashim (2013) goes on to say that inexperienced personnel make a lot of mistakes and in most cases poor decisions which tends to be pervasive to the objective of cost control of enhancing financial performance.

However, According to Nalwedi and Parakh (2013) cost control enhances the financial performance of an organisation when decisions are made in terms of pricing products or services as well as quantity to be produced to attain more revenue as well as avoid costs associated with overproduction. Olalekan and Tajudeen (2015) postulates the fact that cost control enhances a firm's financial performance by prompting better decision making about the product mix of the organisation which is the exact quantity of goods produced so as to meet demand at the maximum revenue attainable. Cost control enhances the organisation's financial performance since it influences better decision making about the procurement methods used by the organisation. This research sought to establish the effects of decision making on organisational performance.

2.2.4 Monitoring the performance of workers

Garvey et al (2012) gives the view that in a bid to control costs excessive monitoring performance of workers can actually demotivate the workers causing costs to increase reducing the financial performance. Employees can become sceptical when they realise that company policies are dictated by cost control, (Garvey 2012). Otim et al (2012) argue that cost control should not be used as a performance tool to increase financial performance because it is not within the jurisdiction of the employees alone as it is affected by so many external factors such as theft, customers delay in payments. It cannot be used as a means of

monitoring their contribution to the financial performance of the organisation. Managers have insufficient knowledge of cost control methods and because of that it is not fair to use them as a performance tool against the workers as it will be misleading about contribution to the financial performance of the organisation.

However, Paula and Afredo (2012) argue that cost control ensures that an organisation gets the maximum return from labour employed so as to enhance financial performance. Regarding this issue Akenbor and Agwor (2015) gives the view that the variance between standard costs and actual costs will be used as a performance measurement tool against the workers. As supported by Sharma and Rupen (2013) cost control is a motivational tool to the workers as they will be inspired to work towards achieving predetermined targeted goals and as a result the financial performance of an organisation is achieved. This research sought to establish the impact of monitoring performance of workers on the organisational performance of Bak Logistics.

2.3 To examine the challenges faced by Bak Logistics and their effect on organisational performance

2.3.1 Inflation

Platt (2013) agree with Miller (2016) on the view that inflation causes a continuous increase in price at the same time demand is said to be reduced and this adversely affects the financial performance of an organisation as costs increase and revenue decreases. Ross (2017) concurs with Mohammed (2014) and Miller (2016) as they agree that a high average rate of inflation normally involves variations in the concept of budgets and objectives as there is a continuous change in terms of price of which companies forecast mostly the number of units of output to be produced for sale, machine hours and man hours required and a deviation from the

forecasted budgets and objectives adversely affect the financial performance of an organisation.

Madison (2016) and Felix (2016) gives the view that the effect of inflation on organisational performance is that it distorts the true earnings of companies when earnings are calculated in accordance with generally accepted accounting principles and the reported profits are based on historical data. Felix (2016) goes on to say that financial reporting concept is based on age old concepts which have ignored the presence of inflation and its implication for decision making because the value of transactions would be different from that of the reporting period and as a result the decisions made would be misleading thus negatively affecting the financial performance.

Miller and Benjamin (2014) suggests that during inflation the purchasing power of money repaid is different and in most cases high than the purchasing power of the money borrowed and as a result the company pays more and this negatively affects the financial performance of an organisation. Pettinger (2017) and Kinyua (2013) revealed that inflation often leads to a sharp decrease in productivity individually or as a business and this negatively affects the financial performance of an organisation.

However, Ross (2017) argues that moderate inflation enables adjustments of wages in the sense that it may be difficult to cut nominal wages of unproductive workers but due to moderate inflation wages of unproductive workers can be frozen and this favourably affects the financial performance of an organisation. Pettinger (2017) is of the opinion that low inflation leads to a boost in economic growth which ultimately leads to availability of cheap materials which is favourable for the financial performance of an organisation. This research sought to establish the effect on inflation on the financial performance of Bak Logistics.

2.3.2 Poor Infrastructure

Arrow and Kurz (2014), Calderon (2016) and Canning and Fay (2013) agree that the amount and quality of a nation's infrastructure has an important bearing on economic growth in both the medium and long term as it is viewed as the wheels of economic activity since it provides the environment for productive activities to take place thus facilitating organisational growth thus enhancing organisational performance and as a result poor infrastructure negatively impacts organisational performance.

Snieska and Draksaite (2014) say that to add on, other sectors such as power, rail transport and fixed line communications where services are provided by parastatals prices have been kept low and as a result the economic costs of the deterioration has increased and this resulted in unsustainable operating losses are incurred for these parastatals thus affecting the financial performance. Snieska and Bruneckiene (2013), Grubesic (2014) and Canning and Pedroni (2016) agree on the opinion that an economic collapse causes poor infrastructure leading to very large declines in rail and aviation services since companies shifted to road transport which is costly thus affecting financial performance of an entity. Also, Magwenzi (2016) and Gurura (2017) are of the opinion that demand for electricity, water and sanitation services increased and due to poor infrastructure demand could not be met leading to load shedding and water which is costly for companies thus negatively affecting financial performance of an organisation. Takawira (2016) concurs with Mabika (2016) to say that low levels of periodic and routine maintenance over the past 10-15 years have been the main cause of deterioration in the quality of the basic infrastructure especially in the transport sector and it is now costly for companies specifically in the transport and logistics sector thus negatively affecting the financial performance of an organisation.

However, Martinkus and Lukasevicius (2016) consolidate that the infrastructure services and physical infrastructure related costs should be budgeted for since they are unavoidable and they affect every company within the same region hence organisational performance should not be measured based on this. This research sought to establish the impact of poor infrastructure on the financial performance of an organisation.

2.3.3 Government policies

With reference to Sing (2014) the government can use policy decisions to interfere in the process of industrialization thus negatively affecting the financial performance of an organisation. To support of this Shao et al (2015) alluded that government interference can affect the organization' financial activities in different form and this might have the same impact on financial decisions as well as the performance of an organisation. Bhaskara, (2011) and Zhang (2014) are of the opinion that government policies create rules and frameworks in which businesses are able to compete against each other and these policies can change from time to time forcing businesses to change the way they operate thus affecting the financial performances of companies.

Sarbapriya (2013),Biswajit et al (2015) and Ruzivo (2013) suggests that most developing countries face challenges such as high utility charges by local government, lack of officially approved automobile policy and high tax and tariff charges which is not favourable for the financial performance of an organisation. Khan, (2013) say that tax policy can affect businesses as high tax rates discourages production of goods as there is an increase in production which negatively affect the financial performance of an entity. Robson (2016) and Teld (2016) say that the monetary policy affects businesses because a rise in interest rates raises costs of doing business thus affecting the purchasing power of consumers thereby leading to a fall in business sales thus ultimately affecting the financial performance of an

entity. Also, Smith & Cox (2016) gives the view that the government spending policy affects organisations when the government spend more on a particular sector it will increase the income of businesses that supply inputs in that sector and this ultimately means that failure of the government to spent negatively affect the financial performance of an organisation.

However, Dethier et al., (2014), Kamil (2012) and Umeora (2013) concurs to agree that the most important variables that clearly define the conducive business environment are infrastructure, access to finance, security that is less practices of corruption and crime and regulatory structures and these are all facilitated by the use of government policies and as a result the financial performance of an organisation is positively affected.

2.3.4 High labour turnover

Salop (2014) and Gomez-Meija et al (2012) argued that high labour turnover affects productivity and ultimately financial performance when employees constantly leaves the organisation as there is lost production time and resources in recruiting and training new employees and for them to adjust to the environment before reaching maximum performance. According to Annum (2017) and Beardwell et al (2014) productivity is affected when skilled workforce leave the organisation and they carry with them their knowledge, experience and skills and as a result organisational performance is negatively affected. Gomez-Meija further asserts that labour turnover can be harmful to an organisation's productivity, especially if skilled workers are leaving often and the workforce population contains a lot of peripheral workers.

Zheng (2013) and Annum (2017) gives the view that labour turnover affects both workers and firms in the sense that workers may need to learn new job-specific skills, whilst firms incur the costs of hiring and training new workers. With reference to Salop (2014) workers

are identical and firms incur turnover costs and in this context, turnover reduces profits and financial performance as well.

Derek (2016) made an analysis on employee turnover on organisational performance and the result confirmed that the performance of an organization is positively associated with employee turnover. Derek (2016), Dixu (2013), Lawal (2017) and Kumar (2016) agreed on the opinion that if the remaining employees discover that where their colleagues have gone, they earn more and get better benefits an element of dissatisfaction may arise and this might distract their performance and increase their intention to leave the organisation, this might as well account for the abuse of organisational resources such as using internet and telephones for job hunting during working hours or moonlighting to get private income during working hours and as a result it negatively affect the financial performance of the organisation.

However, According to Stimpson and Ferquharson (2012) and Siyanbola et al (2013), nearly all firms are trying to increase productivity as a source of competitive advantage by minimising labour costs and using technologically advanced machines thus leading to high labour turnover. Zheng (2013) is of the opinion that better educated and more experienced, skilled workers may be recruited during the process thus increasing productivity positively affecting financial performance. This research sought to establish the impact of high labour turnover on organisational performance.

2.4 To identify ways to improve cost control methods and their effects on financial performance

2.4.1 Technology advancement

Poku and Vlosky (2012) and Rathnasiri (2015), agrees that technology advancement as a cost control measure reduces costs by the use of mechanical tools be it the internet, computers and

cell phones will cut costs of communicating and advertising with suppliers or customers dispersed around the world and will eliminate geographical borders as a barrier to conducting successful transactions and as a result the financial performance of organisation is enhanced. Technology advancement lessen costs particularly advertising costs and widen market range as most advertising will be done online thereby having a positive effect on the financial performance of an organisation, Kabanda (2014).

On the same note, Matimati and Rajah (2015) also argue that technology advancement has a favourable impact on the financial performance of an organisation as transparency is enabled when listed companies eliminate unnecessary costs since they are required to post audited financial statements and reports on websites for public scrutiny and this leads to a more dedicated workforce due to transparency and a drive to meet targets knowing that they are answerable to the public. In government and regulatory authorities, Otieno et al (2013) gives the view that that technology advancement increases transparency in local authorities as it provides clear and updated records and improve management reliability thereby reducing costs associated and as a result financial performance is enhanced.

Kolodinsky, Jane and Jeanne (2014) concurs with. Cechini and Christopher (2013) to support that technological advancement reduces costs and widens customer base by saying that American Banks embrace the technology of e-banking with the use of ATMs, Internet banks, money transfer and electronic payment and the study show that this has a positive effect on the financial performance as labour related costs and is convenient.

However, Sanchez et al (2014) concurs with Victoria et al (2012) on the view that costs can increase in the process due to lack of computer literacy within the organisation and this can adversely affect the financial performance as training costs would be encountered so as to cater for the employees who are computer illiterate. Dedrick and Kraemer (2013) is of the

opinion that demographic variables should be noted as it is often difficult for the elderly and the illiterate to adapt to technological advancement. This research sought to establish cost control methods and their effect on financial performance.

2.4.2 Tax saving strategies

Katz et al (2013) agree with Adejare (2015) as they pointed out that there are tax avoidance measures which are legal that can be taken by companies so as to reduce the total costs hence enhancing profitability. Adebisi and Gbegi (2013) concurs with Masarirambi (2013) to agree on the view that tax avoidance as a strategy effectively reduces organisational costs as it is legal and high unlikely to meet any future obligation like penalties as a result of evasion and when costs are reduced financial performance is enhanced. Mungaya et al (2012) and Nsor-Ambala (2015) are also of the opinion that tax avoidance as a tax saving strategy contributes towards cost control as well as enhancing organisational performance as costs are reduced when tax liabilities avoided are material and can make a huge difference if avoided.

Mahfoudh & Ku Nor Izah (2015) conducted a library research on corporate tax planning activities and concluded that there are several approaches to tax planning such as income shifting, modify of characteristics of income, organisational structure and tax exemption with the expected benefits of improving the financial performance of an organisation and contributing to cost control. Felix and Hines (2014), Obradovic (2014), Rohtak (2013), Akinboade (2014) and Tulsian (2014) agree on the opinion that as a tax saving strategy business entity normally do systematically relocate their profitable business operations to low-tax states so as to enhance financial performance and as a result tax liability is lessened and ultimately contributing to cost control. Salamon and Siegfried (2013), Faramarzi et al (2014), Moffatt (2015) and Bolton et al (2014) agree on the view that tax planning and income shifting as tax saving strategy reduces costs of an entity in the sense that the tax

expense entitled to the organisation is reduced if properly planned and as a result disposable income is increased thus enhancing financial performance as profits increase.

However, Desai and Dharmapala (2012) found no direct relationship between tax planning and market performance and the reasons for this indirect and insignificant relationship are the complex nature and tax implications of the transactions and as a result it becomes difficult for stakeholders to evaluate the performance of the firm fully. Previous studies by Derashid and Zhang (2013), Adhikari, Derashid and Zhang (2016) and Rohaya, Nor'Azam and Bardai (2014) found a negative relationship between tax saving and return on assets negatively affecting the financial performance of an organisation. This research sought to establish cost control methods and their effect on financial performance.

2.4.3 Proper Asset Management

The Public Finance Management Act place reliance on Treasury to manage and control public resources thus public monies and state property because this has positive effect on the financial performance of government institutions as this reduces costs of an organisation. In government institutes asset management ensures that assets accomplish goals instead of just realising the lowest recurring cost but also by providing the capacity to realise the value of assets without foregoing public needs such as providing subsidized services to the population thus enhancing financial performance as well as reducing costs.

According to Hardwick (2011) and Thomas et al (2013) are of the opinion that recycling helps in the management of assets as households or individuals pay per unit output of waste leading to a financial incentive to recycle meaning to say that this is a lower cost than to dispose and it enhances financial performance. Hatim (2013), Perrin (2014) and Goldsmith (2013) agree on the fact that recycling of stationery and other commodities in organisations

reduces replacement and purchasing costs which results in minimising costs and maximising profits thus enhancing financial performance.

White (2014) and Jerry (2013) agree on the opinion that asset management improves accountability and stewardship through improved understanding, communication of service requirements in addition to the improvement of service delivery and this enhances the financial performance of an organisation. Goldsmith (2013) agree with Hatim (2013) to support the view by saying that asset management improves the security and the safeguarding of assets in curtailing the carelessness of personnel, abuse of assets and fraud in movable assets such as computer equipment which have a high risk to theft, Goldsmith (2013), and this enhances financial performance.

However, Schawk (2012) mentioned that organizations that repeatedly look at operational and administrative expenses first often fail to address baseline operating costs and non-core spending where significant opportunities also exist hence cost reduction benefits often get lost within annual operating results. Stevenson (2012) suggested that most cost cutting concepts require implementation actions and there is a cost associated with these actions and most of the time there are costs associated with the changes. This research sought to establish cost control methods and their effect on financial performance.

2.4.4 Outsourcing

Principally, outsourcing for cost reduction motives occur when suppliers or services providers costs are low enough that even with added overhead, profit, and transaction costs, providers can in any case still deliver the service at a lower price, (Brandes at el, 2013). Brandes et al, (2013) concurs with DiRomualdo and Gurbaxani, 2014) say that in recent times the primary drivers for outsourcing seem to be ranging from cost to strategic issues, for example core competence and flexibility strategy which may offer enhanced business

performance on various dimensions. Also, due to globalisation and competition, many organisations are continuously trying to find management strategies that will reduce their production costs in order to maximise their profits, Stentoft et al (2015).

According to Tas and Sunder (2014) by outsourcing fixed costs are transferred into variable costs which does not requisite a company in investing in assets thereby making the company more flexible and improving organisations financial performance. Also, Linder (2014) supports the idea by saying outsourcing lets you focus your human resource where you need them most thereby reducing labour costs enhancing the financial performance. With reference to Adebambo (2015) cost reduction from outsourcing logistics services are in the form of mainly from better utilisation of capacity and better capital allocation enhances financial performance.

Adebambo (2015) and Stentoft et al (2015) agree on the fact that capacity can be better utilised by the service provider because the peaks and drops in transport quantities offered by various clients can be counterbalanced and because backhauls are often available thus the service provider can affect a great degree of efficiency by exploiting economies of scale thereby improving financial performance. Organizations expect costs savings despite the fact that in government outsourcing, the typical cost savings are only about half of what the private sector realizes (Kakabadse and Kakabadse, 2014). Weingarten (2013) and Loch (2012) agree to say that outsourcing world class capabilities will improve the quality of the final product, the assumption under improving quality of the core competence is that, if the economic inputs are of high quality the end product will also be of high quality. Other reasons behind outsourcing may include, to comply with government’s rules and regulations, to avoid large capital expenses, to access services that are seen as difficult to manage, to free

management time and to share risks for example risk of obsolescence so as to improve financial performance, (Linder, 2014).

However, Schiederjan et al (2015) had the view that some of these non-core activities might have impact on production and quality of core business activities also adversely affecting the financial performance. Brown (2013) and Loch (2012) cited that organisations might lose their competitive advantage by mistaking core competences and non-core competences, which results in outsourcing wrong functions affecting financial performance. Williams and Doune (2015) argued that because of this diversifying world what is not core today might be core tomorrow and these results in an organisation losing its core competence. Bucki (2017) and Teld (2016) has the opinion that outsourced company is purely motivated by profit and because the contract will fix the price, the only way for them to increase profit is to reduce expenses and as long they meet the conditions of the contract you will be responsible for covering new unexpected expenses negatively affecting the financial performance. Raineri (2017) and Annum (2017) say that outsourcing services leads to automatic loss of managerial control and also, extra costs for arising issues not covered in the contract to which there is need for legal assistance and this adversely affect the financial performance of an organisation. This research sought to establish cost control methods and their effect on financial performance.

2.5 Summary

The chapter presented both theoretical and empirical literature of the research study focussing on the effect of cost control on financial performance of an organisation. This chapter reviewed previously researched problems and consolidated their views and findings on which research gaps were established to justify why the researcher decided to research on similar

matters. The objectives established in the first chapter were used as a guide in formulating the literature review. The next chapter will present on the methodology of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explained the research methodology which forms the essential part of the research. It basically described the various instruments and procedures used by the researcher in gathering data in order to achieve the set objectives of the study.

3.1 Research approach

The researcher used a mixed research approach which comprises both qualitative and quantitative aspects. The qualitative approach is being used so as to explore and understand the opinion of respondents specifically the challenges faced and measures to be taken so as to improve cost control as well as the factors resulting from poor cost control which can best be explained qualitatively as they are qualitative in nature. Qualitative is mainly directed in exploring and understanding a phenomenon or event, and opinion of the participants (Harwell, 2014). Quantitative research approach is mainly focused on collection, analysis and interpretation of data by observing figures. The researcher found it suitable to express the objective on the relationship between cost control and financial performance quantitatively. It was of more importance for this research to be carried out using the mixed approach since the area of study challenges faced, cost control and organisational performance was mainly based on qualitative and quantitative data.

3.2 Research design

As purported by Wyk (2012) a research design is defined as a framework created to assist in finding the answers to the research questions. It is a strategy used by the researcher to

integrate different components of the research in a logical and coherent way to ensure the research problem is addressed effectively as promulgated by Rajasekar et al (2013) and Farthing (2015). Cresswell (2013) refers the research design to the methods and procedures applied in the collection and analysis of variables outlined in the research problem.

3.3 Target population

Rew et al., (2013) is of the opinion that a target population is a collection of all elements being described that share common considerations, that it is the entire group understudy as defined by research objectives. This research has a target population of 30 employees from three departments. According to Shannon (2013) sampling techniques considering the target population would not produce valid and reliable results hence the researcher opted for a census. The table 3:1 shows the target population and the departments of an organisation from which the employees are derived from.

Table 3.1 Target population

Department	**Target Population**	**Census Population**	**Census population as a %**
Finance	8	8	100%
Transport	12	12	100%
Warehouse	10	10	100%
Totals	**30**	**30**	**100%**

3.4 Data sources

3.4.1 Primary data

Primary data sources are sources that are directly linked with a given situations and the sample in a given area of study as purported by Hox an Boeije (2013). It is physical object or written document created during the time of the research as proposed by Mackey (2013). This type of data made it possible for the researcher to get closer to what really transpired during the historical time period. The researcher made use of primary sources of data so as to attain information on how cost control techniques affect the firm` s performance in the transport and logistics sector not previously researched on. Through the use of interviews and questionnaires respondents gave first-hand information as the target population are the ones actually involved in the operations of the organisations, contribute, attend departmental meetings and they also prepare as well as review cost related budgets.

3.5 Research Instruments

Research instruments are data collection techniques used to obtain information to be analysed in the study. Milne (2012) postulated that the research instruments chosen will determine the reliability and relevance of the end results. The researcher used interviews and questionnaires to collect data.

Bax (2013) postulated that a questionnaire is a written document structured with questions for which respondents are expected to answer. According to Milne (2012), questionnaires are objective and the information is gathered in a much-organised way. The researcher drafted questionnaires according to the objectives and they encompassed both closely ended as well as open ended questions. Open ended questions require the responder to give in- depth descriptive responses since it enables responders to give further explanation and are the most appropriate since they enable the researcher to analyse qualitative data. Closed ended

questions are used when carrying out quantitative studies that requires comparison results so as to analyse data statically, Ceswell (2013). They also can be used to attend sensitive topics as compared to the use of open ended question as they are fewer confusing and answers that are irrelevant.

The researcher carried out face to face interviews. The researcher made use of interviews as they allowed the targeted population to respond without being restricted to possible answers provided by the researcher. Also, interviews were only carried on departmental heads as they are the ones without limited access to financial records, departmental costs estimates as well as departmental cost structure reports. Face to face interviews give room to observe non-verbal cues which helps in obtaining data.

3.6 Validity of data

Thanasegaran (2012) postulated that an instrument can be regarded as valid if it is measuring what it is supposed to measure accurately in this case qualitative and quantitative data. The research instruments were designed to gather both quantitative and qualitative aspects. The target population chosen by the researcher have knowledge and skills as well as limited access to company records thus making the data obtained to be valid. Also, the validity of data is derived from the use of departmental heads who make decisions concerning the day to day operations of the company whose sole duty is to act in the best interest of the company and hence cannot give invalid information.

3.7 Reliability of data

Reliability is the degree to which a research provides a consistent evaluation of a concept. Mackinney (2012) defined data reliability as the extent to which a tool used in assessment

produces consistent and stable results. According to Thanasegaran (2012), data reliability is shown by the degree to which data is free from error to give accurate results. Therefore, reliability is a pre-condition for validity of a mixed research methodology, Venkatesh, Brown and Bala (2013). To ensure the reliability of the data the descriptive research design was used which allowed the researcher to clearly obtain relevant information on what is happening on the ground as far as the effects of cost control on financial performance is concerned. Also, to ensure reliability primary data was used and also, the researched used a target population which consisted of the administration and operations department.

3.8 Data presentation and analysis

Thanasegaran (2012) and Potter (2013) are of the opinion that data presentation involves summarising and communicating the research findings using tables and pie charts. Data analysis as purported by, Hall (2014), involves reviewing and analysing of data from various sources so as to come up with a conclusion. The researcher used graphs, tables and pie charts to summarise and communicate the data obtained from the research. Data was systematically presented following the chronology of the research objectives and questions and also, data interpretation was done through comparison of primary data, literature and information from the organisation. Qualitative data analysis encompassed explanation of information obtained from the literature and information about the organisation. Quantitative data analysis involved the use of simple linear regression to analyse the relationship between cost control and financial performance.

The model used was adopted from the study of Muchiri (2014) and some variables were substituted for the purposes of this research.

$T = \alpha_0 + \alpha_1 \text{In } P + \alpha_2 \text{In } UTR + \alpha_3 \text{In } DC + \alpha_4 \text{In } PF + \varepsilon_t$

Where T: Financial performance

P: Profitability

UTR: Utilisation of resources

DC: Decision making

PF: Performance of workers

ε: Error term

$\alpha_0 - \alpha_4$:

The Ordinary Least Squares (OLS) method was used in E-Views software to figure out the relationship between cost control and financial performance.

3.10 Summary

The main purpose of this chapter was to give a detailed explanation about the research methodology which consist of the research design, target population, research instruments and data sources. Justifications for using the chosen research design were well articulated and the information regarding what the researcher did to ensure the reliability of the data gathered was also provided in this chapter. The next chapter discussed the results of the findings from the data collected.

CHAPTER 4

DATA ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter`s focus is on the presentation and analysis of data collected from interviews and questionnaires. It presents the data in form of tables, graphs and charts. It also describes, analyses as well as interpreting the data in form of percentages and measure of central tendency so as to get a meaning of the research findings. The collection of data from secondary and primary sources was done to give answers to the research questions.

4.1 Response Rate

The questionnaires were distributed to the Finance department, Transport and the Warehouse department. The information is illustrated by the table below.

Table 4.1 Response Rate

Respondents (Department)	Questionnaires Administered	Questionnaires Returned	Response rate%
Finance	8	8	100%
Transport	12	9	75%
Warehouse	10	8	80%
Totals	30	25	83%

Table 4.1 shows that 8 questionnaires were distributed to the Finance department and 8 questionnaires were returned yielding a 100% response rate. To the Transport and Logistics

department 12 questionnaires were issued and 9 were returned resulting in a 75% response rate. Lastly but not least, the Warehouse department gave an 80% response rate were 10 questionnaires were administered and 8 were returned.

The data was gathered through administering of questionnaires and interviews. In the study 30 questionnaires were distributed and 25 were returned yielding 83% response rate. The researcher booked for 3 interviews and all interviews were conducted resulting to 100 % response rate. The response rate shows that the data is more likely to be reliable since it is above 50%. This is in line with what Ceswell (2013) postulated that for a response rate to be reliable, it should be above 50% of the targeted population. The researcher made use the descriptive research design using primary data sources to obtain qualitative and quantitative data to which the target population constitute the administration and operations departments who work in the best interest of the company and have access to company records hence giving valid and reliable information

4.2 Factors that result from poor control that affects financial performance.

4.2.1 Increase in costs

Table 4.2 Responses on Increase in Costs

	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
Respondents	13	11	0	1	0
%of respondents	52%	44%	0%	4%	0%

Table 4:2 above reveals that 52% (13/25) respondents strongly agree that poor cost control leads to an increase in costs thus affecting the financial performance of Bak logistics whilst 11/25 (44%) respondents also agree to the same notion. There are also 0/25 (0%) respondents that strongly disagree that poor cost control does not result in an increase in costs and 1/25 (4%) respondents disagree that poor cost control does not increase costs hence does not affect the financial performance of the organisation. Table 4:2 also stipulates that 0/25 (0%) respondents are uncertain about the relationship between increase in costs and financial performance.

From Table 4:2 above an aggregate 96% of the respondents agreed comprising of 52% who strongly agree and 44% who agree confirm that an increase in costs resulting from poor cost control affects the financial performance of an organisation. These majority of the respondents highlighted that the continuous repairing and maintaining of trucks caused by poor cost control results in a continuous increase in costs thereby adversely affecting financial performance. This is supported by Premalal et al (2015) and Barret (2015) who gives the view that costs can also be increased when an organisation fails to recognise and choose the most effective cost control measure suitable for particular business needs and this has a negative impact on organisational performance.

In aggregate 4% of the respondents did not agree consisting of 4% who disagrees and 0% who strongly disagree by saying increase in costs is caused by a rapid change in prices or a sudden shift in demand not planned for and this is supported by Akenbor and Agwor (2015) and Daniel et al (2017) who gives the view that costs increase not as a result of poor cost control alone but by the occurrence of unplanned circumstances or events not budgeted for which adversely affect the organisational performance. Also, 0 % respondents are not certain if poor cost control results in an increase in costs are supported by Akintoye (2015) who has a

different opinion that had the company maintained its strict cost control policies the financial position would have been much worse because there are also unavoidable costs.

4.2.2 Loss of Competitive Advantage

Raw data: Loss of competitive advantage

	Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
Respondents	8	11	1	3	2

Fig 4.1 Responses on loss of competitive advantage

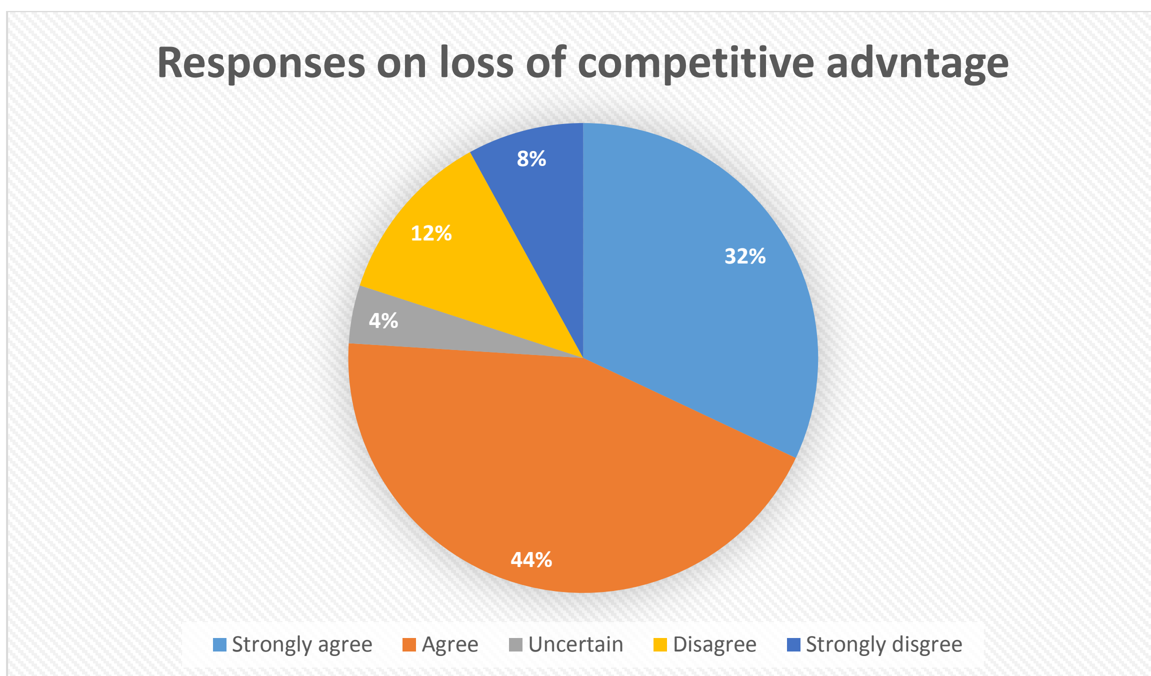


Fig 4:1 shows that 32 % (8/25) respondents strongly agree that poor cost control results in a loss in competitive advantage. Also, as illustrated in Fig 4:1 44% (11/25) respondents agree that the company is losing competitive advantage as a result of poor cost control. 4% (1/25) of the respondents are uncertain whether poor cost control results in the loss of competitive

advantage. Fig 4:1 shows that the percentage for those who disagree is 12 % (3/25) that poor cost control results in losing competitive advantage. Also, 8% (2/25) of the respondents strongly disagree that poor cost control result in a loss in competitive advantage.

From Fig 4:1 above an aggregate of 76 % (32% strongly agree and 44% agree) of the respondents agree that poor cost control results in losing competitive advantage and this is supported by Shibani (2015), Sikka (2013) and Hope et al (2014) as they give the view that a firm experiencing poor cost control charge high prices so as to break even and as a result lose some customers thus causing a reduction in market share thereby affecting performance as revenue would have increased. The respondents agreed to this view as Bak logistics lost competitive advantage to Strauss logistics and J&J logistics as a result of poor cost control because it leads to charging of high prices.

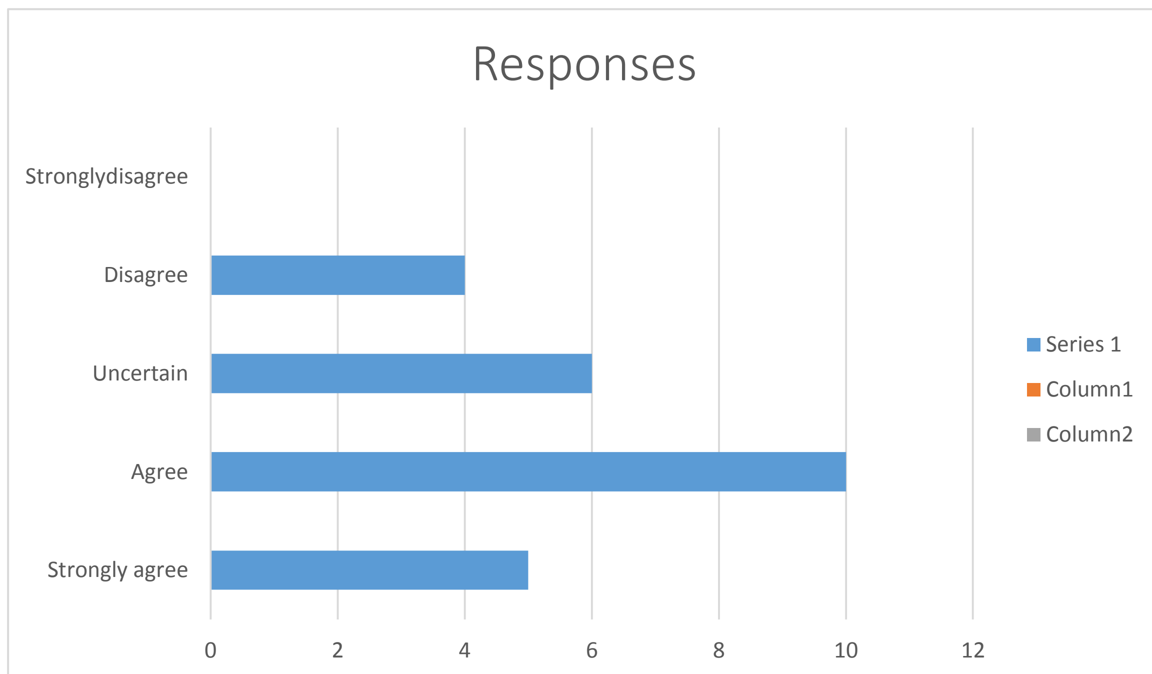
In aggregate 20% respondents disagree consisting of 12% who disagree and 8% who strongly disagree that poor cost control results in loss of competitive advantage. Memon et al (2013) and Khan and Beg (2013) supports the view by saying that losing competitive advantage is not really an issue of cost control but quality and this is what determines the competitive advantage of a company ultimately enhancing its financial performance. Also, 4% of the respondents are uncertain if poor cost control results in loss of competitive advantage as supported by Khan and Beg (2013) as they say that competitive advantage involves quality and not price only as some customers prefer buying quality products or services at a higher price.

4.2.3 Inability to meet targeted goals

Raw Data: Inability to meet targeted goals

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	5	10	6	4	0

Fig 4.2 Inability to meet targeted goals



According to Fig 4:2, 20% (5/25) respondents strongly agreed that poor cost control is impacting financial performance negatively through failure to meet goals and objectives. The graph also shows that 40% (10/25) respondents agree that failure to meet goals is as a result of poor cost control hence causing poor financial performance. Fig 4:2 also shows that 24% (6/25) respondents are uncertain on whether poor cost control is harming financial performance through failure to meet goals and objectives. On the other hand, the remaining 16% (4/25) disagreed on the fact that poor cost control affects the financial performance

through the failure to meet goals and objectives. 0% (0/25) of the respondents strongly disagree on the fact that poor cost control results in an organisation failing to meet targeted goals and objectives.

According to the graph it can be noted that 60% (5 who strongly agree and 10 who agree) agree that poor control results in the failure to meet the targeted goals. The respondents are of the opinion that a shift in fuel prices contributes to a failure to meet targeted goals and objectives. This view is supported by Athalye et al (2013) and Emingini et al (2014) as they highlighted that deviation from the budgets or targeted goals is a result of supplies increasing in prices which is not within the control of the organisation and this is negatively related to poor cost control and this ultimately affects financial performance.

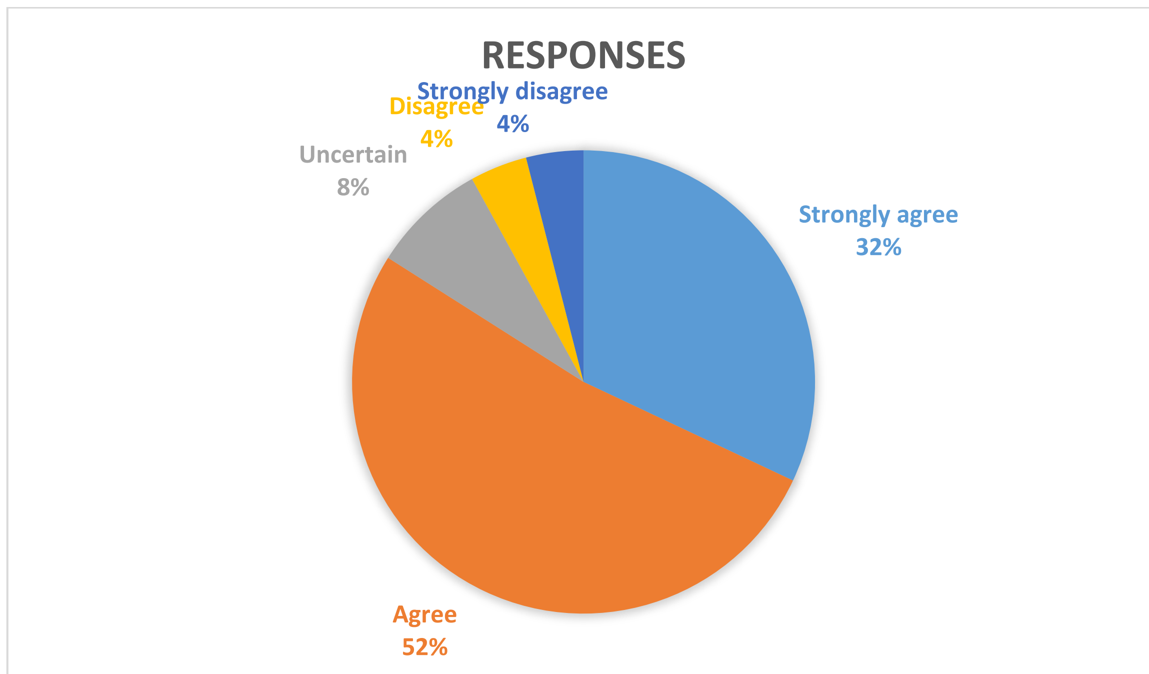
The 24% respondents who are uncertain do not see the link between poor cost control and failure to meet set goals to ultimately impact financial performance negatively and they are supported by Akenbor and Agwor (2015) who said that failure to meet goals and objectives does not mean an organisation has poor cost control. The 16% respondents who disagree have not seen that poor cost control contributes to failure by the organisation to achieve set goals. They are supported by Premalal et al (2015) who consent that cost control can be poor whilst a company is meeting its production goals or their sales target.

4.2.4 Time overrun

Raw Data: Time overrun

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Respondents	8	13	2	1	1

Fig 4.3 Time overrun



According to Fig 4.3, 32% (8/32) respondents strongly agree that poor cost control negatively affects profitability through delays in completing tasks. Another 52% (13/25) respondents also agree that time overrun in the organisation is a result of poor cost control. Fig 4.3 also shows that 8% (2/25) respondents are uncertain if financial performance is held back by poor cost control through time overrun. 4% (1/25) respondents disagree and 4 % (1/25) respondents strongly disagree that time overrun within the organisation is a result of poor cost control.

A total of 84% of the respondents (8 strongly agree and 13 agree) concur that poor cost control negatively affects financial performance through time overrun or delays in completing tasks. The respondents are of the opinion that poor cost control leads to late deliveries and lost time due to delays in offloading and loading of trucks at Bak logistics which is detrimental to the financial performance of the organisation. Azis and Memon (2013) and Khan and Beg (2013) agree on the same view that poor cost control causes time overrun in various projects undertaken by an organisation negatively affecting the financial

performance of an entity as their effect is pervasive. The 8% respondents who are uncertain are not sure of how poor cost control can cause an organisation to drag in completing tasks. They coincide with Wong (2015) who assert that poor cost control involves the abuse of resources and this does not mean that time taken to complete tasks will be prolonged. The remaining 1/25 respondents does not consent that poor cost control causes employees to delay completion of their tasks. The respondent concurs with Chigara et al (2013) who expressly said that delays in completion of tasks by employees are not a result of poor cost control.

4.3 How cost control enhances financial performance

Table 4:3 Regression results

Dependent Variable: PF
Method: Least Squares
Date: 04/20/18 Time: 15:03
Sample: 1 36
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	381714.1	40037.57	9.533897	0.0000
TP	-125.4530	87.55799	-1.432799	0.1613
UT	-3352.940	304.5349	-11.01003	0.0000

R-squared	0.866541	Mean dependent var	172222.2
Adjusted R-squared	0.858453	S.D. dependent var	35673.69
S.E. of regression	13421.42	Akaike info criterion	21.92675
Sum squared resid	5.94E+09	Schwarz criterion	22.05871
Log likelihood	-391.6814	Hannan-Quinn criter.	21.97280
F-statistic	107.1339	Durbin-Watson stat	2.129930
Prob(F-statistic)	0.000000		

Unit Root Test

Null Hypothesis: UT has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=0)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-1.263427	0.6353
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(UT)
Method: Least Squares
Date: 04/20/18 Time: 14:59
Sample (adjusted): 2 36
Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UT(-1)	-0.080592	0.063788	-1.263427	0.2153
C	4.704218	3.298294	1.426258	0.1632

R-squared	0.046139	Mean dependent var	0.628571
Adjusted R-squared	0.017234	S.D. dependent var	4.102264
S.E. of regression	4.066760	Akaike info criterion	5.699016
Sum squared resid	545.7718	Schwarz criterion	5.787893
Log likelihood	-97.73278	Hannan-Quinn criter.	5.729696
F-statistic	1.596247	Durbin-Watson stat	2.489023
Prob(F-statistic)	0.215289		

Dependent Variable: PF
Method: Least Squares
Date: 04/20/18 Time: 15:03
Sample: 1 36
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	381714.1	40037.57	9.533897	0.0000
TP	-125.4530	87.55799	-1.432799	0.1613
UT	-3352.940	304.5349	-11.01003	0.0000

R-squared	0.866541	Mean dependent var	172222.2
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Log likelihood	-391.6814	Hannan-Quinn criter.	21.97280
F-statistic	107.1339	Durbin-Watson stat	2.129930
Prob(F-statistic)	0.000000		

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.214038	Prob. F(2,31)	0.8085
Obs*R-squared	0.490349	Prob. Chi-Square(2)	0.7826

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 04/20/18 Time: 15:10
Sample: 1 36
Included observations: 36
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1790.910	46328.93	0.038656	0.9694
TP	-3.377699	99.77334	-0.033854	0.9732
UT	-14.47209	348.8290	-0.041488	0.9672
RESID(-1)	-0.067223	0.198063	-0.339402	0.7366
RESID(-2)	0.091324	0.185323	0.492784	0.6256

R-squared	0.013621	Mean dependent var	-1.30E-11
Adjusted R-squared	-0.113654	S.D. dependent var	13032.31
S.E. of regression	13752.97	Akaike info criterion	22.02414
Sum squared resid	5.86E+09	Schwarz criterion	22.24408
Log likelihood	-391.4346	Hannan-Quinn criter.	22.10091
F-statistic	0.107019	Durbin-Watson stat	1.974468
Prob(F-statistic)	0.979194		

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.465139	Prob. F(2,33)	0.2457
Obs*R-squared	2.935965	Prob. Chi-Square(2)	0.2304
Scaled explained SS	3.568931	Prob. Chi-Square(2)	0.1679

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 04/20/18 Time: 15:12
Sample: 1 36
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.89E+08	8.39E+08	0.344530	0.7326
TP	567047.2	1834103.	0.309169	0.7591
UT	-5908248.	6379183.	-0.926176	0.3611

R-squared	0.081555	Mean dependent var	1.65E+08
Adjusted R-squared	0.025891	S.D. dependent var	2.85E+08
S.E. of regression	2.81E+08	Akaike info criterion	41.82628
Sum squared resid	2.61E+18	Schwarz criterion	41.95824
Log likelihood	-749.8730	Hannan-Quinn criter.	41.87233
F-statistic	1.465139	Durbin-Watson stat	1.952431
Prob(F-statistic)	0.245686		

Ramsey RESET Test
Equation: UNTITLED
Specification: PF C TP UT
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	2.035385	32	0.0502
F-statistic	4.142793	(1, 32)	0.0502
Likelihood ratio	4.382699	1	0.0363

F-test summary:

	Sum of Sq...	df	Mean Squares
Test SSR	6.81E+08	1	6.81E+08
Restricted SSR	5.94E+09	33	1.80E+08
Unrestricted SSR	5.26E+09	32	1.64E+08
Unrestricted SSR	5.26E+09	32	1.64E+08

LR test summary:

	Value	df
Restricted LogL	-391.6814	33
Unrestricted LogL	-389.4901	32

Unrestricted Test Equation:
Dependent Variable: PF
Method: Least Squares
Date: 04/20/18 Time: 15:13
Sample: 1 36
Included observations: 36

Variable	Coefficien...	Std. Error	t-Statistic	Prob.
C	986097.9	299392.7	3.293661	0.0024
TP	-300.9374	120.1379	-2.504934	0.0175
UT	-10473.22	3510.329	-2.983544	0.0054
FITTED^2	-6.11E-06	3.00E-06	-2.035385	0.0502

R-squared	0.881839	Mean dependent var	172222.2
Adjusted R-squared	0.870761	S.D. dependent var	35673.69
S.E. of regression	12824.62	Akaike info criterion	21.86056
Sum squared resid	5.26E+09	Schwarz criterion	22.03651
Log likelihood	-389.4901	Hannan-Quinn criter.	21.92197
F-statistic	79.60551	Durbin-Watson stat	2.244296
Prob(F-statistic)	0.000000		

From Table 4:4 above R- squared is 0.86 which is above 0.70 and this means that there is a strong correlation existing between the two variables cost control and financial performance. Durbin- Wats (DW) is 2.1 which is above 1.5 meaning to say that model is correctly specified or rather variables are appropriate. The unit root is above 0.5 hence the variables are in a standard form. Also, the heteroskedasticity is below 0.5 and this means that model is correctly specified.

There is a strong positive relationship between cost control and financial performance of an organisation through monitoring performance of workers, utilisation of resources, profitability and decision making.

4.4 Challenges faced and their effect on financial performance

4.4.1 Inflation

Table 4.4 Responses of Inflation as a challenge

Opinion	**Supporting**	**Criticizing**	**Uncertain**
Respondents	20	4	1
%	80%	16%	4%

From Table 4:4 above 80 % (20/25) of the respondents were in support 16% (4/25) of the respondents were against and 4% (1/25) of the respondents was uncertain the fact that inflation is a challenge which is affecting the financial performance of Bak Logistics (Pvt) Ltd.

Out of 20 respondents who supported 9 of them agreed to the fact that inflation has a negative impact on financial performance since it causes a continuous change in prices and mostly an increase. They give on the view that a continuous increase in fuel prices makes it difficult to do business for Bak logistics to price transportation and distribution services and also making it expensive to do business. The respondents goes on to say that when fuel prices increase it makes it difficult for the firm to apply cost control and it also to a decline in demand. This is supported by Platt (2013) and Miller (2016) as they say inflation causes a continuous increase

in price at the same time demand is said to be reduced and this adversely affects the financial performance of an organisation as costs increase and revenue decreases. The other 5 respondents are of the opinion that inflation makes it difficult for Bak Logistics (Pvt) Ltd to invest since savings vanish as they lose value and also strategic planning is compromised because a dollar today is not a dollar tomorrow. These respondents are supported by Madison (2016) and Felix (2016) as they give the view that the effect of inflation on organisational performance is that it distorts the true earnings of companies when earnings are calculated in accordance with the generally accepted accounting principles and the reported profits are based on historical data hence making it difficult to invest.

Among the 20 respondents 4 of them goes on to say that inflation as a challenge makes it complex for Bak logistics to monitor and maintain resources as the value of debt in most cases is increased and the value of debtors is reduced as money lose value. This is a challenge since most of the customers use the accrual basis. Miller and Benjamin (2014) supports this notion as they suggests that during inflation the purchasing power of money repaid is different and in most cases high than the purchasing power of the money borrowed and as a result the company pays more and this negatively affects the financial performance of an organisation. Out of the 20 respondents who were in favour, the remaining 1 respondent goes on to say that inflation makes it difficult for the financial sector such as banks and finance companies to allocate resources thus making it difficult for Bak logistics to source funds so as to finance projects. Felix (2016) goes on to say that financial reporting concept is based on age old concepts which have ignored the presence of inflation and its implication for decision making because the value of transactions would be different from that of the reporting period and as a result the decisions made would be misleading thus negatively affecting the financial performance.

Four of the respondents felt that inflation cannot be regarded as a challenge as it positively affects financial performance when it is low. Pettinger (2017) support by saying that low inflation leads to a boost in economic growth which ultimately leads to availability of cheap materials which is favourable for the financial performance of an organisation. One of the respondents was uncertain on whether to classify inflation as a challenge or not because during moderate inflation wages of unproductive workers can be frozen. This view is supported by Ross (2017) saying that moderate inflation enables adjustments of wages in the sense that it may be difficult to cut nominal wages of unproductive workers but due to moderate inflation wages of unproductive workers can be frozen and this favourably affects the financial performance of an organisation.

4.4.2 Poor Infrastructure

Table 4.5 Responses for poor infrastructure as a challenge

Opinion	**Supporting**	**Criticizing**
Respondents	23	2
%	92%	8%

From Table 4:5 92% (23/25) are in support and 8% (2/25) criticize the fact that poor infrastructure has a negative impact on financial performance of an organisation.

From the Table 4:5 above, out of the 23 respondents who agreed, 8 of them are of the opinion that Bak logistics has been at a disadvantage as poor roads increase costs such as repairs and maintenance and demurrage charges which results from truck breakdowns due to potholes

thus adversely affecting financial performance. The respondents goes on to say the state of roads makes it difficult to do business. This is supported by Takawira (2016) and Mabika (2016) as they say that low levels of periodic and routine maintenance over the past 10-15 years have been the main cause of deterioration in the quality of the basic infrastructure especially in the transport sector and it is now costly for companies specifically in the transport and logistics sector thus negatively affecting the financial performance of an organisation.

The other 5 respondents are of the opinion that poor infrastructure causes poor service and as a result competitive advantage is lost. For instance poor water and electricity suppliers has a negative effect on Bak logistics as some of the refrigerated commodities in warehouse become obsolete thus leading to a loss of customers. This is supported by Magwenzi (2016) and Gurura (2017) as they say demand for electricity, water and sanitation services increased and due to poor infrastructure demand could not be met leading to load shedding and water which is costly for companies' thus negatively affecting financial performance of an organisation.

Among the 92%, 3 of the respondents are of the opinion that poor infrastructure causes low employment opportunities and low production output thus ultimately causing low income for operating organisations and increased risk of theft, burglary and injuries. There is need for strict security so as to secure goods in warehouses which in the long increases costs. In support of this view, Arrow and Kurz (2014), Calderon (2016) and Canning and Fay (2013) agree that the amount and quality of a nation's infrastructure has an important bearing on economic growth in both the medium and long term as it is viewed as the wheels of economic activity since it provides the environment for productive activities to take place thus facilitating organisational growth thus enhancing organisational performance and as a result poor infrastructure negatively impacts organisational performance. Of the total respondents

that are in favour 4 of them gives the view that poor infrastructure does not attract investors and it affects the economy and the business at large. To make it 23 the remaining 3 respondents poor infrastructure interrupts communication which can be very expensive to an organisation. This is supported by Macdonald (2016) and Nijkamp (2014) as they give the view that due to the deterioration of quality of Infrastructure services in road transport and communications that are provided by the private sector are now more expensive than in neighbouring countries, reflecting in part the economic costs of the deterioration and this is not favourable for the financial performance of an organisation.

8 % of the total respondents are criticising the fact that poor infrastructure negatively affects financial performance of an organisation. This is supported by Martinkus and Lukasevicius (2016) as they consolidate that the infrastructure services and physical infrastructure related costs should be budgeted for since they are unavoidable and they affect every company within the same region hence organisational performance should not be measured based on this.

4.4.3 Government policies

Table 4.6 Responses on government policies as a challenge

Opinion	**Supporting**	**Criticizing**
Respondents	18	7
%	72%	28%

From Table 4:6 above 72% of the respondents are in support and 28% of the respondents criticise the fact that government policies is a challenge affecting Bak logistics financial performance adversely.

Among the 72%, 8 of the respondents are of the opinion that government policies through the fiscal and monetary policy affect organisational performance by charging high taxes and high interest rates. High taxes reduce disposable income and thereby reducing investments and due to this Bak logistics have not been investing. This affects consumer spending as well as disposable income for organisations. Khan, (2013) is of the opinion that tax policy can affect businesses as high tax rates discourages production of goods as there is an increase in production which negatively affect the financial performance of an entity. Also, in support of this view Robson (2016) and Teld (2016) say that the monetary policy affects businesses because a rise in interest rates raises costs of doing business thus affecting the purchasing power of consumers thereby leading to a fall in business sales thus ultimately affecting the financial performance of an entity.

Also, 2 of the respondents who are in favour goes on to say that government policies results in restriction of the production of some goods or services thereby reducing customer base for Bak logistics as most of the customers are in the production sector. With reference to Sing (2014) the government can use policy decisions to interfere in the process of industrialization thus negatively affecting the financial performance of an organisation. Out of 18 respondents 6 of them are of the opinion that government policies specifically SI 64 lead to a ban of a number of imports and the introduction of new import licences and permits. This affects organisations as most of the goods are imported such as fuel and truck parts and most of its customers' imports goods which then reduce customer base. To support of this Shao et al (2015) eluded that government interference can affect the organisation's financial activities in

different form and this might have the same impact on financial decisions as well as the performance of an organisation. The remaining 2 respondents are of the opinion that government policies reduce investments through foreign direct investments thereby reducing client base. In support of this Zhang (2014) say that government policies create rules and frameworks in which businesses are able to compete against each other and these policies can change from time to time forcing businesses to change the way they operate thus affecting the financial performances of companies.

Among the 7 respondents, 4 of them are of the opinion that government policies is an external factor which affect all business within the same industry and it has no influence on competition of a business hence it cannot be regarded as a challenge affecting performance. Also, 3 of the respondents say that government policies such as SI 64 promote local industries and therefore is not a challenge for organisations. Dethier et al, (2014) alluded that the most important variables that clearly define the conducive business environment are infrastructure, access to finance, security that is less practices of corruption and crime and regulatory structures and these are all facilitated by the use of government policies and as a result the financial performance of an organisation is positively affected.

4.4.4 High labour turnover

Table 4.7 High labour turnover as a challenge

Opinion	**Supporting**	**Criticizing**
Respondents	21	4
%	84%	16%

From Table 4:7 above 84% of the respondents are in support and 16% are in critique of the fact that high labour turnover is a challenge affecting financial performance of Bak Logistics (Pvt) Ltd.

9 of the respondents are of the opinion that high labour turnover reduces companies profit margins as there are costs associated with recruiting, training, retrenchment and development of staff. In 2016 Bak Logistics (Pvt) Ltd retrenched a lot of drivers and recruited new drivers as they purchased new trucks and this was costly to the organisation. This is supported by Zheng (2013) and Annum (2017) as they give the view that labour turnover affects both workers and firms in the sense that workers may need to learn new job-specific skills, whilst firms incur the costs of hiring and training new workers. Also, with reference to Salop (2014) workers are identical and firms incur turnover costs and in this context, turnover reduces profits and financial performance as well.

4 of the respondents give the view that high labour turnover results in inconsistency in the work process and practises thereby affecting customer loyalty and satisfaction. In support of this view Gomez-Meija et al (2012) argued that high turnover affects productivity in the sense that when employees are constantly leaving an organisation, it is difficult to maintain the same level of productivity because there is lost time and resources in recruiting new employees, training and for the new employees to adjust to the environment before they reach to their maximum performance. Among the 84%, 8 respondents are of the view that high labour turnover results in poor quality products, rejects, lack of experience result in errors and lost time thereby ultimately affecting financial performance. Gomez-Meija (2000) further assert that labour turnover can be harmful to an organisation’s productivity, especially if skilled workers are leaving often and the workforce population contains a lot of peripheral workers.

However, the remaining 16% of the respondents are of the opinion that new recruitment enhances financial performance as new ideas and skills are brought into the organisation. This is supported by Annum (2017) by saying incoming workers, however, may be better educated and more highly skilled hence, turnover may actually enhance firm performance.

4.5 Ways of improving cost control

4.5.1 Technology Advancement

Table 4.8 Responses on technology advancement as a way of improving cost control

Opinion	**Supporting**	**Criticizing**
Respondents	19	6
%	76%	24%

From Table 4:8 above 76% of the respondents were of the view that technology advancement improves cost control in several ways were as 24% of the respondents argued that technology advancement does not improve cost control.

From the 19 respondents that were in support of technology advancement improving cost control 10 of them highlighted that, technology advancement reduces cost from human errors, it makes work easier and efficient (time management) thus improving cost control and a big company like Bak Logistics (Pvt) Ltd should abreast with technology. These respondents also alluded to the fact that, where work was done by many people it can be done mechanically for a shorter period of time hence reducing labour costs, production costs and the waiting

time of customers. This idea is supported by Cechini and Christopher (2013) who postulated that technological advancement reduces costs and widens customer base. Also, 4 of the respondents are of the view that with technology advancement it is easier to track records and match them and also by using certain software programs such as enterprise resource planning software, cost control can be mapped with a better approximation and level of accuracy thus improving cost control. This notion is supported by Otieno et al (2013) who asserted that technology advancement increases revenue collection from residents, provide clear and updated records and improve management reliability thereby reducing costs associated and as a result financial performance is enhanced.

Moreover, 2 of the respondents added on to say even if the labour is not replaced by technology the use of mechanisms such as CCTV can be valuable to the organisation were there can be a monitoring of employees through the CCTV hence output control and the organisation will have control over labour costs. Out of 19 respondents who were in support, 3 of them went on to say that technology advancement improves accountability and transparency which makes it easier for users of financial statements to make decisions as the parent company of Bak Logistics (Pvt) Ltd is a listed company. In support of this Matimati and Rajah (2015) say that technology advancement has a favourable impact on the financial performance of an organisation as listed companies eliminate unnecessary costs since they are required to post audited financial statements and reports on websites for public scrutiny and this leads to a more dedicated workforce due to transparency and a drive to meet targets knowing that they are answerable to the public.

However, the 24% of the respondents argued that, technology advancement can red flag high costs due to the manipulation of software in use and also the incurrence of high costs due to the matching of standards of technology advancement within the industry which may strain

the organisation. This notion is supported by Sanchez et al (2014) who promulgated that introduction of new technology usually presents high risk and costs to adopting firms and naturally small firms are less able to bear these accompanying risks and costs due to their limited resource base. They also alluded to the fact that when new technology have been put into action several trainings and workshops will need to be undertaken for employees to be well versed with the new system hence a lot funds will be used which increases costs of the Organisation. Therefore, it can be concluded that technology advancement has a positive impact on cost control for costs can be reduced in several ways through the advancement of technology.

4.5.2 Outsourcing

Table 4.8 Responses on outsourcing as a way of improving cost control

Opinion	Supporting	Criticizing
Respondents	16	9
%	64%	36%

From the responses that were obtained as shown in the table above 64% of the respondents are of the view that outsourcing has positive effect on financial performance whilst 36% of the respondents are of the view that outsourcing negatively affects financial performance of Bak Logistics.

10 out of 16 argued that outsourcing better services can be offered by specialists and the company is likely to gain competitive advantage through these services and chances of

enhanced financial performance are high. These 10 respondents also added that it increases the total value for the company as it reduces operational costs as some of the fixed costs such as salaries, wages and electricity will be reduced. This idea is supported by Tas and Sunder (2014) by outsourcing fixed costs are transferred into variable costs which does not requisite a company in investing in assets thereby making the company more flexible and improving organisations financial performance.

6 respondents are of the view that burden is transferred to the 3rd party such as fuel, insurance, repairs and maintenance and vehicle licences for example if labour and security is handed over it means the organisation will not be liable for injuries and stock theft for the contractor will foot the costs therefore obtaining maximum profits. These 6 respondents also reinforced their argument by alluding to the fact that it is an issue of cost/benefit and depend solely on the result of the analysis and they noted that most of the contractor's offer their services at lower costs hence profits will be attained. This is supported by Brandes et al, (2013) who postulated that principally, outsourcing for cost reduction motives occur when suppliers or services providers costs are low enough that even with added overhead, profit, and transaction costs, providers can in any case still deliver the service at a lower price.

However, 36% argued that outsourcing increases cost for you cannot rely on third part thus affecting the financial performance of the organisation negatively. The 9 respondents also added that private enterprises at most are faced with too much tasks from other clients which will result in them doing a quick job which does not cover everything and this has a compromise on quality. Furthermore, they argued that the nature of the services determine the amount of cost to be incurred and at most there is no disclosure of information to the third parties hence duties will not be carried in accordance to what the organisation wants. The 9 respondents reinforced their argument by alluding to the fact that, due to outsourcing the organisation tend to lose managerial control hence incur unnecessary costs. This notion is

supported by Raineri (2017) and Annum (2017) who promulgated that outsourcing services leads to automatic loss of managerial control and also, extra costs for arising issues not covered in the contract to which there is need for legal assistance and this adversely affect the financial performance of an organisation.

4.5.3 Proper Asset Management

Table 4.9 Responses on proper asset management as a way of improving cost control

Opinion	**Supporting**	**Criticizing**
Respondents	22	3
%	88%	12%

From Table 4:9 above 88% (22/25) of the respondents are in support of the view that proper asset management can be one of the ways of improving cost control whilst the remaining 12% respondents are in critique.

Out of 22 respondents 10 of them were of the opinion that proper asset management reduces costs such as repairs and maintenance, cost of buying new assets, damages, injuries, breakdowns and costs associated with lost production. In support of this, The Public Finance Management Act place reliance on Treasury to manage and control public resources thus public monies and state property because this has positive effect on the financial performance of government institutions. 3 respondents give the view that proper asset management improves accountability and utilisation, governance, mitigate risks and improves service quality and efficiency. White (2014) support by saying that asset management improves

accountability and stewardship through improved understanding, communication of service requirements in addition to the improved of service delivery and this enhances the financial performance of an organisation. One of the respondents ascertains that organisational performance can be enhanced through proper asset management as it results in a long time frame for a replacement of an asset to take place.

The other five respondents give the view that proper asset management enables tracking of costs and stipulates when to dispose when the costs continue to increase without a change in performance of the asset and also it reduces costs associated with last minute purchases. (Goldsmith, 2013) supports the view by saying that asset management improves the security and the safeguarding of assets in curtailing the carelessness of personnel, abuse of assets and fraud in movable assets such as computer equipment which have a high risk to theft, thus enhancing financial performance. Also, as indicated by 3 respondents proper asset management helps the organisation to properly invest in assets yielding higher returns thereby enhancing financial performance.

The remaining 3 respondents are of the opinion that proper asset management can enhance financial performance positively but however, it is costly to implement. Stevenson (2012) suggested that most cost cutting concepts require implementation actions and there is a cost associated with these actions and most of the time there are costs associated with the changes. Taking all these things into consideration the researcher concluded that proper asset management can be used as a way of improving cost control.

4.5.4 Tax saving strategies

Table 4.10 Responses on tax saving strategies as a way of improving cost control

Opinion	**Supporting**	**Criticizing**
Respondents	24	1
%	96%	4%

From Table 4:10 above 96% agree and 4% of the respondents are criticizing the fact that tax saving strategies can be used as a way of improving cost control so as to enhance financial performance.

15 of the respondent alluded that tax avoidance can be used as a way of improving cost control. In support of this view Katz et al (2013) agree with Adejare (2015) to point out that there are tax avoidance measures which are legal that can be taken by companies so as to reduce the total costs hence enhancing profitability. Adebisi and Gbegi (2013) and Masarirambi (2013) pointed out that tax avoidance as a strategy effectively reduces organisational costs as it is legal and high unlikely to meet any future obligation like penalties as a result of evasion and when costs are reduced financial performance is enhanced. Out of 24 respondents 5 of them were of the opinion that tax planning and income shifting as part of tax saving strategies improves cost control thus enhancing financial performance of Bak logistics. This is supported by Mahfoudh & Ku Nor Izah (2015) who concluded that there are several approaches to tax planning such as income shifting, modify of characteristics of income, organisational structure and tax exemption the study however, show that the primary

motivations for undertaking tax planning are the expected benefits of improving the financial performance of an organisation. According to Wahab and Holland (2012) the theory of tax planning is seen as leading because it increases after-tax earnings and it is in the interest of the shareholders improving financial performance. The remaining 4 respondents were of the opinion that organisations should relocate operations yielding higher margins to low tax states as a way of improving cost control. This is supported by Felix and Hines (2014) as they say that as a tax saving strategy business entity normally do systematically relocate their profitable business operations to low-tax states to enhance financial performance.

One respondent criticised the fact that tax saving strategies cannot be used as a way to improve cost control and is supported by Desai and Dharmapala (2012) as they found no direct relationship between tax planning and market performance and the reasons for this indirect and insignificant relationship are the complex nature and tax implications of the transactions and as a result it becomes difficult for stakeholders to evaluate the performance of the firm fully.

4.6 Interview Responses

4.6.1 Factors resulting from poor cost control affecting financial performance

Out of the 3 respondents 2 of them agreed on the same view that poor cost control results in poor budgeting which causes inadequate or wastage of resources which causes increases in costs. These opinions are well supported by Olalekan and Tajudeen (2015) who say that poor cost control will cause resources to be used recklessly thus negatively impacting the financial performance of the firm. Khan and Beg (2012) also said that poor cost control will cause an organisation to delay completion of projects if there is inadequate thus dragging financial performance. These 2 respondents went on to say poor cost control causes budget variance which negatively affects financial performance. Wong (2015) and Oluwagbemiga et

al (2014) are of the same idea as they say that there is a positive correlation between cost control and accomplishment of goals in the organisation. 1 of the 3 respondents is of the opinion that poor cost control causes demotivation of workers if there is a continuous removal of financial rewards, reduction of performance based rewards as well as target bonuses and this affects organisational performance as projects take longer time than expected and there is budget variance as costs increase. Also, this 1 respondent alluded the fact that poor cost control often results in liquidity problems as well as inability to meet targeted goals as costs continuously increase.

Given that 21/25 (84%) respondents agreed from the questionnaire and all three respondents from the interview agreed on the same notion, the researcher concluded that poor cost control is impacting financial performance negatively as there is increase in costs, time overrun and inability to meet goals and objectives.

4.6.2 How cost control enhances financial performance

All of the three respondents agreed on the view that there is a link between cost control and financial performance in relation to profitability, decision making, monitoring performance of workers and utilisation of resources. The higher the costs the lower the performance of an organisation and effective cost control leads to an enhanced organisational performance. This is supported by Marx (2014) and Warusawithana (2016) as they agree to say that exercising cost control enhances organisational performance.

Given that the regression results shows that there a positive strong correlation between cost control and financial performance and the responses from the interview the researcher concluded that control enhances organisational performance despite the continuous increase in costs and decrease in revenue which could be a result of other factors other than cost control.

4.6.3 Challenges faced and their effect on financial performance

The first respondent highlighted poor infrastructure as a challenge adversely affecting the financial performance of the company. The respondent further stated that it is difficult to integrate systems between Bak and its customers or suppliers which helps in tracking of goods and services as a result of poor infrastructure within the country. Also, concern was raised on poor infrastructure in relation to poor roads contributing to tyre punctures which is costly as well as electricity and water shortages which affects goods and commodities in warehouses which is detrimental to organisational performance.

The second respondent raised concern on the issue of increase in price for fuel as a result of inflation. Bak logistics as a company in the transport and logistics sector requires fuel for carrying out business activities specifically for trucks and increase in fuel makes it expensive to operate the business. This is supported by Pettinger (2017) and Kinyua (2013) as they revealed that inflation leads to a sharp decrease in productivity individually or as a business and this negatively affects the financial performance of an organisation.

The third respondent raised concern on high labour turnover rate at Bak Logistics (Pvt) Ltd which in turn is costly to the organisation. The organisation is retrenching workers as well as recruiting new staff whilst some of the staff is resigning in search of greener pastures. As a result of this the organisation is incurring recruiting, replacement, retrenchment and training costs which are detrimental to the financial performance of an organisation.

Considering responses from interviews and from questionnaires the researcher concluded that challenges mentioned above negatively affects financial performance as well as cost control although some of these challenges are beyond the control of the organisation.

4.6.4 Ways of improving cost control

The first respondent mentioned that proper asset management can be used as a way of reducing costs related wit buying new assets, repairs and maintenance of trucks and breakdown of assets specifically trucks. After reducing these costs profit margins increase thereby enhancing financial performance. (Goldsmith, 2013) supports the view by saying that asset management improves the security and the safeguarding of assets in curtailing the carelessness of personnel, abuse of assets and fraud in movable assets such as computer equipment which have a high risk to theft and this enhances financial performance.

The second responder cited that Bak Logistics (Pvt) Ltd have to adopt technology systems which help them to effectively manage their traffic, they can even track a vehicles which is some miles away to detect if they are over speeding or not, also, helping in ascertaining if vehicles are not used for personal use. This is was a new idea of how technology system can be utilized by monitoring the drivers in order to avoid unnecessary trips or personal use of the vehicles thereby reducing fuel consumption. The respondent also said effective time management is another cost control tool which management can adopt to turn the fortunes of the company.

The third respondent suggested outsourcing of transport services as a way of improving cost control. Costs are reduced because burden is transferred to the 3rd party transport service provider. The costs associated with the burden include fuel, repairs and maintenance, tollgates, stock theft, breakdowns, vehicle licences and driver's allowances. Also, Bak can make use of specialists so as to improve quality of services and ultimately attaining competitive advantage. Weingarten (2013) supports by saying outsourcing world class capabilities will improve the quality of the final product, the assumption under improving

quality of the core competence is that, if the economic inputs are of high quality the end product will also be of high quality.

The researcher concluded that costs control can be improved through improved use of technology, outsourcing, tax saving strategies and proper asset management as discussed above.

4.7 Chapter summary

This chapter presented the findings that were obtained by the researcher and then after presentation of data an analysis of each data followed as the findings would be related to prior literature as cited in the second chapter of this research project. The next chapter focuses on summaries, recommendations and conclusions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter conferred meaning to data presented in the previous chapter. Therefore having had discussed the research objectives and questions in chapter one, this chapter was used to draw conclusions from the taken research study. After concluding this study, the chapter made recommendations to Bak Logistics (Pvt) Ltd pertaining to possible course of action that the organization might undergo

5.1 Executive summaries

The research study focused on analysing the effects of cost control on the financial performance of an organization. The researcher established the gap and decided to look at the impact of cost control on the financial performance of an organisation within the transport and logistics sector which was not previously researched on as other scholars focused more within the manufacturing and construction sector. Costs at Bak logistics (Pvt) Ltd continued to increase regardless of some cost control measures implemented to ease its financial constraints. The objectives of the research were; to determine factors resulting from poor cost control, to determine how cost control enhances financial performance, to identify challenges faced at Bak logistics and to determine ways of improving cost control.

Chapter two gave a comprehensive discussion of literature sources on the effects of cost control on the financial performance of an organization. To obtain relevant data numerous sources were reviewed pertaining the use of cost control measures. Findings were discussed by relating to literature sources and information in relation to the nature of cost control measures, effects of poor cost control, challenges faced and ways that can be used to improve cost control.

Chapter three went on to discuss about research methodology to be applied in this research, the research design used was descriptive design and the research approach was mixed approach thus both quantitative and qualitative research methods. The researcher also showed the target population and the researcher used a census method in data collection since the target population was only 30 employees. Primary data was gathered from the respondents using questionnaires and interviews were conducted on three employees representing each department.

Chapter four focused on presenting the research findings and to give a detailed analysis of the findings. This chapter tells that 30 questionnaires were distributed and 25 were successful giving a response rate of 83%. The data was presented using bar graphs, pie charts and tables.

5.2 Major research findings

5.2.1 Factors resulting from poor cost control and their effect on financial performance

The major findings were that increase in costs is the major effect of poor cost controls, if there are weak cost controls there will be an increase in costs due to heavy costs associated with cost control and wastage of resources. Poor cost controls lead to low sales because the company will resort to charging of exorbitant prices to clients to counter for the increase in cost of operations. Poor cost control causes costs to increase and therefore the charging of high prices to counter for the increase in price often results in losing competitive advantage. When an organization loses competitive advantage as a result of poor cost control ultimately this results in failure to meet targeted goals and objectives. Poor cost control results in time overrun when carrying out business activities. The researcher concluded that poor cost controls adversely affect profitability through increase in costs, decline in sales, failure to meet targeted goals and time overrun.

5.2.2 How cost control enhances profitability

This research showed that cost control enhances financial performance through profitability, proper utilization of assets, monitoring performance of workers and through decision making. However, due to the continuous increase in costs profitability hasn't been much achieved and also there are other factors to consider other than cost control which influences proper utilization of assets, monitoring performance of workers and decision making.

5.2.3 Challenges faced

The major research finding regarding this matter was that the challenges faced at Bak logistics adversely affected financial performance of the organization and the process of cost control. Inflation results in increase in prices for fuel ultimately making it expensive to do business in the transport and logistics sector. Poor infrastructure is a major concern for a company like Bak logistics because road, water, electricity and communication channels are poor thus affecting financial performance. Government policies affect the performance of an organization as there is high tax rates and the restriction or introduction of new import licenses and permits. High labour turnover is detrimental for an organisation as there is continuous retrenchment and recruitment as workers are moving to greener pastures and also due to decreased performance of organisations.

5.2.4 Ways of improving cost control

The major findings were that technology advancement can be an effective measure to improve performance of workers and to address the challenge of communication as a result of poor infrastructure. Also, proper asset management improves service quality and efficiency

and also reduces costs associated with lost production, break downs and repairs and maintenance at Bak logistics. Tax saving strategies improves disposable income for organisations thereby improving financial performance. Outsourcing reduces costs as the burden of maintain trucks is transferred to the 3rd party ultimately improving cost control at Bak logistics.

5.3 Recommendations

Bak logistics should organize a cost control committee that operates within the organization, monitoring that cost controls measures, policies and procedures are being adhered to. Also a cost control committee helps to give understanding and knowledge about cost control in the organization so as to eliminate poor cost control.

Cost reduction should be considered as a continuous process and not seen as a once off activity. The organisation should continuously review and take corrective action where necessary on the cost reduction initiatives it implements. This was supported by Bragg (2010) who highlighted that management should stop considering cost reduction as a once off event, but costs should gradually be removed through capitalization of cost saving opportunities.

Management should also ensure that there is adequate supervision of workers and also, regularly review internal controls of the organisation to avoid wastage of resource, delays in completion of projects and failure to achieve targeted goals. Reviewing of internal controls helps to ensure if policies and procedures are being adhered to.

The researcher is also of the view that the company should consider technology advancement in its operations in order to reduce labor hours and human errors which affect productivity,

this will go a long way in the company offering quality services which will attract a lot of customers to the company.

5.4 Summary

The purpose of this chapter was to summarise the information in previous chapters. The conclusions from the analysis of the data collected were given in this chapter to highlight major findings of the research. Finally the researcher also expressed opinions on what can be done to promote effective cost control at Bak logistics.

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1ST APPENDIX

Midlands State University

Established 2000

Our Hands, Our Minds, Our Destiny

To respondents

RESEARCH QUESTIONAIRE

I am Cathrine Mbire a final year student at Midlands State University (MSU). I am currently working on my dissertation which is a basic requirement for Bachelors of Commerce Accounting Honours Degree. I will be grateful if you could spare a few minutes of your time and attend to my questionnaire.

Instructions

- Answer all questions.
- Do not write your name or any personal details on the questionnaires.
- Show response by ticking the respective answer box where applicable

1. Poor cost control results in increase in costs which affect financial performance?

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

2. Financial performance can be affected by loss of competitive advantage as a result of poor cost control?

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

3. Poor cost control result in failure to meet targeted goals thus affecting financial performance?

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

4. Poor cost control result in time overrun thus affecting financial performance?

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

5. In what ways does technology advancement improve cost control?

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6. **In your own opinion, how does the practice of handing over control of tasks and services to other private enterprises (outsourcing) affect financial performance?**

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7. In what ways does proper Asset Management improve cost control?

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8. **In your opinion can cost control be improved by tax saving strategies?**

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9. **What are the effects of inflation on financial performance?**

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10. **How does poor infrastructure affect financial performance?**

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11. **How does government policies affect financial performance?**

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12. **What are the effects of high labour turnover on financial performance?**

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Thank you for your co-operation.

2ND APPENDIX

INTERVIEW GUIDE

1) What are the factors resulting from poor cost control and how do they affect financial performance?
2) How does cost control enhance financial performance?
3) What are the challenges faced by Bak and their effect on financial performance?
4) What are the strategies that can be implemented to improve cost control?

Midlands State University
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Our Hands, Our Minds, Our Destiny

3RD APPENDIX

Midlands State University

Faculty of Commerce

Department of Accounting

P Bag 9055 Gweru

25 January 2018

To Whom It May Concern:

Ref: APPLICATION FOR AUTHORITY TO CARRY OUT AN ACADEMIC RESEARCH

My name is Cathrine Mbire (R146891P). I am a fourth year student at Midlands State University and carrying out research study, on "**An analysis on the impact of cost control on financial performance.**" The study is carried out in partial fulfilment of the requirements for the award of Bachelor of Commerce Accounting Honors Degree with Midlands State University. This questionnaire is meant to enhance my research. I kindly ask you to assist in responding to the provided questionnaire.

Your positive response on this is greatly appreciated.

Yours Faithfully

Cathrine Mbire