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TITLE:

'FOSTERING SMEs SURVIVAL THROUGH COST REDUCTION': EVIDENCE FROM SMEs in HARARE.

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE MASTER DEGREE IN BUSINESS ADMINISTRATION.

By:

LEONARD KANHUKAMWE (R1712774)

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DEDICATION

I dedicate this thesis to my lovely wife, son's Kupa and Drayce and my beautiful daughter Frasciah and the entire family for bearing with me as I pursued this master's degree program. With your never-ending support and cheering, success was certain.

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ABSTRACT

The current, volatile, uncertain, complex and ambiguous (VUCA) environment has raised the need to manage costs in SMEs in order for them to survive. The aim of this research was to analyse the cost reduction strategies that foster survival of SMEs. Theoretical and empirical literature was reviewed; however, the researcher did not find sufficient literature on cost reduction strategies employed by SMEs in Zimbabwe. It is this gap that this research sought to address. An explanatory research design was used in this study. A survey in the SMEs sector was conducted and a structured questionnaire was used to collect the data from 200 managers of SMEs. Validity and reliability of the questionnaires was ensured through pilot testing and testing reliability using Cronbach alpha. A Cronbach's alpha value of 0.836 was obtained. The data was analysed using SPSS version 20. Descriptive statistics, factor analysis and correlations were conducted to determine the cost reduction strategies that foster survival of SMEs. The factor analysis indicated 14 cost reduction strategies foster survival of SMEs. A correlation analysis indicated that all the 14 cost reduction strategies had positive correlation with survival of SMEs. Findings from the Kruswallis test of differences showed that there was no statistical difference in the cost reduction strategies for SMEs in different sectors. Cost reduction strategies are very important for SMEs survival because of their significant influence to survival of SMEs. It is very important for SMEDCO together with government to provide guidance to SMEs on the cost management practices that will foster their survival. This can be achieved workshops, training programs for SMEs managers, and providing education. The management must leverage costs that influence the profit line, both for the company and its competitors. Management of SMEs must place a cost control mechanism that would identify and manage all the cost drivers of companies. Future studies can be conducted to compare studies on cost reduction strategies in Zimbabwean SMEs and SMEs from another developing countries.

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LIST OF ACRONYMS

SMEs	Small and Medium sized Enterprises
GDP	Gross Domestic Product
SEDCO	Small and Medium Enterprises Development
UNCTAD	United Nations Conference on Trade and Development
SCM	Strategic Cost Management
SPSS	Statistical Package for Social Sciences
VAT	Value Added Tax

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CHAPTER 0NE

INTRODUCTION

1.0 Introduction

The study focused on the cost reduction strategies that fosters survival of SMEs. The business environment has been challenging for the survival of SMEs. SMEs were experiencing escalating costs in running their business which affected business profitability (Mudavanhu, et, al., 2011). The growth of Small to Medium Enterprises (SMEs) is a critical ingredient in the sustainable development of developing economies (Mudavanhu, Bindu, Chigusiwa and Muchabaiwa, 2011). The transition of SMEs to big business is pivotal in any economy in the world. It is a relative measure of how well an economy is performing as SMEs are the seed-bed of business growth, innovation and pillars of employment creation. It is therefore imperative that cost reduction strategies be employed for SMEs to survive (Manyawi, 2015)

This chapter presents the background behind this research and problem statement that motivated the researcher to undertake the research based on the cost reduction strategies that fosters SMEs survival.

1.1 Background of the study

The Zimbabwe business environment has become volatile and poses great threats to businesses. The economy is now characterized by hyperinflation, foreign exchange shortages, and capacity underutilization among other adverse conditions. It has become a jungle and survival is now for the fittest as noted by Mudavanhu et al (2011), Inflation in Zimbabwe has been on the rise as denoted below.

Zimbabwe Inflation Statistics
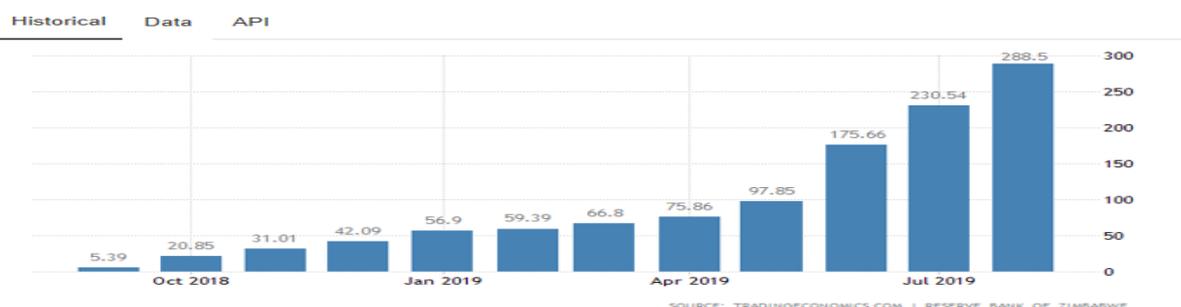
Figure 1.1: Inflation statistics

Source: https://tradingeconomics.com/zimbabwe/inflation-cpi

Many businesses are crumbling. Companies that are failing in Zimbabwe blame the harsh economic environment. It is undeniable that the macro environment plays a role in the demise of huge companies that have failed in Zimbabwe, but other factors are involved as well, and these other factors reside in a firm's microenvironment. Manyavi (2015) argues that factors in the microenvironment are also the reason why, even if Zimbabwe's economy were to recover, we would probably still have two companies in Africa's Top 250 Companies list and the rest would still be irrelevant.

The Independent published on 17 June 2016 indicated that the economic crisis has affected the survival of business. The economic activity was severely constrained by tight liquidity resulting from limited exports and lower commodity prices, as well as few lines of credit and diaspora inflows. Production was hit hard by liquidity constraints and high utility costs, hence company closures and job losses. Inflation remains in negative territory as the US dollar — the country's main currency — and lower commodity prices persist. Zimbabwe also remains in a debt trap, with very low international reserves.

Moyo (2016) echoed that that companies' performances, a yardstick of the health of the economy, have been dismal. Looking at the March 2016 reporting season, it showed subdued corporate and economic performance as indicated by Delta, Econet, Mash Holdings, Art and Steward Bank financial results. Moyo (2016) further observed that, the top line was increasingly under burden from various factors such as increased competition and subdued demand and as a result, many corporates were now focusing on cost reduction as a way of ensuring survival and profitability.

Three years later, the same reportage about the country's economic outlook still stands as shown by an article from the same paper. According to The Independent posted on 16 August (2019), the outlook for Zimbabwe remains challenging, over the short term (2019-2020), with the economic collapse brought by a currency crisis leading to hyperinflation and widespread shortages of foreign currency and fuel.

The above conditions triggered the need to research on how to foster SME survival through cost reduction. There is a high rate of failure of SMEs (SEDCO, 2010). According to SEDCO (2004) as cited by Cant (2012), about 60% of SMEs in Zimbabwe fail in the first year of establishment, 25% fail within the first three years and the remaining 15% are likely to survive. One of the major

reasons why businesses are crumbling is failure to manage costs. Most SMEs are still in their infancy and lack the requisite experience to survive in this hash environment. Those that are surviving and prospering in this hash environment have been able to do so because they have managed to streamline their operations and contain costs (Maseko, 2012).

This study, therefore, aimed to identify cost reduction strategies that can be utilized by SMEs to foster their survival. This environment is one where all companies are at risk of failure. In this situation the duty of business is not to make a profit, but just to survive. This is the time to get lean and to trim the fat. With a turbulent environment, management has to be on the ball and be able to operate and think outside the box. In fact, in this situation, there is no box. (Mhlanga, 2017)

Mapakame (2014) reported that businesses and, in particular, SMEs, are finding it difficult to increase their profits and sales volumes due to various factors. In an economy where consumer's disposable incomes are very low, a few companies are experiencing any meaningful increases in market share or sales volumes. Reduced growth prospects are being accompanied by increased costs. Generally, the costs of production and other operational costs in this economy are very high as noted by Lynton-Edwards Securities (Mapakame, 2014, p.4). Reduced sales volumes and high cost of production has led to reduced profitability in these companies. Faced with limited sales growth prospects, companies have to focus on costs which are a major determinant in profitability level (Mapakame, 2014). There was thus need to research on how SMEs can survive through cost reduction.

1.2 Statement of the problem
In the current environment of austerity for prosperity, it has become important to manage costs which have a tendency of eating into the bottom line. Mhlanga (2017) denoted that, the deteriorating operating environment of Zimbabwe's industries was caused in part by foreign currency shortages, cost pressures, depressed demand and declining local industries competitiveness. This resulted in subdued performances across many companies. The weak economic activity resulted in many companies failing to experience an increase in sales and in those few that were experiencing increase, the sales were increasing at a decreasing rate (Mhlanga, 2017).

The problems and challenges that Small and Medium Scale Enterprises contend with are enormous no doubt, but it is curious to know that some SMEs are able to overcome them. This gives hope and should provide a basis for optimism that there is a way out. (Kachembere,2011). There must be some survival strategies, which are not known to many Small and Medium Scale Enterprise' promoters. This paper intended to explore and unravel some of the key business survival strategies through cost reduction, which have worked for a few thriving SMEs. The benefits of this could be tremendous in that other SMEs facing threats of extermination as well as new and proposed new ones could also borrow a leaf from them.

The research, therefore, sought to identify cost reduction strategies that are being used by SMEs in Harare with a view to recommend strategies with a higher impact which other SMEs can capitalize to survive this turbulent environment and avoid their further demise.

1.3 Research Objectives
1.3.1 Overall Objective
To evaluate cost reduction strategies that can be adopted by SME's to foster their survival.

1.3.2 Sub objectives
1. To establish cost reduction strategies that can be employed by SMEs to foster their survival.
2. To determine the association of each identified cost reduction strategy with SME survival
3. To find out if there are any statistical differences in the cost reduction strategies for SMEs in different sectors

1.4 Research Questions
1.4.1 Overall Research question
What are cost reduction strategies that can be adopted by SME's to foster their survival.

1.4.2 Sub questions
1. What are the cost reduction strategies that can be employed by SMEs to foster survival?
2. What is the association of each identified cost reduction strategy with SME survival?
3. Are there any statistical differences in the cost reduction strategies in SMEs for different sectors?

1.5 Research Hypothesis

This statement seeks to make an assumption that predicts the outcome of the independent variables to be determined through this research to ascertain the validity of them.

The hypothesis of the study is as follows;

H_1: Cost reduction strategies that are being employed by SMEs in Harare to survive are effective to sustain them in this turbulent environment.

H_2: SMEs in Harare are not being effective in implementing cost reduction strategies to be able to survive in this turbulent environment.

1.6 Rationale of the study

The research provides a platform to integrate theoretical fundamentals mastered during studies at the University with the practical aspects of the economy. This research also contributed to the furtherance of the researcher's knowledge in cost reduction strategies applied in industries, particularly SMEs. It also aided in gaining knowledge extensively on cost reduction strategies and their impact on business survival.

1.6.1 To the University

After completion, the research will highlight various cost reduction strategies used which can foster survival of SMEs. This will be helpful to fellow students who will study cost reduction strategies thus providing a line of thought to these students. Also, the research will provide more information on the university's library.

1.6.2 To SMEs

The research will assist management and owners of various SMEs, in having time to reflect on the difficulties they are experiencing on cost control and the cost reduction strategies they can adopt to foster their survival. Understanding of why some SMEs succeed while others fail is essential for the stability and health of the economy of Zimbabwe.

1.7 Scope of the study

The research was a cross sectional research which stretched over six months. The research focused on SMEs in Zimbabwe in Harare region only. The population was all SMEs companies in Harare A quantitative approach was used to increase credibility of results and to enable generalization of results to other SMEs in other towns in Zimbabwe.

1.8 Dissertation outline

Chapter one introduces the research study. It provides the background of the study, problem statement, research objectives, research questions, rational of the study, research scope and dissertation outline. Chapter two presents literature review. Empirical and theoretical fundamentals of cost reduction strategies will be provided. Chapter three provides the research methodology. It outlines research design chosen, the sampling method used, and justification of the method and the sample size used as well as SPSS data analysis procedures. Chapter four provides the discussion of findings and analysis of the research and lastly Chapter five provides the conclusions and recommendations of the study.

1.9 Chapter Summary.

This chapter presented an overview of the strategic importance of SMEs to the country. It went further to give an understanding of why there is need to foster SME survival through adopting cost reduction strategies. The chapter also brought out the main problem at hand, objectives of the research the questions leading to tackling the problem as well as the hypothesis, the scope limitation and significance of carrying out this study. The main purpose of this study is therefore to foster SME survival through cost reduction using evidence from SMEs in Harare.

<center>**CHAPTER TWO**</center>

<center>**LITERATURE REVIEW**</center>

2.1 Introduction

This chapter contains a critical review of literature on nature and association of cost reduction on business survival in general and specifically on SME survival. To provide a clear understanding of the topic under study, a thematic approach to literature presentation in which literature is organized in terms themes was chosen. The chapter starts by defining what is meant by SME and goes on further to discuss what are costs and the various cost reduction strategies that business can employ in their quest to survive and prosper. The literature goes further to review empirical studies that have investigated the nexus between cost reduction and SME survival and sought to identify the consensus, contradictions, challenges and emerging themes on the concept of cost reduction and business survival. This discussion forms the basis of understanding the nature and state of cost reduction strategies and techniques that foster SME survival which is the focus of this study. The review of related literature formed a critical component of study as it assisted the researcher in establishing what is already known about cost reduction and the research gap that exists in relation to empirical investigation on the SME sector. This chapter concludes with a conceptual framework that is adopted for this study.

2.2 Literature search strategy

The quality of a literature review and the research itself is determined by the rigour of the literature search procedures. The researcher's literature search strategy was multi-pronged and involving access to quality peer-reviewed journal articles from Jstor, Ebsco Host, and Google scholar, which were supplemented by conference papers. Key words used in the search were impact, costs, strategy, technique, cost reduction, business survival and SMEs.

Boolean operators "and", "or" and "not" were used in the search strategy and the search period was restricted to no more than 10 years to warrant that the search results were relevant and contemporary. A three phase process was used to sieve literature for inclusion in the final review. These involved first focusing on journal articles from peer reviewed journals to ensure high quality literature. Second, the literature was filtered for relevance towards understanding how cost reduction can foster SME survival. Finally, to ensure that emerging and current

themes are discussed, only articles published in the past five years were selected for critical review.

2.3 Definition of the phenomenon

2.3.1 Definition of SME in Zimbabwe

SME can be defined based on certain criteria including, turnover, number of employees, profit, capital employed, available finance, market share and relative size of an industry (Usman 2012). Dumbu and Chadamoyo (2012) in the same spirit with Usman, further avers that it is important to recognize that definitions change over time and hence, even in a developing country what was hitherto classified as small scale business could be regarded as large scale industry when the quantities of production change. The deduction is that, what might therefore be defined as small scale business in a developed country can be regarded as large scale business using parameters like fixed investment and employment of labour force in a developing country. It has been noticed that because of their characteristics, SMEs are far more flexible and responsive to the frequent changes that occur in the contemporary, global environment, than large enterprises (Stefanović, Milošević and Miletić, 2009).

In Zimbabwe Small Enterprises Development Corporation (SEDCO) (2010:26) has defined a SME as a firm that employ's less than hundred employees and has maximum annual sales turnover of US$830 000. Government of Zimbabwe (GoZ) (2000:89) defines a small enterprise as one that employs not more than 50 people and acting as a registered entity, medium enterprises as firms employing between 75 and 100 people. The Small and Medium Enterprises Association of Zimbabwe defines a small enterprise as one with turnover of less than $240 000 or assets less than $100 000 and medium enterprises as those with turnover and assets above the thresholds for small enterprises, but less than $1 million each (www.smeaz.org.zw). The Zimbabwe Revenue Authority (ZIMRA) has its own definition for tax purposes and it defines SMEs using parameters like employment, turnover and asset base.

The table overleaf portrays the Zimra definition.

Table 2.1 ZIMRA's Definition of SMEs

Enterprise Category	Employees	Annual Turnover (USD)	Asset Turnover (USD)	Registration Status
Small	10 – 40	50,000 – 500,000	5.000-1000000	Formally registered
Medium	41 – 75	1,000,000-2,000,000	1,000,000-2,000,000	Formally registered

Source: ZIMRA (Finance Act ss2b: chapter 23:4)

Since there is no consensus on the definition of SME, for the purposes of this study, a Small and Medium Enterprise (SME) refers to a registered or unregistered company which is operating and employs more than 5 employees and less than 50 employees.

2.3.2 Cost Reduction

The faltering economy and increased global competition is growing the need for cost reduction as more companies are struggling (Meeker and MacWilliams, 2018). Cost reduction measures have become more significant and a tropical topic in current business strategy due to the prevailing global economic crises. Cost reduction measures address questions about efficient and effective management. Akeem (2017) defined cost reduction as a deliberate positive approach aimed to reduce expenditure or unit cost of goods or services without impairing suitability for the use intended. Cant (2012) postulates that cost reduction is confined to savings in the cost of manufacture, administration, distribution and selling by eliminating wasteful and unnecessary elements from the product design and from the techniques and practices carried out in connection with cost control.

Akeem (2017) further states that one way that companies can regain control over their costs is not only to assess these costs, but also systematically classify and identify product costs. Using a systematic approach to perform cost reduction not only yields cost improvement but provides decision-makers with the trade-offs involved in achieving these reductions (Meeker and MacWilliams. 2018)

Cost reduction is an unstoppable process of critical cost examination, analysis and challenge of standards. Mengxiao and Zhiran (2012) pointed out that cost reduction exists everywhere in

the business, in other words, productions, processes, manufacture, methods, organization and staff should be considered. Moreover, cost reduction is critically examined and reviewed with a view to improving efficiency and effectiveness and reducing the costs (Murphy, 2009).

Bruce (1992) cited in Mengxiao and Zhiran (2012) defined cost reduction as the application of procedures to monitor expenditures and performance against progress of a project and manufacturing operations with projected completion to measure variances from authorized budgets and allow effective action to be taken to achieve minimal costs. According to Dumbu and Chadamoyo (2012), it is essential that a firm implements the strategy of cost reduction whenever the firm experiences tough time or to propel future growth.

2.4 Underpinning theory

The study is informed by the Transaction cost theory. The economic theory of transaction costs has subsequently been implemented primarily by Oliver Williamson, who defines transaction costs as the costs of running the economic system. Williamson (1999) cited in Mudavanhu (2011) explicitly discusses the link between transaction cost economics and management and organization theory, although not giving it the name of "transaction management". The upshot is that firms and markets are alternative modes of governance. In this sense, transaction management can be regarded as a methodology to make the management of the firm decide about the best way of exploiting these alternative ways of governance.

The transaction cost theory is relevant in this study. The use of information technology (IT) has facilitated the reduction of coordination costs, which has been extensively documented in the literature (Banker et al., 2014). For example, electronic marketplaces, facilitated through IT, reduce the cost of searching for obtaining information about product offerings and prices (Banker et al, 2014). Also, collaboration facilitated by information sharing can lower transaction costs (in particular coordination costs) as companies can thereby reduce supply chain uncertainty and thus the cost of contracting. This can be explained with an example: If a supplier is unable to accurately predict the price of its product inputs, it will be reluctant to enter into a contract, which locks it into a fixed price for an extended period of time,

2.4.3 Stages in Cost reduction

According to the report by the National Audit Office (NAO) of UK, companies are under increasing pressure to reduce costs due to the various pressures affecting business like stiff

competition, reduced purchasing power, and demand for cheaper products among others (https://www.nao.org.uk). The scale of cost reduction required means that they will have to look beyond immediate short term savings and think more radically about how to take cost out of the business and how to sustain this longer term. Strong leadership coupled with disciplined financial management and a corresponding change in organisational culture are some of the critical requirements to achieve this long term sustainability.
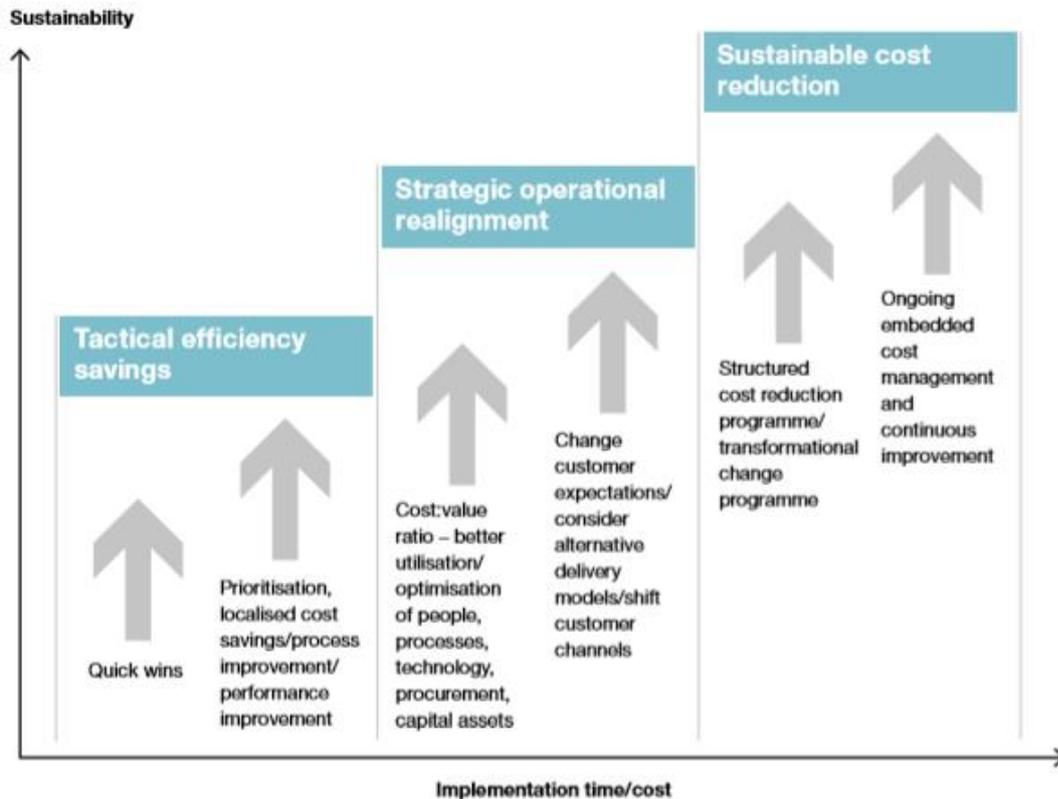
Figure 2.1: Stages in cost reduction

Source: A short guide to structured cost reduction: (https://www.nao.org.uk/)

McCormick (2010) provides 10 steps to reach cost reduction as follows:

- ✓ set a minimum cost reduction target,
- ✓ Establish whether budgeting can achieve the target,
- ✓ Place cost reduction into the wider strategy of the business,
- ✓ Identify the economic drivers of cost,
- ✓ Analyzing costs within the value chain,
- ✓ Select appropriate tools from the operational toolbox.
- ✓ Consider outsourcing non-core activities,

- ✓ Restructure the labour force,
- ✓ Manage the change process carefully,
- ✓ Monitor the results diligently.

These ten steps indicate that cost reduction is a continuous process not an event and the monitoring part, which is the last step should be ongoing so that new areas of cost reduction can be identifies and acted upon. Lynch (2014) also postulated his ten considerations for reducing costs building on the works of McCormick.

2.4.3.1 Ten top considerations for reducing costs (Lynch, 2014)

- Understanding what costs really influence the profit line, both for the company and its competitors.
- Exploring how and where value is added in the company as raw materials are turned into finished product or service.
- Understanding the linkages between areas, both for the company and its competitors for example between quality and customer satisfaction.
- Radical thinking on what customers want in terms of product and service and how best to achieve this, perhaps even cutting some customers or reaching them by a new route such as the internet.
- Identify the main competitors, assess their capacity utilisation and future investment plans that have been broadcasted by them.
- Taking an early lead in cost saving. The Experience Curve Effect advocates that catching up is more problematic.
- If a competitor takes an early lead on price cuts from cost savings, contemplate responding with an equal cut in prices even at some loss of yield. This is preordained to retain existing customers. It is leisurelier and cheaper to keep than attract new customers.
- If the competitor has a major cost lead, then ponder either making a major cost leap past this company or developing another market inventiveness such as a niche positioning.
- Lay the importance on cost savings rather than sales increases to rationalise the investment involved. This strategy has a higher prospect of being successful. In

practice, it may not be practicable to rely wholly on a cost saving strategy with some surge in sales also being targeted. This is matter of prominence, not absolutes.

- Explore barriers or other market structural conditions carefully to ensure that the planned cost saving will be achievable and on what timescale.

2.5 Importance of cost reduction

Akeem (2017) suggested that for an organization to ensure more profit growth, there is need to control and reduce cost to an acceptable limit. Cost reduction assists to regulate and reduce unwanted expenses. The Institute of Chartered Accounts of India (ICAI) (2013) suggested that any organization that effectively uses cost reduction increases the chances of selling its products at a lower rate than its competitors, without changing its product's quality. Cost reduction's aim is to see whether there is any possibility of bringing about savings in the costs incurred (Akeem, 2017).

ICAI (2013) avows that cost reduction entails an effort towards improvement aimed at achieving a real and permanent reduction in total cost. It means reducing waste, reducing expenses whilst production remains constant or increases. Cost reduction is not concerned with maintenance of performance according to the standards; rather it assumes the existence of concealed potential savings in the standards or norms which are, therefore subjected to a constant challenge with a view to improvement by bringing out the saving (ICAI, 2013).

2.6 Discussion of existing models/frameworks and key concepts and areas
2.6.1 Model for Cost Reduction

Mpwanya and Heerder (2017) came up with a model on how to effectively achieve cost reduction. The first port of call is to recognize the cost drivers, and this will enable identification of areas of cost reduction which will then be acted upon. The relationship between cost drivers, areas for cost reduction and cost reduction implementation is indicated overleaf:
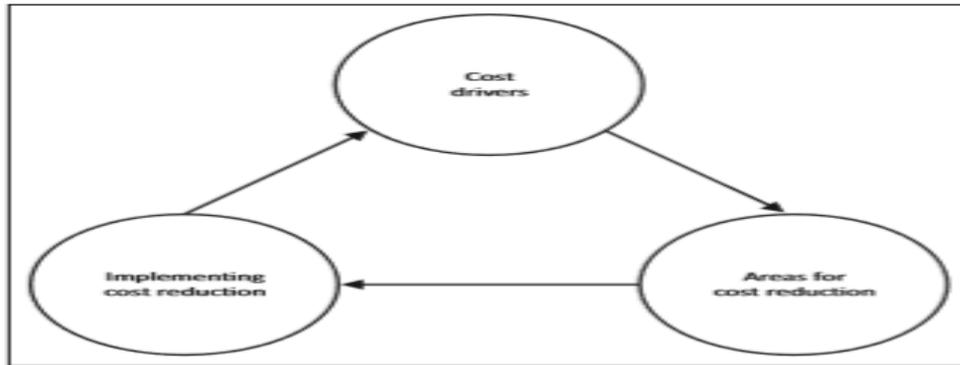
Figure 2.2 Cost reduction model

Source: Mpwanya and Heerder (2017)

Cost drivers

Mpwanya and Heerder (2017) argues that to achieve their organisational goals, companies perform a set of activities and processes that generate costs. Failure to better appreciate these costs could result in a waste of resources and in high-input costs within the company. Accordingly, it is important to first put in place a cost control apparatus that would identify and manage all the cost drivers of companies. For an entity to be profitable, management must have a clear and thorough understanding of all the factors that drive and affects the profit.

Costs is one of the factors that is very crucial (Adeleke, 2014). Akeem (2017), suggested that, understanding the type of cost incurred by an organization is very important, are the costs under consideration fixed or variable, product or period? What are the drivers of those costs? From who were purchases made? When were purchases made? This is, generically, sometimes referred to as "spend analysis. Jim (2015) supported this by saying that for any organization to implement an effective cost management system, it must first identify exactly where its revenue comes from and it must identify specific costs incurred to produce its revenue stream. Finally, it must identify overhead costs and costs not directly linked to revenue generation (Jim, 2015).

According to a study by Chigumira, Arocha and Sibanda (2014) in their research on cost driver analysis in Zimbabwe commissioned by Zeparu (Zimbabwe Economic Policy Analysis and Research Unit), observed that the main cost drivers affecting growth and competitiveness in Zimbabwe were labour, power, water, finance, transport and logistics, tariffs and trade taxes as well as information communication technology. Although this research was conducted on a

global level, valuable lessons can be drawn by small to medium enterprises on how best they can manage costs to ensure their survival and ultimate profitability.

Labour

Zeparu observed that minimum wage levels indicate high labour costs in Zimbabwe and also large increases that do not appear to be justified by economic growth or productivity. Their recommendation was that wage increases need to be tied to productivity levels for the country to remain competitive. There should be mechanisms on which wage increases are set as the current labour code and practices translate into salary increases expected and upheld by law for all employees regardless of performance and productivity. Companies should also be able to alter their staff compliments without incurring hefty redundancy costs. The study noted that the financial implication of retrenching for Zimbabwean companies was not allowing them to reduce their excess labour to regain competitiveness, essentially leaving them in an uncompetitive gap.

Power

Demand for electricity exceeds supply and companies are experiencing load shedding. Alternative power sources like generators and solar have proved to be expensive, Small to medium firms are the hardest hit for they do not possess the muscle of shield themselves from these power challenges. Also, under power, there is the issue of water. Zeparu noted that the current pricing model in use was insensitive to water intensive industries and affordability by consumers

Finance

Zeparu observed that, on average, Zimbabwean firms borrowing costs (at an average of 28% in 2013) were twice to three times the levels observed in the region. The costs of finance go beyond high interest rate as firms are unable or unwilling to demand capital to achieve economies of scale, to purchase inputs when prices are convenient, to reduce unutilised labour due to high redundancy costs or to finance investments in much needed plant and equipment improvements thereby placing Zimbabwean firms at a competitive disadvantage. An improvement in the risk profile of the country would attract the much needed capital which would help reduce these finance costs. Likewise, an improvement in the risk profile of the firm can help attract cheap sources of capital.

Transport and logistics

Poor road infrastructure contributes to higher transportation costs. Though rail freight is about 40% cheaper, unpredictable delivery times and the poor maintenance of the network restricts its uses. Expressed as a percentage of freight vale, Zimbabwean businesses can expect to pay 18.8% to export and a staggering 28.8% of freight value when importing, including documents preparation, customs clearance and control, port and terminal handling and inland transportation. These comparative figures place Zimbabwean businesses between 3 and 5 percentage point disadvantage vis a vis Botswana and Zambia when exporting and more than 10 percentage points when importing. Beyond transportation, importing and exporting in Zimbabwe is subject to red tape, excessive and opaque processes, overregulation and importantly multiple physical inspections and all these negatively impact on the cost of trading Zeparu noted that a review of import and export licenses eying their elimination and facilitating compliance for those remaining, expanding risk based inspections, introducing a trusted trade program among others are highly recommended trade facilitation measures.

Tariffs and trade taxes

Zeparu noted that the tariff policy in Zimbabwe is significantly placing producers and exporters at a significant competitive disadvantage with figures being twice as high as the average of neighbours and this can be eliminated or reduced by removing import surtax and reducing tariff levels at least to those observed in the region. There is need for broader regulatory reform of existing regulations and introduction of regulatory quality across government agencies.

Information communication technology

Zeparu noted that infrastructure development can improve access to ICT in certain segments (broadband, fixed-telephony) and reduce the cost of service. Limited completion in the sector, with Econet being the dominant player and pace setter should result in the regulator being able to investigate and monitor any abuse of market power. The policy of infrastructure sharing should eliminate duplication of infrastructure and help to direct resources to building a more efficient service and to serve uncovered areas.

Area for cost reduction

Mpwanya and Heerder (2017) pointed out that the identification of cost drivers should be followed by the identification of opportunities or possible areas for cost elimination or reduction because cost reduction efforts are related to the control of cost drivers for each

activity performed. A sober analysis of cost drivers can lead to better understanding of areas that can be worked on to reduce the costs. Akeem (2017) suggested that for an organization to ensure survival and more profit growth, there is need to control and reduce cost to an acceptable limit. In order to make cost control a success, there is need for organization to apply cost control and cost reduction scheme in their operations. Workers should be motivated to achieve the desired goals and objectives, the absence of behaviour control such as motivation and incentives affect the success of cost control (Akeem, 2017).

Implementation cost reduction

The climax of any process of re-engineering should be the implementation of cost reduction efforts, as all identified processes with high costs are either eliminated or reduced (Mpwanya and Heeder, 2017). Cost reduction is neither a one-time activity nor a linear process, but an ongoing improvement effort.

2.7 Discussion of the key variables/dimensions

2.7.1 Cost reduction strategies

A lot of literatures have been written about the methods of cost reduction. According to John, Brierley, Cowton & Colin (2007), cost reduction can be achieved through several approaches. These includes managing raw material and inventory costs, manufacturing costs, labour costs, finance costs, marketing costs, R & D Costs and general administrative costs. However, there are some popular approaches, like elimination in the form of nonessential, non-value adding activities and modification of manufacturing activity. In short, through in depth analysis, the best and least cost path is adopted for each activity. Cost reduction strategies assists organization match its capabilities with opportunities in the marketplace to accomplish its objectives (Brierley et al. 2007) The cost reduction measure identified include inter alia the following:

Reducing Labour costs

Pratap (2019) introduced other important examples of reducing costs. These included decreasing the workforce through employee attrition, leasing rather than purchasing equipment, extending the life of machinery eliminating elaborate promotional activities, laying off employees, dropping items from a production line and discontinuing low margin customers. The term employee turnover underwent a change during the last quarter of the 20th century to be rechristened as employee attrition which means the process or state of being gradually worn

down (Pearce II & Robinson Jr, 2011) cited in Akeem (2017). The attrition process starts after a person is employed in an organization and ends when he quits or retires. The process spreads over the entire period of employment although in the modern day firms and employment relations attrition is often not a gradual process. It is often abrupt, quick, sudden, and sometimes dramatic especially because of the tight labor market conditions where employers compete with one another to employ people considered to be suitable to the jobs they have in their organizations.

Employee involvement in the cost reduction process

Kinney and Raiborn (2011) highlighted that employees should be educated in cost control issues and they must be encouraged to suggest ways to control costs, and motivated to embrace cost control concepts. Incentives can range from simple verbal recognition to monetary rewards to time off with pay. Managers must also be flexible enough to allow for changes from the current method of operation (Harvie, 2007). Jim (2015) supported this by saying that, employees should be involved in decisions relating to cost control and there is need for them to understand the company's objectives and have accurate cost information.

Requesting input from the employees will not only enable the management to have a better understanding, but rather it will give employees more incentive to become involved. Organizations that actively request suggestions from their employees will undoubtedly improve and have better ways to control cost effectively (Jim, 2015).

Economies of scale

Jonson and Scholes (2007) pointed out sources of strategies that could be used to achieve low cost position in an organization such as, the economies of scale, were the reduction in unit costs occurs as result of increase in total number of units produced per period. Economies of scope is achieved through spreading of costs across many different products produced by one company. Gains from experience results in reduction in units cost as result of cumulative number of units produced during the lifetime of the business increases.

Kachember (2011) concurred to the sources of cost efficiency that are, economies of scale, supply costs, product and process design and experience. Relatively lower input costs achieved through use of lower-cost inputs in the form of raw materials and components, finance, information and people. Product and process innovations leading to changes in business

processes that results in reduced cost. Collaboration also lead to spreading of the cost with other organizations including the corporation of which the business is a part.

Networking

Moore (2006) states that networks are essential in business. It can increase demand and increase volume. Involvement of networking in business contributes to business continuity, (Miller et al 2012). Networking is when entrepreneurs or owners of business build relationships with other individuals who surrounds them (Miller et al. 2012). This process allows these individuals to share various details, processes and information that contribute a positive business performance. Networking helps SMEs to engage in ideas and best practices which help them to diversify, move up their value chain, be more innovative, become more productive and generate decent jobs.

In addition, it will also be an opportunity for the business to find new partnership, tap into new markets and meet potential investments. Networks are essential in business. It can increase demand and increase volume. Involvement of networking in business contributes to business continuity, (Miller et al 2012). This process allows these individuals to share various details, processes and information that contribute a positive business performance.

Transport and logistics

Transportation is the largest component of total logistics costs. This has increased very significantly to the point that companies are starting to define improvement initiatives to reduce costs. Several approaches have been developed and applied to achieve such an objective. However, the general approach suggested by Floyd and McManus., (2019) and Moore (2006) proposes four stages that integrate most of the most important schemes developed. According to Moore (2006), the evolution of freight cost reduction has gone through the following stages; Negotiation of prices; streamlining operations, improving communication with carriers and; optimizing routes.

Eliminating unnecessary transportation can be achieved increasing transport efficiency. Original work on lean transportation was developed by Villarreal (2012). The authors suggest the application of efficiency measures called Overall Vehicle Effectiveness (OVE) and Total Overall Vehicle Effectiveness (TOVE) and the identification of specific transportation wastes.

Further work developed by Villarreal et al., (2016 a,b) provide general schemes to improve transport efficiency through waste elimination in truck transportation. Methodologies for waste elimination in the areas of railroad transportation and airline operations have been developed by Lehman et al., (2010) respectively. The third stage includes communication based initiatives such as centralizing dispatch operations (Moore et al., 2006), electronic communication of daily requirements, Collaborative Transportation Management (CTM) (Ergun et al., 2007a), and the like. Mpwanya and Heeder (2017) conceptualizes CTM as a holistic process that integrates supply chain parties and transport suppliers for the purpose of improving performance by eliminating inefficiencies. An important requirement to enable it is the implementation of information technology for real time data gathering and decision making

Strategic Procurement

There is an increased use of technology hence many companies are now using various methods to source resources (Lehman et al.,2010). Some are using the internet to source raw materials. Developing good relations with suppliers such that they become business partners enabling employment of strategies like just in time.

Marketing strategy

A company's marketing strategy is vital in determining a firm's ability to survive. Abonyi (2003) asserts that it is crucial to find different ways that helps SMEs to grow and develop effectively as SMEs comprise over 90 percent of all enterprises in the world and provide the backbone of the private sector in economies. Mohd (2012) held that marketing is regarded as one of the organisational resources, which allows entrepreneurs to communicate and inform potential customers about their products or services. Mold (2012) further articulates that in a turbulent environment SMEs can use cheaper marketing methods such use of social media and word of mouth for their survival. Thus, effective marketing encompasses one-on-one communication skills and the ability of entrepreneurs to define and target their markets.

Reducing costs through Information technology

Information and communication technologies are indispensable to the operation of the core routines of organizations (Doern, 2015). SMEs generally have an adhoc approach to IT management, and therefore seldom have a defined IT budget or an explicit IT plan or strategy (Barbole et al, 2013). Investments in technology are often driven by the owner, rather than by any formal cost-benefit or strategic analysis. For making investment in information and

communication technologies, SMEs should seek accredited advisors to ensure success (Phil, 2009).

Business executives of SMEs must regard IT as a strategic resource (Floyd and McManus, 2005). SMEs can get Competitive advantage by having integrated information systems (Arocha et al, 2014). AMS based on IT applications such as CAD/CAM, EDI, and MRPII help in strategic development and growth of SMEs. Business applications such as EDI enhance SMEs SCM and collaboration capabilities within networks (Jim, 2015). IT has both indirect and a direct effect on performance. According to Pratap (2019), IT has become an important part of the manufacturing strategy for SMEs. Manufacturing performance of SMEs can be improved as a consequence of the use of the most appropriate IT tools without any major changes in business practices, manufacturing operations or the production facilities (Reeves and Demler, 2009) The traditional cost reduction employ the new technology approach with the aim of replacing direct labor costs with technology that can increase operating efficiency and reduce influence of labor unions (Parnell et al, 2015). The challenge that will be faced by firms on this route is lack of money to finance capital projects. Lean and mean is the other approach where firms apply tough policies and controls to reduce the number of employees, where an across-the board cost cuts through layoffs and reduction in pay and benefits is used.

Tax incentives

Tax incentives theory UNCTAD (2013) defines tax incentives as instruments that reduce the tax burden of any party in order to induce them to invest in particular projects or sectors. They are exceptions to the general tax regime and may include, reduced tax rates on profits, tax holidays, accounting rules that allow accelerated depreciation and loss carry forwards for tax purposes, and reduced tariffs on imported equipment, components, and raw materials, or increased tariffs to protect the domestic market. Tax expenditures refer to revenue losses that a government incurs by providing tax exemptions, deductions or allowances, tax credits, preferential tax rates or deferral of tax payments legally to any party in the economy (Gravelle, 2013). The budget deficit of a government is a form of a negative saving and a reduction in the deficit can positively influence the net national savings more than any feasible changes in tax policies and encourage savings within an economy which will then stimulate investments. Keen (2013) defines tax incentives as all measures and strategies which provide for more favourable tax treatment to a certain activities or sector, and he went on to describe the following typical tax incentives that can lead to cost reduction (1) Tax holidays: is defined as the temporal

exemption of business investment from certain specified taxes, typically at least corporate income tax.

Partial tax holidays offer the reduced obligations rather than full exemption. (2) Special zones: are placed in geographically limited areas where qualified companies can locate and hence benefit from the exemption of various scopes of taxes or administrative requirements. (3) Investment tax credit: this is the deduction of some fraction of an investment from the tax liability (4) Investments allowance/Accelerated depreciation: is the deduction of some fraction of an investment from taxable profits (in addition to depreciation). (5) Reduced tax rates/Preferential tax rates: are the reductions in a tax rate, specifically the corporate income tax rate. (6) Exemptions from various taxes: are the exemptions from certain taxes, most of the time those collected at the border such as tariffs, excises and VAT on imported inputs. (7) Financing incentives are the reductions in tax rates for the funds" providers for example: the reduced withholding taxes on dividends. (8) Loss carried forward: when the business makes a loss, the loss can be carried forward to offset the future profits of the business (Kinney and Raibon, 2011).

Outsourcing

According to Harvie (2007) outsourcing is promoted as one of the most powerful trends in human resources management. The rationale for outsourcing enables small businesses to develop a closer relationship with supplier, an increased ability to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels. The intention of using outsourcing is to ensure that expected costs of an activity would be reduced in comparison to the costs incurred in the use of the company internal capacity (Zindiye, 2012) When comparing the outsourcing effectiveness to process implementation, it is necessary to consider all costs that are related. Therefore, it is very important to identify and quantify the outsourcing costs.

Doern (2010) divided outsourcing cost into these groups:
- The cost of selecting a vendor – with any outsourced service, the expense of selecting a service provider can vary from 1-10% in addition to annual cost of the deal. These costs include documenting requirements, collecting, analyzing and valuating process, travel expenses, opportunity cost of work, and others.

- The cost of transition – this stage takes from three months up to a year. It is expected to spend additional 2-3% of this cost. It includes communication cost, outplacement and retention bonuses, legal contract fees and technical cost for new interfaces.

- The hidden cost of transition – this category includes 3-5% of the cost of layoffs, language and cultural differences can cost extra 3-27%.

- The cost of rump-up (ensuring quality of processes) with the help of software solutions cost 1-10%.

2.7.2 SME Survival

Lekhanya (2016) notes that an enterprise's survival should always be observed over two consecutive years. For example, an enterprise that came into being in year xx should be considered as having survived to xx + 2, only if it was also active in year xx + 1, and so on. Therefore, survivals from a survival year to the following year should be identified in the same manner as survivals from a birth year to the following one. SME survival refers to the years of business operation, availability of future plans and diversity of product/service range (Lynch, 2014).

2.7.3 Impact of cost reduction techniques on survival of SMEs

According to Reeves and Demler (2009), in cases of downturn of organisations, management might seek to protect organisation through the process of cost reduction. The author further mentioned that organisation may implement effective cost reduction techniques if the organization's resources are healthy, they would facilitate increased survival. Doern (2015) mentioned that planning for survival might be associated with risk, but if survival takes more time is might not be competitively advantageous. The author further mentioned that the focus on cost reduction in downturn would drive away long term superior performance. According to KPMG (2009), proper implementation of cost reduction techniques results in good results which may facilitate the survival of organisations.

Akeem (2017) argued that an attempt to cut cost and still be competitive is advantageous if the investor does not detect or notice the reason for reducing costs. McCormick (2010) stipulates that most organisations are focusing on cost reduction as a strategy of driving growth rather than as a strategy for survival. It is of paramount importance to ensure that they are enough finances to carter for the short term forecast for the strategies to be implemented. If not the case

the organisation might be faced with urgent cost cutting strategies which might be unsustainable for the entity.

Doern (2015), identified employee benefits as the second largest expense in organisations. And that the reduction in employees would result in more short term expenses. These expenses include termination benefits. The organisation should have the funds to pay for the termination expenses, to secure the survival of the organisation. However, termination might result in reduced wage bill in the future which is advantageous to the organisation and hence increases the chances of survival in the future.

McCormick (2010), highlighted that a cost reduction strategy which is not suitable for the business would reduce the chances of survival. An inappropriate cost reduction strategy may damage the survival of the organisation, moreover for organisations seeking to survive they are avoiding cost reduction techniques which are not favorable to the regulatory laws of health and others that might require an effective cost structure.

Phil (2009) postulates that a well-planned cost reduction technique will enable the organisation to be competitive in the market. Cost reduction techniques assist the organisation in difficult times to enable future growth of the organisation. Savings from cost reduction enable the organisation to reallocate the savings to most profitable activities. KPMG (2009) stipulated that effective cost reduction within the organisation can be achieved if the organisation is aware of the driver of costs.

2.8 Literature synthesis & conceptual framework/model

Akeem (2017) study on the effect of cost control and cost reduction techniques in organizational performance, findings revealed that there is a direct relationship between cost reduction and profit. Thus, the study concluded that for an organization to ensure more profit growth, there is need to control and reduce cost to an acceptable limit. A descriptive survey research was adopted. Questionnaires were used as research instruments.

The case of Walmart

According to Pratap (2019), Walmart has continued to retain the top position on the Fortune 500 list consecutively for several years. The brand's growth is driven mainly by its 'everyday low prices' strategy. At the core of Walmart's business model is price leadership. This price

leadership can be achieved if an organisation embarks on a cost minimisation drive which encompasses cost reduction and cost control, Pratap (2019) notes that the cornerstone of Walmart's business strategy is its everyday low prices. He further explains that the millennial customers are interested in three things, convenience, low prices and product quality.

Egbunike and Adeniyi (2017) undertook a study on cost Reduction Strategy and Firm Profitability during Recession Period in the Nigerian Banking Industry Experience. The study focused on the he influences of downsizing of staff and reduction of staff salary on bank profitability. The specific objective was to ascertain the influence of downsizing of employees and reduction of staff salary on return on asset. Survey design was used for the study. Purposive sampling technique was used to select the sample frame from first generation of banks that are licensed with international authorization in Nigeria. The study found that there is negative relationship between downsizing of employee, reduction of staff salary and profitability. It was discovered that the period after banks downsize their employee, bank performance was at its lowest. It was recommended that banks can reduce their employee salary instead of laying them off. Then, salary increment can be done when the financial performance is improving.

According to a research conducted in India by Barbole (2013) on the 'Impact of cost control and cost reduction techniques on manufacturing sector' using secondary data such as books, online articles and descriptive statistic, it was observed that for a business enterprise to survive, grow, and prosper, cost control and cost reduction are the activities necessary for ensuring objectives are fulfilled. The researchers further highlighted that, with the liberalization of the Indian Economy and Globalization, there was now cut-throat competition from various corners of the world. This has now increased the importance of cost control as a survival technique. They further explained different tools and techniques used for cost control and cost reduction and analysed the changes in component cost after implementing the various techniques. The researcher's study is limited to material cost; it does not cover other overhead such as salary, marketing and distribution expenses etc. The study therefore recommends that value engineering; quality control and budgetary control should be used for the purpose of cost control and cost reduction in production plant.

Siyanbola and Raji (2013) conducted a study on the impact of cost control on manufacturing industries profitability. The study focused on West African Portland Cement Plc (WAPCO)

using budget as a tool for cost control. The study discovered that cost control has positive impact on business profitability.

Oyewo (2013), conducted a study on the impact of ''strategic cost management as a recession survival tool in the Nigerian manufacturing and financial service industries''. The study used questionnaires for collecting the data from targeted 280 respondents, out of which 212 were completed and returned from both manufacturing and financial sectors and the collected data where analysis using the Mann-Whitney test. The objectives of the research was to determine whether strategic cost management (SCM) techniques are practically used by Nigerian companies and the extent of their utilization particularly in the Nigerian manufacturing and financial services industries.

The study revealed that survival of businesses in recessionary times dependent on managing cost strategically and the SCM techniques was more feasible, applicable and implemented in Nigeria manufacturing industry than in financial service industry because of the predominant application of SCN to manufacturing concerns and, product tangibility of the two industries. The author recommended more researches in SCM be done in other industries apart from manufacturing industries in order to demonstrate that management accounting can be applied with resounding success in any industry and country. The Nigeria government should formulate more policies that create enabling environment to promote higher adoption of SCM.

The empirical literature was not articulating the cost reduction strategies in SMEs. Studies were carried out in big manufacturing companies Cost reduction strategies have been successfully implemented in large organisations, but little has been shown for smaller organisations (Akeem, 2017). Moreover, the researcher is not aware of any researches carried out in Zimbabwe on the cost reduction strategies and the survival of SMEs. Therefore, this study stands to fill the gap.

A conceptual framework for this research is therefore highlighted overleaf.

2.8.1 The conceptual framework for this study

The study is based on the conceptual framework below whereby cost reduction strategies will be the independent variable affecting the dependent variable which in this case is SME survival and ultimate profitability.
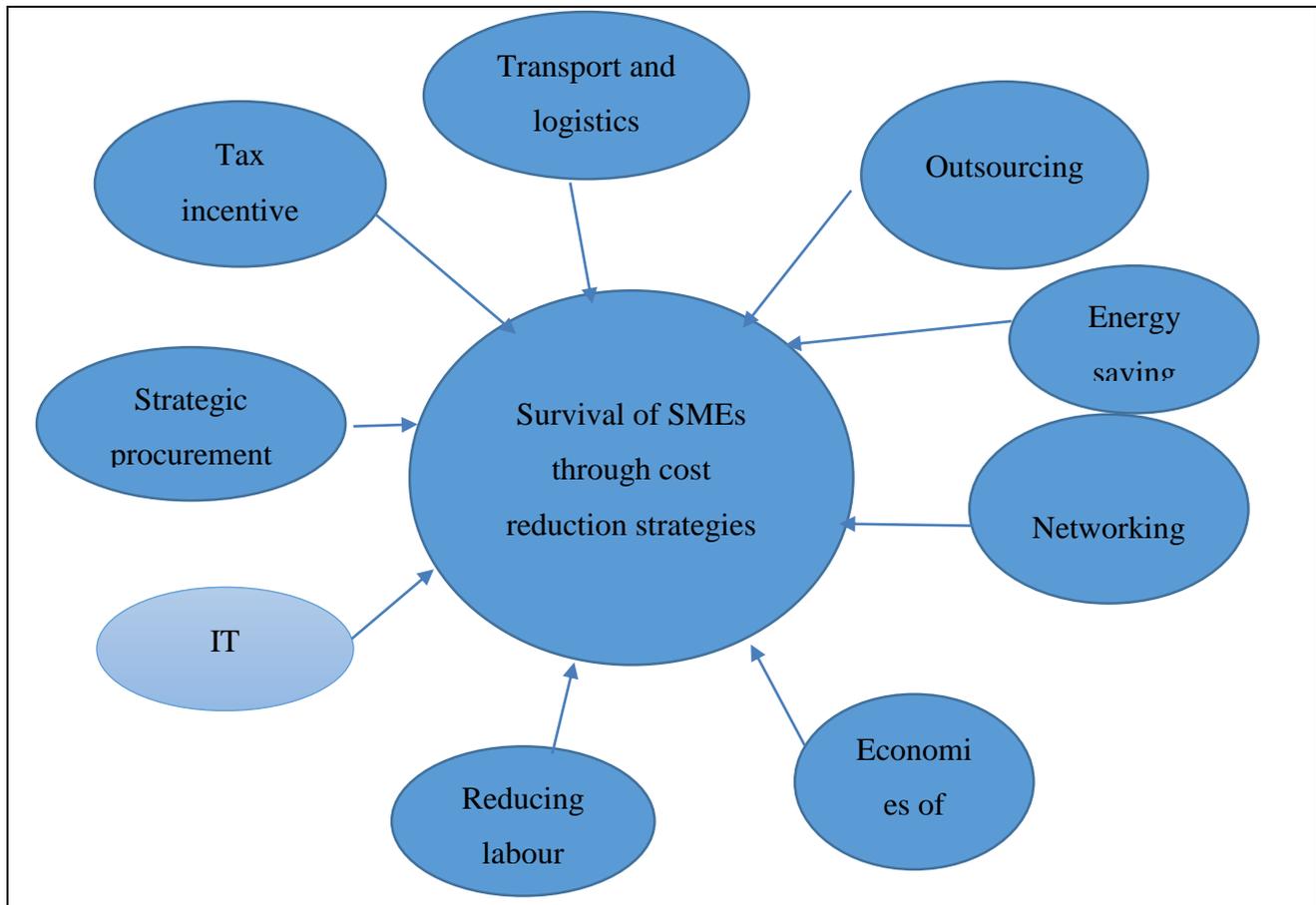
 Figure 2.3: Conceptual framework

2.9 Chapter Summary

The purpose of this chapter was to bring together as one piece of information other scholarly material concerning cost reduction strategies and their association with survival. The researcher looked at the objective of cost reduction, the requirements needed to ensure an effective cost reduction system, examined cost reduction techniques that are involved in the cost control process and the effects of implementing weak cost control techniques. The next chapter presents research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The previous chapter reviewed literature on fostering SME survival through cost reduction. This chapter covers methodology used in the research. Saunders et al (2009) contend that research itself requires a systematic approach to finding answers to research problems. This chapter describes the research design and justifies the research philosophy, research strategy, population and sampling size involved, sampling method, data sources and collection, data analysis and the ethical considerations involved in this study. Knox (2004) allude that the researcher is expected to explain, justify and align the research philosophy to the research strategy chosen for any research work they are involved in.

3.2 Recap of Research Aim, Main Objective, Major Question and Hypothesis

The aim of the study was to analyse the relationship between the cost reduction strategies and survival of SMES. The main objective of this study was to analyse how to foster SME survival through adoption of cost reduction strategies obtaining evidence from SME's in Harare. The major research question of this study was "What are cost reduction strategies that can be adopted by SME's to foster their survival?

The research hypothesis that;

H1: There is a positive relationship between cost reduction strategies and survival of SMEs.

The research questions were answered in chapter four and the hypotheses were tested to either accept or reject hypotheses. The findings were compared with theory and findings of previous studies.

3.3 Research Design

Yin (2003) asserts that research design is the logical order that connects the empirical data to the study's initial research questions and ultimately to its conclusions. It is the tool that guides the researcher in the process of collecting, analysing and interpreting observations, allowing the researcher to draw inferences concerning causal relations among the variables under investigation. The research design is the investigators overall strategy for answering the research question (Zikmund, 2003). Saunders et al. (2009) indicate that various types of designs

have different strengths and weakness, and some are better for answering some types of questions than others. The common research designs highlighted by Murray (2015) are explanatory, descriptive and exploratory designs. A descriptive research attempts to systematically describe a situation, problem, phenomenon, service or program, or describes attitudes towards an issue. An exploratory research helps in the understanding of the problem and it tackles new problems with which there are no previous studies or where little research has been done. Hence, exploratory research is done in order to provide better understanding of the situation under study but however, not coming up with the conclusive answers to the problems. Exploratory design is usually used when the research problem is in the preliminary stage and when the topic is new, and it is usually performed through literature search and in depth interviews.

Explanatory research seeks to investigate the cause-and-effect relationships between variables under study and the researcher had to test hypotheses of the study to establish the relationship between variables. The main aim of explanatory research is to confirm or disconfirm theory and variables are clearly defined (Visagie, 2010). This is achieved by using quantitative data. This study adopted an explanatory research design to explain the cost reduction strategies which foster SMEs survival and to establish the association of these strategies with SME survival. Quantitative data was collected using structured questionnaires through a survey done on SMEs in Harare. The study sought to test hypotheses in order to analyse the relationship hence explanatory research design was the most suitable for this study.

3.3.1 Research Philosophy

Research philosophy relates to how knowledge is developed based on how one views the world (Saunders et al. 2009). Approaches to research are based on the sum total of the researcher's beliefs, norms, values and assumptions about the world (Cooper & Schindler, 2008). There are four main categories of research philosophies namely positivism, realism, interpretivism and pragmatism. Interpretivists sees the world through different eyes of the people being studied and allows them multiple perspectives of reality rather than just the one reality as offered in the positivist domain. This system maintains that knowledge is about description rather than questioning.

Positivists recognise only positive facts and observable events, that is, those things that can be seen, measured and be counted as facts. Positivism takes little account of beliefs or feelings. This research study was based on the positivism philosophy because it sought to establish cause and effect relationships between the independent variables (cost reduction strategies) and the dependent variable (SMEs survival).

According to Saunders et al. (2009), positivism is a statement about the power of science and of rational thought to comprehend and manipulate the world. Saunders et al. (2009) argue that positivism stems from a movement that rejected the metaphysical and subjective ideas and was interested only in the tangible. Positivism holds that an accurate and value-free knowledge of things is possible. However, positivism's emphasis on the study of tangible human activity such as behaviours and speech limit its application on the intangible or motivation of those externals.

The positivism approach was considered the most appropriate for this study because the variables considered in the study are of a quantitative nature and can be factually measured. In addition, the research is considering the cause and effect relationship between independent and dependant variables. The positivist approach is deductive and seeks to explain causal relationship between variables (Saunders et al. 2009). Positivist philosophy was also appropriate because the sample size was large, the aim of the study was to explain and recognize the statistical associations between variables under study and data was collected using a structured survey questionnaire.

The assumptions available for research are epistemological, ontological assumptions, and axiological assumptions Saunders et al. (2009). For this study an objectively ontological view was held because the researcher wanted to generalize the findings to the SMEs, hence the belief of the researcher about the nature of reality that there is one truth or reality pertaining the impact of cost reduction on SMEs survival.

According to Saunders et al (2009), axiology is a branch of philosophy that studies judgments about value. Although this may include values possessed in the fields of aesthetics and ethics, it is the process of social enquiry with which people are concerned. The role that one's own values play in all stages of the research process is of great importance if a researcher wishes

their research results to be credible. The research had no close interactions with the participants, and the questions asked were not sensitive. The respondents were encouraged to be anonymous.

3.3.2 Research Approach

Research approach refers to the approach or the methodology that has been adopted to conduct the research (Burney, 2008). It basically involves the selection of research questions, the conceptual framework that has to be adopted, the selection of appropriate research method such as primary research and secondary research. The research approaches are inductive and deductive (Saunders et al., 2009).

An inductive approach is concerned with the generation of new theory emerging from the data. The data collection involves the collection of much more detailed information from few informants. Deductive approach tests the validity of assumptions (or theories/hypotheses) in hand. A deductive approach usually begins with a hypothesis. This research sought to test the hypothesis that, there is a positive relationship between cost reduction strategies. Deductive approaches are more commonly associated with quantitative research. A large sample was used for this study. The deductive research approach was most suitable for this study since it adopted positivist philosophy and quantitative research methods.

The pre-determined hypotheses were tested, as the data collected from the survey was statistically analyzed so as to examine and quantify the relationships between the research variables. Since quantitative research is deductive in nature and it tests theoretical hypotheses to contribute to the scientific knowledge, the deductive approach was adopted for this study

3.3.3 Research Strategy

A research strategy refers to a general orientation to the conduct of social research (Bryman et al., 2011). Burney (2008) defined research method as *"the theory of methods"* the way through which a researcher makes sense of the object of inquiry. Saunders *et al.* (2009) pointed out eight research strategies namely, experiment; survey; case study; grounded theory; ethnography; action research; cross-sectional and longitudinal studies; and exploratory, descriptive and explanatory studies. Each of these strategies have peculiar advantages and disadvantages depending on three conditions which are:

- the type of research question

- the control the investigator has over actual behavioral events and

- the focus on contemporary as opposed to historical phenomena

Saunders et al. (2009) assert that the research strategy is the procedure of how the researcher responds to the research questions and argue that while some strategies are suited to either deductive or inductive methods, there is not one strategy that is more superior to the others and more importantly, they are not mutually exclusive. The application of these methods is dependent on the type of questions (what, why, how) that are meant to be answered in the research.

In this study a survey method was adopted. O'Leary (2005) defines a survey as the organised collection of raw data in a structured questionnaire and responses from a sample of respondents. Saunders et al. (2009) state that the survey method is a popular and common strategy in business and management research and is most frequently used to answer who, what, where, how much and how many types of questions and it is also associated with the deductive approach. Its advantages are that surveys are popular and allow for the economic collection of large amounts of data from a sizeable population and this also justifies the selection of the survey strategy in conducting this research.

A standardized questionnaire was used to collect information about peoples' behavior, preferences and thoughts in a systematic manner. Survey research involves the use of a standardized questionnaire or interview to collect information about people's behaviour, preferences and thoughts in a systematic manner. The study used self-administered and online-administered survey as a way of enhancing the response rate. This study used questionnaires because they were appropriate for collecting quantitative data required in a survey. Through surveys, quantitative data can be analysed using various statistical techniques. Survey allows data to be collected from a large sample in a cheaper way. Survey allowed the collection of data from SMEs owner managers and supervisors. The data can be analysed quantitatively using descriptive and inferential statistics and that was the case in this study.

3.4 Methods of Data Collection

There are two main types of data sources namely, primary and secondary. According to Creswell (2012) data can be collected using secondary or primary. Secondary data is the data

collected by a party not connected to the research study but collected these data for some other purpose and at different time in the past. If the researcher uses these data, then these become secondary data for the current users. These may be available in written, typed or in electronic forms. A variety of secondary information sources was available to the researcher gathering data on the impact of cost reduction strategies on survival of SMEs. Secondary data was not gathered for this research since there was no relevant information from secondary sources for this study.

This research made use of primary data. This is data expressly collected for the purpose at hand. It is gathered directly from the elements of the population. Its advantage is that the particular information sought is obtained. Primary data on the variables under study were collected through the use of structured questionnaire distributed to the carefully selected sample respondents that were made up of people who have knowledge in the subject area of cost reduction and survival of SMEs. The sample elements were those charged with governance in the SMEs and possessed relevant experience in the field. The choice of this type of data was based on the fact that it was essential to get first-hand information from personnel that deal with the issue of strategy in their day to day operation.

3.5 Research Instrument

Table 3.1 below lists the possible data collection techniques that are available in undertaking a research study.

Table 3.1 Data Collection Techniques

	Exploratory research Unstructured	←————————→	Survey research Structured
Interviews	In-depth and open	Critical incidents	Interviewer keeps to a script and there are answer options
Panels	Focus groups		Delphi technique
Questionnaire	Lots of white space on the page		Tick boxes
Observation	Keeping a research diary	Checklists and categories	Completing an observation schedule Activity sampling
Documentary	Rhetorical analysis		Statistical analysis of themes

Source: Fischer (2010:p175)

A questionnaire was the primary data collection instrument used in the study. The questionnaire was used because it is cost effective. In this study the questionnaires were distributed to the recipients mainly via e-mail and this allowed for easier access to a wider audience of targeted respondents. One of the advantages of using questionnaires is that the responses are usually well thought out because of the ample time that respondents get to fill them out. The respondents were given two weeks to fill in the questionnaire. The use of the questionnaire was also primarily motivated by that the questionnaires addressed the specific research questions in this study.

3.5.1 Questionnaire development

The questionnaire structured into three sections. The first section provided the demographic questions particularly the gender, ownership, position at work, period of work, level of education, and age of the respondents. The demographic questions helped the researcher to measure the ability of respondents to give credible and relevant answers for the study which is very important for the validity of the data. The second section provided questions that were related to the research questions of the study particularly the questions which identified the cost reduction strategies used to foster the survival of SMEs. The last section contained the questions that measure dependent variable.

A structured questionnaire was used. The closed ended questions were provided with alternative answers to choose from, to make it easier and quicker for respondents to answer. A 5 point Likert scaled questionnaire was used where Strongly Agree was rated as 5 and strongly disagree (1). Kahn and Cannell (2014) defined a Likert scale as a strategy used for ranging or measuring responses given by respondents on qualitative data, used for the analysis data analysis. The Likert scale enables easy interpretation of data. A Likert scale was used to allow respondents to select the most appropriate answer for each question presented on the questionnaires, by showing their level of agreement to a statement given.

3.5.2 Pilot testing

Knox (2004) states that questionnaires may have the disadvantage of failure by respondents to understand the questions. In light of this, a pilot test of the questionnaire was sent out to assess the questions and answers for practicability. The research instrument was pre-tested by administering the questionnaire to a limited sample of 10 respondents with good knowledge on cost reduction strategies. Their responses were analysed and areas of refinement and

clarification of research questions in the instrument were adjusted for. The respondents also tabled opinions with regards to the clarity of each question, the relevance and completeness of the variable under study and any challenges they faced in completing the questionnaire which enabled the perfection of the research instrument.

3.6 Population and Sampling Techniques

3.6.1 Target population

The target population is the actual population to which the researcher wishes to generalise (Saunders et al. 2009). The *study population* is the collective of *study units* for which the values of the variants of interest could possibly be determined. The target population for this study were the registered SMEs in Harare CBD and industrial areas.

3.6.2 Sample Size

A sample is a small part of anything designed to show attributes of the whole. A sample approximates the measurement of the whole population well enough, within acceptable limits. Fisher (2010) maintains that the size of the sample required is dependent on the size of margin of error the researcher is prepared to accept and the size of the population from which the researcher is going to take the sample from. In this study, According to SMEDCO (2018), there are approximately 2000 registered SMEs in Harare. Brick and Wood (2014), further explained that a sample population that shows a good representative for a population above 2000 should be 10% or more of the target population.

3.6.3 Sampling techniques

Sampling techniques are methods used by the researcher to derive a sample from a population. Zikmund (2013) defines sampling as a process of selecting representative subset of observations from a population to determine the characteristics of the random variable under investigation. Sampling is classified into two basic methods which are probability and non-probability sampling (Saunders et al. 2009).

For this study, the researcher used the probability sampling because of its representative nature of the sample population to the target population which increases the credibility of the results and reduces bias of results because of its randomness. A simple random sampling method was used to select individual SMEs. The researcher chose simple random sampling so as to give each individual SME equal chance of being selected, hence eliminating bias. This method also

allows the use of inferential statistics that permits generalizability of findings to a bigger population

3.7 Questionnaire administration

The researcher used a self-administered structured survey questionnaire to gather data from targeted respondents. With the help of enumerators, the researcher self-administered the questionnaires to the SMEs owner managers and supervisors during working hours.

Table 3.7 shows the distribution of the research questionnaire to different sectors in SMEs

Table 3.2: Distribution of Self-Administered Research Questionnaires

Respondents	Electronic Questionnaires (E-mailed)
Transport	30
Retail	50
Clothing and Textiles	20
Manufacturing	40
Financial Services	10
Construction	40
Electronics	10
Total	**200**

Obtaining responses from sample elements is one of the issues considered challenging in data collection process. There is a risk of low response rate which would have a negative impact on the success of the research process. The researcher collected the data right on delivery of the questionnaire because follow up was going to be difficult in areas such as Mbare Magaba and Siyaso. Those who were busy were given two weeks to complete the questionnaire with follow ups done in an effort to increase the response rate. Follow up were done after end of week one.

3.8 Data Analysis, Gathering and Processes

Data analysis is a process of analysing the collected data, screening responses for anomalies, and organising data with the aim of revealing valuable information and coming to logical conclusions for decision making (Zigmund, 2013).

The Statistical Package for Social Sciences (SPSS) Windows was used to analyse data in this study. The questionnaire had questions formatted on a five-point Likert-type scale. The data were first examined using descriptive statistics to identify the frequency distributions. The Kolmogrorov-Smirnov and Shapiro Wilk test of normality was carried out to ascertain whether the data followed normal distribution or a non-normal distribution. Results from this test determined whether parametric or non-parametric test would be used in data analysis. Correlation analysis was used to establish the association among the factors. ANOVA technique was used to test the significance of each independent variable to the dependent variable. The Kruskal-Wallis H test was also done to establish statistical significance of respondents. For statistical significance, the significance value must be less than 0.05.

3.9 Research Limitations

The target population of this research comprised of SME managers and supervisors who have busy schedules and found it difficult to spare time to respond to the research questionnaire. Furthermore, the existence of 'Confidentiality and non-disclosure policies" in some companies made some respondents reluctant to freely respond to the questionnaire. Several follow-ups were made to ensure that the questionnaires were responded to and respondents were assured anonymity to guarantee confidentiality of the highest level.

3.10 Validity and Reliability

According to Carcary (2011), validity is the extent to which a research instrument measures what it is supposed to measure. Validity is concerned with whether the findings are really what they appear to be about. Carcary (2011) further views validity as the extent to which measurements are useful in making decisions relevant to a given purpose.

Reliability is concerned with whether alternative researchers would reveal similar information (Yin, 2014). Saunders et al (2012) asserts that reliability is the extent to which measurement can be depended on to provide consistent and unambiguous information. A reliable instrument would continue to give the same results (repeatability) that are stable and dependable.

Quantitative research is characterised by issues of validity and reliability. Reliability determines the degree of consistency of a research instrument. In this study, reliability was measured using the Cronbach's alpha which estimates reliability by determining the internal consistency of a test.

Validity assesses the measurement ability of the instrument. The questionnaire for this study was pilot tested to assess if the research instrument was indeed measuring what it is expected to measure. Construct validity was also considered. Construct validity examines how well the instrument measures the theoretical phenomenon. An instrument is said to possess construct validity when it behaves the way it has been theorised.

3.11 Ethical Considerations

Access to the relevant respondents was considered pertinent and ethical considerations were made in obtaining data from relevant respondents. The research followed ethical procedures in ensuring that participation from relevant respondents was voluntary and information from recipients was treated with high confidentiality. Permission from the SMEs owners was sought. The consent from all respondents was obtained by way of an informed cover letter explaining the purpose of the research and respondents were guaranteed of their anonymity since no personal identifiers were used and no confidential data other than the generic information such as designation and years served in current position was required.

3.12 Chapter Summary

This chapter has discussed the research design used in the study and the justification for the chosen research design. A detailed account of how the data was collected and analysed for the purpose of testing the hypothesis was highlighted. The data was collected through the use of questionnaires. The target population and sample size was explained. The next chapter focuses on data analysis, findings and discussions.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The previous chapter focused on the methodology used for data collection and analysis. The focal point of this chapter is to establish how the collected data addressed the research objectives and this was facilitated by the analysis, presentation and interpretation of the collected data using the statistical package SPSS version 20. To this end, this chapter will present response rate, descriptive analysis, reliability analysis, normality tests, factor analysis, correlations and hypothesis testing. In an endeavour to ensure clarity and simplicity, tables and graphs were used in presenting the analysis and interpretation of the collected data.

4.2 Response Rate

A total of 200 questionnaires were administred across the SMEs sector, out of 200 questionnaires, 150 questionnaires were returned, and thus a response rate of 75%. This high rate was as a result of mainly the structured questionnaires having been unwearyingly self-administered. Saunders, et al. (2007) considers a response rate of between 50% and 92% as being high and good enough to ensure validity of research findings

4.3 Descriptive Analysis

According to Cooper and Schindler (2014), it is pertinent for the researcher to understand the background statistics of the respondents as demographic data can unearth salient relationships that may be present in the data. Being cognizant of this fact, it was found imperative for this study to explore the respondents on a personal level focusing on their job position, ownership, period in the organisation and the level of education,

4.3.1 Work Position

The respondents were asked to indicate their position in the organization. The findings re indicted in the table overleaf
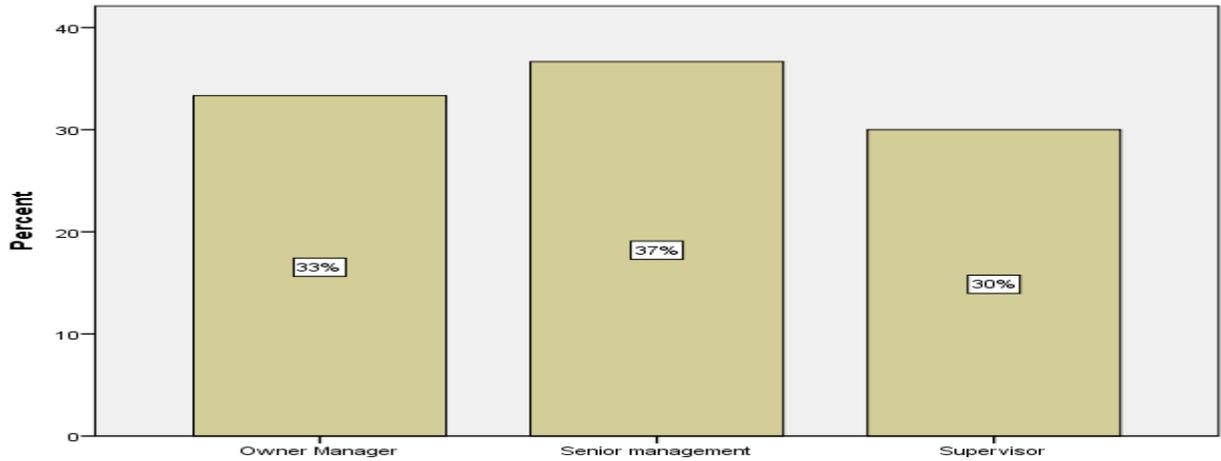
Figure 4.1: Level of management

The table indicates that 33% of the respondents were owner mangers, 37% were senior managers while 30% were supervisors.

4.3.2 Gender in Ownership

The research sought to identify ownership of the SMEs in terms of gender. The findings are indicated in the pie chart below
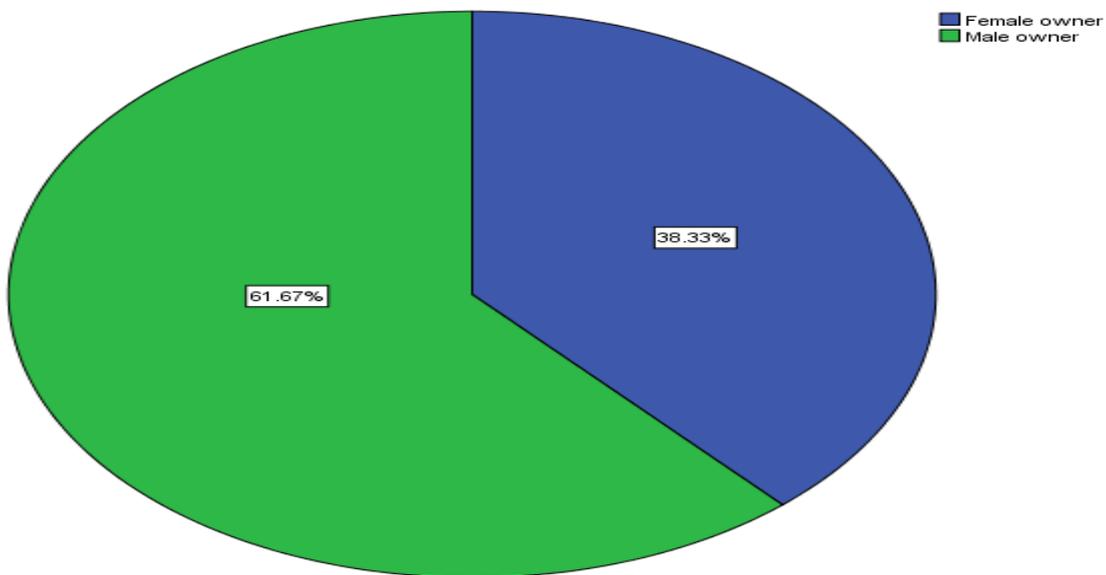
Figure 4.2: Ownership

Figure 4.2 shows that 61.67% were male owner while 38.33% were female owners. The ownership of SMEs is still dominated by male. This could be attributable to the fact that there is high unemployment rate in the country and men have started their own businesses to earn a living.

4.3.3 Period in the organisation

The period one spends in the organisation determines the level of experience one has in the organisation. The period of working that respondent have in SMEs is indicated below.
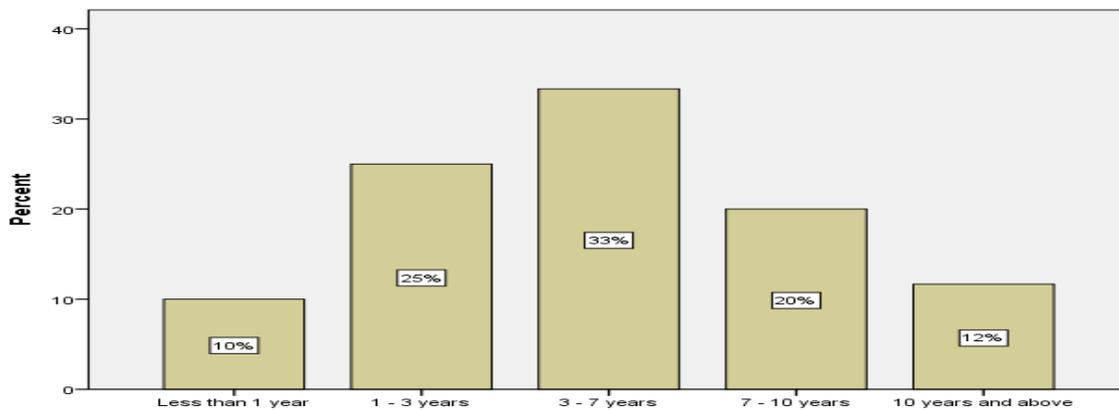
 Figure 4.3: Period in the organization

The results show that 10% had less than 1 year, 25% had 1-3 years, 33% had 3-7 years 20% had 7-10 years while 12 % had 10 years. The level of experience varies accordingly.

4.3.4 Level of Education
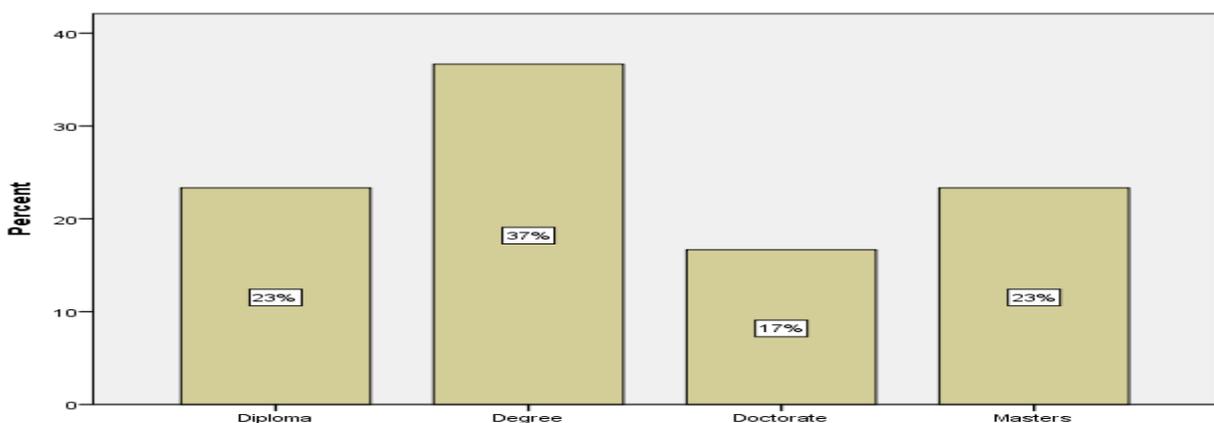
Figure 4.4: Level of education

Figure 4.4 indicates that 23% of the respondents had diplomas, 37% had degrees, 17% had doctorates while 23% had master. The results show that the majority of the respondent were highly educated. This has a bearing on their understanding strategy issues in their organization.

4.3.5 Sector of operation

Respondents were asked to indicate the sector in in which they are. The results are shown in the table below

Table 4.1: Sector of operation

		Percent	Valid Percent	Cumulative Percent
Valid	Financial serviced	20.0	20.0	20.0
	Manufacturing	25.0	25.0	45.0
	Clothing and textiles	16.7	16.7	61.7
	Retail	8.3	8.3	70.0
	Transport	15.0	15.0	85.0
	Construction	15.0	15.0	100.0
	Total	100.0	100.0	

The results shows that 20% of the respondents were from the financial services sector, 25% were from the manufacturing sector, 16.7% were from the clothing and textiles sector, 8.#% were from the retail, 15%were from the transport sector while 15% were from the construction sector.

Having established the demographics of the respondents, the study proceeded to test on the validity and reliability of the instrument in the following section.

4.4 Validity and Reliability test

4.4.1 Validity test

A validity test is conducted to determine the accuracy of the instrument in measuring the variables. The validity of the questionnaire was ensured through consulting practitioners and academicians in the field of cost management in order to check for relevancy or ambiguity in the wording of the questions. In addition, the questionnaire was also pilot tested to check for

questions that were not clear or irrelevant. The two-stage verification process helped in the purification of the instrument.

4.4.2 Reliability test

A reliability test is done to establish the extent to which an instrument is consistent in producing similar results when it is repeatedly used in gathering data. To establish the reliability of the instrument the study utilized the cronbach's alpha coefficient. As advised by Cronbach (1952), for an instrument to be reliable it has to meet a minimum coefficient of 0.7. The reliability results of the current study are shown in table 4.2 below.

Table 4.2: reliability tests

Reliability Statistics	
Cronbach's Alpha	N of Items
.836	46

From the table, the computed unstandardized alpha statistic was 0.836, was obtained. This being greater than 0.7, and therefore we conclude as a result that the instrument used for this study was reliable.

4.5 Descriptive statistics: the cost reduction strategies used in the SMEs sector

The study established the perceptions of the respondents on the various cost reduction strategies. The respondents were asked the extent to which they agreed on the cost reduction strategies provided. A 5 point Likert scale was used measure the level of agreeing where 1=strongly disagree, 2= Disagree, 3=moderately agree, 4 =Agree, 5=strongly agree

Table 4.3: Descriptive Statistics – cost reduction strategies

		Mean	Std. Deviation	Skewness		Kurtosis	
		Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
b1	We pay employees according to productivity	4.00	.957	-.120	.309	-1.143	.608
b2	We use alternative source of power like solar to reduces costs	4.58	1.211	-.557	.309	-.798	.608
b3	We use shareholder injections as cheaper method of financing the business	4.43	1.170	-.458	.309	-.639	.608

b4	When we borrow capital, the intention will be to take advantage of the tax savings that are associated with debt capital	4.30	1.094	.092	.309	-1.361	.608
b5	We outsource transport for our operations	4.27	1.056	-.205	.309	-.857	.608
b6	We lobby for reduction of customs duties and other taxes that affect us	4.57	1.226	-.473	.309	-.905	.608
b7	We make use of information technology in our business	4.37	1.164	-.165	.309	-1.357	.608
b8	We employ just in time to reduce cost holding costs	4.57	1.254	-.290	.309	-1.420	.608
b9	We use social media to market our products	4.40	1.182	-.454	.309	-1.007	.608
b10	We hire interns (attachment students etc.)	4.35	1.300	-.066	.309	-1.367	.608
b11	Our organization is located near the raw materials we use	4.55	1.268	-.426	.309	-1.095	.608
b12	We buy used equipment that are cheaper and durable	4.51	1.251	-.622	.311	-.694	.613
b13	We normally serve electricity e.g. switching off lights at night	4.32	1.228	-.525	.309	-.857	.608
b14	We buy our raw materials in bulk	4.27	1.056	-1.547	.309	1.502	.608
b15	We invest on energy efficient appliances	4.58	.907	.377	.309	-.907	.608
b16	We outsource support functions like HR, Marketing, IT etc.	4.87	1.200	.387	.309	-.974	.608
b17	We use cloud computing, systems and free cloud storage to save on IT costs	4.17	1.248	-.112	.311	-1.169	.613
b18	We do our marketing through word of mouth	4.85	1.287	.191	.309	-1.325	.608
b19	We reduce our working days to reduce cost	4.13	1.268	-.362	.309	-1.156	.608
b20	We do a revaluation of complex expenses	4.98	1.308	.314	.309	-1.266	.608
b21	We have automated time consuming tasks	4.02	1.242	.022	.309	-1.212	.608
b22	We regularly review our expenses	4.98	1.334	.031	.309	-1.256	.608
b23	We have a temporal workforce	4.32	1.295	-.040	.309	-1.378	.608
b24	We always cut unnecessary expenses	4.12	1.250	-.174	.309	-1.233	.608
b25	We joined trade associations for lobbying and networks	4.12	1.151	-.166	.309	-1.157	.608
b26	We always cut down on meetings	4.18	1.255	-.040	.309	-1.289	.608
b27	We normally cut production costs e.g. we sell left over material and we make product out of the waste	4.19	1.181	.015	.311	-1.345	.613
b28	We have modernized our marketing methods	4.28	1.354	-.285	.309	-1.227	.608
b29	Our marketing relationship strategies makes customers to become partners	4.13	1.096	-.033	.309	-.903	.608
b30	We always focus on quality	4.88	1.367	.011	.309	-1.379	.608

b31	We invest in our employees so that they become better and reduce mistakes	4.53	1.049	.957	.309	.186	.608
b32	We outsource our company weaknesses e.g. production of costly items	4.32	1.396	-.284	.309	-1.325	.608
b33	We have free lancers (experienced professionals) assisting us	4..32	1.127	-.149	.309	-1.316	.608
b34	We effectively manage time e.g. we block out destructions like social media	3.10	1.324	.037	.309	-1.327	.608
b35	We create an environment that encourages creativity and innovation	4.27	1.039	-.470	.309	-.640	.608
b36	We have multiple suppliers of materials to enable price comparison	4.43	1.095	-.305	.309	-1.073	.608
b37	We turnover our inventory faster	4.37	1.275	-.122	.309	-1.464	.608
b38	We normally move our business to a cheaper location if necessary	4.18	1.186	-.116	.309	-1.297	.608

From the above analysis, the respondents generally agreed to most of the cost reduction strategies which can be employed to foster survival of SMEs. This was indicated by mean responses which ranged from 4-00 to 4.98 and above. The respondents perceive cost reduction strategies can foster survival of SMEs.

4.6 Factor Analysis

The study went further to carry out factor analysis in order to identify the underlying cost reduction strategies as presented in section 4.6. Factor analysis is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors (Child, 2006). It is a data reduction statistical technique that is done in order to have manageable data. Factor analysis aims to find independent latent variables.

The current study carried out factor analysis in order to address the first objective of the study which is to identify cost reduction strategies that can be employed by SMEs. Thirty eight strategies were tested and discarded those factors which had mean values below 0.400 and ended up having 14 factors.

The first stage of factor analysis was to ascertain the suitability of the data for factor analysis. Data is suitable for factor analysis if the Kaiser-Meyer --Olkin Measure (kmo) is at least 0.6 and if the Bartlett's test of sphericity is statically significant. The results are presented in Table 4.4 below.

Table 4.4: KMO

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.682
Bartlett's Test of Sphericity	Approx. Chi-Square	1079.116
	Df	780
	Sig.	.000

From the analysis above, the KMO statistic was significantly high, being 0.682, and being higher than 0.06 thereby demonstrating that the data were adequate for factor analysis. In addition, a p value of 0.00 shows that the Bartlett test of sphericity was fulfilled as the p value was less than 0.05. Having met both requirements of the KMO-test and the Bartlett Test, Factor Analysis was run, with the PCA as the extraction method and the Varimax rotation.

The second stage of factor analysis involved extracting the number of factors using the Eigien value rule as well as the scree plot. The results of the eigen value test are presented in table 4.5 below

Table 4.5: Total variance

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.824	15.327	15.327	5.824	15.327	15.327
2	2.843	7.482	22.809	2.843	7.482	22.809
3	2.467	6.491	29.300	2.467	6.491	29.300
4	2.362	6.216	35.516	2.362	6.216	35.516
5	2.035	5.354	40.870	2.035	5.354	40.870
6	1.778	4.680	45.550	1.778	4.680	45.550
7	1.745	4.591	50.141	1.745	4.591	50.141
8	1.650	4.343	54.484	1.650	4.343	54.484
9	1.428	3.759	58.242	1.428	3.759	58.242
10	1.402	3.689	61.932	1.402	3.689	61.932
11	1.370	3.605	65.537	1.370	3.605	65.537
12	1.180	3.105	68.641	1.180	3.105	68.641
13	1.112	2.927	71.568	1.112	2.927	71.568
14	1.050	2.763	74.332	1.050	2.763	74.332
15	.956	2.515	76.847			
16	.894	2.353	79.200			
17	.824	2.167	81.367			

18	.820	2.157	83.524				
19	.767	2.019	85.544				
20	.653	1.719	87.263				

Extraction Method: Principal Component Analysis.

Results in table 4.5 shows that 14 strategies were extracted as they had Eigen values greater than 1, ranging from 1.050 to 5.824. Table 4.5 also shows that the 14 factors explain 74.332% of total variation. A scree plot was also used to confirm the number of factors that with eigen values greater than 1. Table 4.5 shows the results.
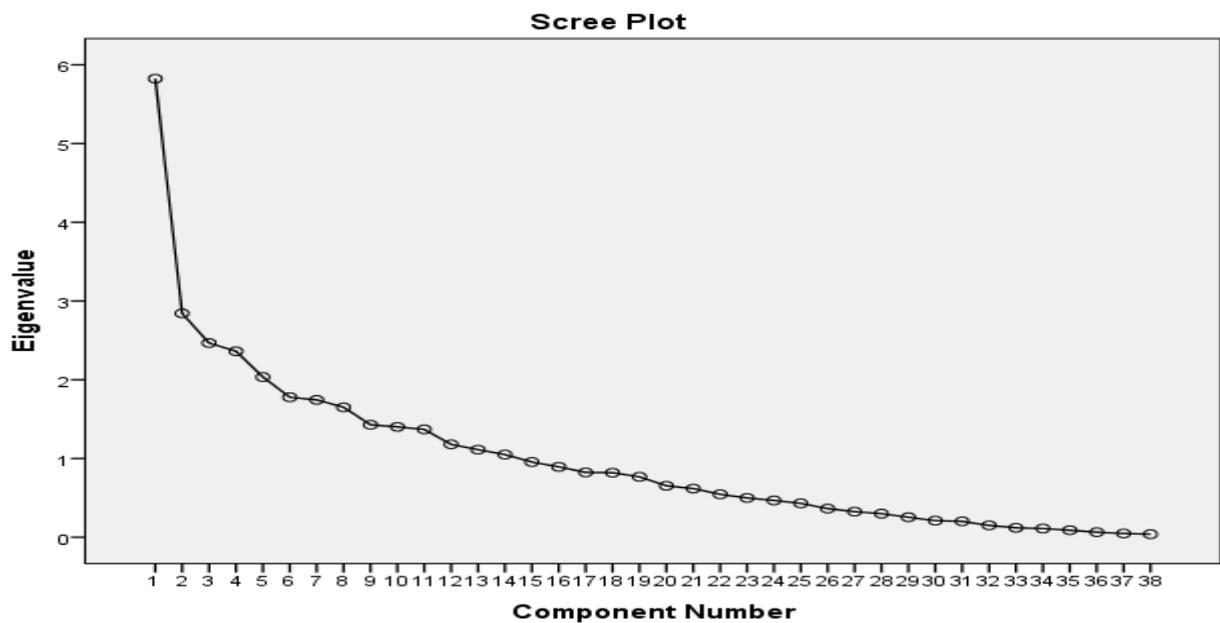
Figure 4.5: Scree plot

The scree plot was run in order to compare results with Kaiser's recommendation of Eigenvalues >1. The scree plot retains the same 14 factors as those extracted by Kaiser's criterion (Eigenvalues >1). If the scree plot and the Eigenvalues >1 lead to retaining the same number of factors, it is a cause for happiness as it helps triangulate Kaiser's criterion (Field, 2009). The third stage of factor analysis is the extracted components and naming of the factors. This is shown in table 4.6 below.

Extracted components and naming the factors

Factor loadings less than 0.4 have not been displayed and the variables have been listed according to factor loadings. The structure matrix also shows shared variance because of the

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relationship between factors. This is important as it is showing the information about the unique contribution of an item to a factor.

The extracted components are presented in Table 4.6 below.

Table 4.6: extracted components

	No	Components	Loadings	*Factor naming*
Factor 1	B23	have a temporal workforce	.706	Managing labour
	B19	reduce working days	.680	
	B10	We hire interns (attachment students etc.)	.500	
	B1	pay employees according to productivity	.487	
	B31	We invest in our employees so that they become better and reduce mistakes	.685	
	B32	reduce mistakes by employees		
Factor 2	B5	outsource transport	.571	Outsourcing
	B16	We outsource support functions like HR, Marketing, IT	.450	
Factor 3	B12	We buy used equipment that are cheaper and durable	.459	Material cost reduction
	B11	Our organisation is located near the raw materials we use	.446	
	B14	We buy our raw materials in bulk	.548	
Factor 4	B30.	We always focus on quality	.446	Quality Management
	B8	employ just in time to reduce cost holding	.416	
Factor 5	B3	use shareholder injections	.457	Financing sources
Factor 6	B9	We normally serve electricity	.708	Energy saving
	B7	invest on energy efficient appliances	760	
Factor 7	B 4	tax savings	.424	Tax reduction
	B6	reduction of customs duties	.527	
Factor 8	B24	We always cut unnecessary expenses	.495	Waste reduction
	B20	We do a revaluation of complex expenses	480	
	B22	review of expenses	.547	
Factor 9	B29	0ur marketing relationship strategies makes customers to become partners	.450	Marketing cost reduction
	B9	B9 We use social media to market our products	.522	
Factor 10	B38	We normally move our business to a cheaper location if necessary	.495	Low cost
Factor 11	B26	reduce meetings	.443	Time cost Reduction
	B34	We effectively manage time e.g. we block out destructions like social media	.448	
Factor 12	B25	We joined trade associations for lobbying and networks	.420	Lobbying
Factor 13	B17	We use cloud computing, systems and free cloud storage to save on IT costs	.412	Technological cost
	B21	automated time consuming tasks	.474	

	B7.	We make use of information technology in our business	5.44	
Factors 14	B36	We turnover our inventory faster	.450	Inventory cost reduction

From the analysis, there were essentially 14 prime factors that were behind the cost reduction strategies that can be employed by SMEs to foster their survival.

Factor 1: Human resource cost reduction strategies

- a temporal workforce
- reduce working days
- We hire inter
- pay employees according to productivity
- invest in our employees so that they become better and reduce mistakes
- reduce mistakes by employees
- create an environment that encourages creativity and innovation

Factor 2: Outsourcing

- outsource transport
- Outsource support functions like HR, Marketing, IT etc.

Factor 3: Material cost reduction

- Buying used equipment that are cheaper and durable
- Located near the raw materials
- Bulk buying

Factor 4: cost reduction through quality management

- focus on quality
- just in time to reduce cost holding

Factor 5: Cost reduction through financing

- use shareholder injections

Factor 6: Energy saving

- Saving electricity
- invest on energy efficient appliances
- Switching off lights at night

Factor 7: Tax savings

- tax savings
- reduction of customs duties

Factor 8: cost cutting

- cut unnecessary expenses
- do a revaluation of complex expenses
- review of expenses

Factor 9: low cots marketing strategy

- marketing relationship strategies makes customers to become partners
- Use social media to market our products

Factor 10: Low cost strategy

- Cheaper locations

Factor 11: Time cost reduction

- reduce meetings
- manage time

Factor 12: Networking

- joined trade associations for lobbying and networks

Factor 13: technological cost reduction strategies

- cloud computing, systems and free cloud storage to save on IT costs
- automated time consuming tasks
- Use of information technology

Factors 14: Inventory cost reduction

- Quick turnover of inventory

Having established the underlying cost reduction strategies the study proceeded to address the second objective of research which is the association of the identified cost reduction strategies with the survival of SMEs. In order to address the second objective, the study carried out a correlation analysis as shown in 4.5 below

4.7 Correlation Test

On this study, Spearman's Rank Correlation Coefficient was used to test the impact of the identified cost reduction strategies on the survival of SMEs. Spearman's rank correlation was used because the data was unevenly distributed hence non-parametric tests were conducted. Correlation ranges from -1 for a perfect negative relationship to +1 for a perfect positive correlation. A positive relationship means there is an association of high values of one variable with high values of the other variable exists and it is vice versa for a negative relationship. In this section the main objective together with sub objectives will be partially answered whereby we get the association between the independent variables (cost reduction strategies) and the dependent variable (Survival of SMEs), significance of the association and the direction. However, the magnitude of the association with be addressed by regression analysis. The table below shows the correlation analysis results.

Table 4.7: Correlation

Spearman Rank correlation		Survival
Survival of SMEs	Correlation Coefficient	1.000
	Sig. (2-tailed)	.
Material cost reduction	Correlation Coefficient	.272*
	Sig. (2-tailed)	.035
Quality management cost reduction	Correlation Coefficient	.469
	Sig. (2-tailed)	.000
Financing sources	Correlation Coefficient	.202
	Sig. (2-tailed)	.006
Energy saving	Correlation Coefficient	.502
	Sig. (2-tailed)	.000
Cost Savings	Correlation Coefficient	.602
	Sig. (2-tailed)	.000
Cost Cutting	Correlation Coefficient	.419
	Sig. (2-tailed)	.000

Low-cost strategies	Correlation Coefficient		.319
	Sig. (2-tailed)		.007
Time cost reduction strategies	Correlation Coefficient		.344
	Sig. (2-tailed)		.006
Networking	Correlation Coefficient		.519
	Sig. (2-tailed)		.000
Technology	Correlation Coefficient		.420
	Sig. (2-tailed)		.000
Inventory cost reduction	Correlation Coefficient		.3 99
	Sig. (2-tailed)		.002
Human resources management cost reduction	Correlation Coefficient		.640
	Sig. (2-tailed)		.000
Outsourcing	Correlation Coefficient		.320
	Sig. (2-tailed)		.006

The correlation table shows that there is a statistically significant, and positive relationship between material cost reduction and survival of SMEs was shown from the results [(r=0.272), p<0.01 (p=0.035)]., quality management [(r=0.469), p<0.01 (p=0.00), Energy saving [(r=0.502), p<0.01 (p=0.00), tax savings [(r=0.602), p<0.01 (p=0.00)], cost cutting[(r=0.419), p<0.01 (p=0.000), Low-cost [(r=0.319), p<0.01 (p=0.007)], Time cost reduction [(r=0.344), p<0.01 (p=0.006),], Networking[(r=0.519), p<0.01 (p=0.00)], technology[(r=0.420, p<0.01 (p=0.000)], Inventory[(r=0.399), p<0.01 (p=0.002), Workforce[(r=0.640), p<0.01(p=0.000)] and Outsourcing [(r=0.320), p<0.01 (p=0.006)].

The findings revealed that all cost reduction strategies have a positive and a statistically significant relationship with SMES survival. Employing cost reduction strategies in SMEs can lead to their survival.

4.8 Independent Sample Test: Sector of Operation and Cost Reduction Strategies
An independent test was further tested to analyze the statistical differences of the SMEs sector in the cost reduction strategies that they use. The study applied the kruskal Wallis test. The **Kruskal**-**Wallis** H **test** (sometimes also called the" one-way ANOVA on ranks") **is** a rank based nonparametric test that can be used to determine if there are statistically significant differences between two or more groups of an independent variable on a continuous or ordinal dependent variable. In other words, the study tested to establish whether there is any significant difference in terms of the respondent's sector and how they apply the cost reduction strategies.

According to Field (2009), Kruskal-Wallis H test assumes independence of data and should be applied where samples are non-parametric. The test were done after identifying the 14 prime cost reduction strategies that can be employed by SMEs.

The results showed that on the distribution of cost reduction strategies across categories of sector, was ($p<0.05$) on all of the strategies identified. This shows that there is no statistical difference in the distribution of cost reduction strategies on all sector for all SMEs that had participated in the study have the same perception on the cost reduction strategies

The results are shown below.

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of Energy is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.262	Retain the null hypothesis.
2	The distribution of outsourcing is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.678	Retain the null hypothesis.
3	The distribution of Material_cost is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.648	Retain the null hypothesis.
4	The distribution of Quality_management is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.690	Retain the null hypothesis.
5	The distribution of financing_cost_reduction is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.838	Retain the null hypothesis.
6	The distribution of Human_resources is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.313	Retain the null hypothesis.
7	The distribution of Tax is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.188	Retain the null hypothesis.
8	The distribution of Marketing_costs is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.799	Retain the null hypothesis.
9	The distribution of Waste_reduction is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.786	Retain the null hypothesis.
10	The distribution of Low_cost is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.063	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
11	The distribution of Time_cost is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.120	Retain the null hypothesis.
12	The distribution of Technological is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.870	Retain the null hypothesis.
13	The distribution of Inventory is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.475	Retain the null hypothesis.
14	The distribution of Lobbying is the same across categories of A5Whichsectorareyouin.	Independent-Samples Kruskal-Wallis Test	.154	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Figure 4.6: independent sample test.

4.9 Discussion of findings

4.9.1 Cost reduction strategies that can be employed by SMEs to foster their survival.

Cost reduction strategies were perceived as important for SMES survival and several strategies can be applied by SMEs to survive. To support the findings John, Brierley, Cowton & Colin (2007) highlighted that cost reduction can be achieved through several approaches. However, there are some popular approaches, like elimination in the form of nonessential, non-value adding activities and modification of manufacturing activity. In short, through in depth analysis, the best and least cost path is adopted for each activity. Cost reduction strategies assists organization match its capabilities with opportunities in the marketplace to accomplish its objectives.

A number of cost reduction strategies were identified through a factor analysis that was run.

Factor 1: Cost reduction through HRM

The research findings showed that effective HRM cost reduction was found to be one of the prime factors of cost reduction. Cost can be reduced through hiring interns, employing contract workers, allowing innovation, providing good working conditions and ensuring that employees are trained to reduce mistakes. The results are in line with Akeem (2017) who pointed out that workers should be motivated to achieve the desired goals and objectives, the absence of behaviour control such as motivation, incentives affect the success of cost control. (Pearce II & Robinson Jr, 2011) introduced other important examples of reducing costs. These included

decreasing the workforce through employee attrition, leasing rather than purchasing equipment, extending the life of machinery eliminating elaborate promotional activities, laying off employees, dropping items from a production line and discontinuing low margin customers.

Bragg (2010), identified employee benefits as the second largest expense in organisations and that the reduction in employees would result in more short term expenses. These expenses include termination benefits. The organisation should have the funds to pay for the termination expenses, to secure the survival of the organisation. However, the termination might result in reduced wage bill in the future which is advantageous to the organisation and hence increase the chances of survival in the future.

On cost control issues, Kinney and Raiborn (2011) asserts that employees should be educated in cost control issues and they must be encouraged to suggest ways to control costs and be motivated to embrace cost control concepts. Incentives can range from simple verbal recognition to monetary rewards to time off with pay. Managers must also be flexible enough to allow for changes from the current method of operation (Kinney and Raiborn, 2011). Jim (2015) supported this by saying that, employees should be involved in decisions relating to cost control and there is need for them to understand the company's objectives and have accurate cost information. Also, requesting input from the employees will not only enable the management to have a better understanding, but rather it will give employees more incentive to become involved. Organizations that actively request suggestions from their employees will undoubtedly improve and have better ways to control cost effectively (Jim, 2015).

Factor 2: Outsourcing

The factor analysis showed that outsourcing is one of the prime factors of cost reduction. Outsourcing can be employed on transport and non-core activities Outsourcing is promoted as one of the most powerful trends in human resources management. The rationale for outsourcing enables small businesses to develop closer relationships with suppliers, an increased ability to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels. However, there are some indications that these benefits are not being realized. Furthermore, there may be a serious impact on employee morale and a risk of transferring expertise and insider knowledge to vendors. Managing the outsourcing arrangement is critical to achieving the intended objectives of cost reduction envisioned.

Factor 3: Material cost reduction

The findings showed that cost can be reduced on material by buying bulk, operating near raw material and buying cheaper equipment. Relatively lower input costs achieved through use of lower-cost inputs in the form of raw materials and components, finance, information and people than the competitors. Product and process innovations leading to changes in business processes that results in reduced cost. Collaboration also lead to spreading of the cost with other organizations.

A cost leadership strategy is based on operational efficiencies (Banker et al., 2014). Small business owners can achieve operational efficiencies through economies of scale, process improvements using new technology, paying attention to asset use and employee productivity, and minimizing discretionary overhead (Banker et al., 2014). Small business owners who pursue a low-cost leadership strategy must turn their companies into lean organizations (Gehani, 2013). To become a lean organization, business owners need to operate their businesses as usual while reducing costs to improve profits. Some popular cost reduction measures include reducing waste and outsourcing offshore (Gehani, 2013). Lechner and Gudmundsson (2014) found that cost leadership strategies were positively related to small business performance. Parnell, Long, and Lester (2015) found that small business owners used this strategy because it was considered conservative and safe. It does leave businesses vulnerable to new competitors, and if too many small business owners pursue the same market strategy, it will lead to the early demise of a large number of the businesses (Parnell et al., 2015).

Factor 4: cost reduction through quality management

Improving quality and just in time approach were found to be cost reduction strategies that can be employed by SMEs. Myles (2010) agrees when he states that small businesses should improve product offering if they wish to survive tough economic periods. A few small businesses have engaged in this strategy in order to survive whilst some are still ignorant.

Factor 5: Cheap sources of finance

The research found that SMEs can look to shareholder capital injections unlike other sources of borrowing that comes with a cost. This is in line with the view of Cosh and Hughes (2000) who argued that SMEs are also more likely to take a cost-cutting approach to finance, with many seeking funds internally or from family sources, thereby reducing their dependence on

external finance, which may be more difficult to obtain and more expensive to get due to their high risk profile (Cosh and Hughes, 2000).

Factor 6: Energy saving

The results highlighted that saving energy was one of the prime factors of cost reduction strategies. Cheaper power alternatives, switching off lights when not in use and use of energy saving appliances were identified as energy saving strategies to reduce costs. Energy efficiency is likely to become the most common means of cutting costs in small and medium-sized enterprises (SMEs) over the next two years, according to a new Eurobarometer report (2010) from the European Commission. More than a quarter of SMEs have already reduced their production costs by improving resource efficiency, according to the survey, which looked at 13,000 businesses across Europe, its neighboring countries and the US. The report reveals that cost savings are a key motivator for pursuing efficiency measures, and 80 per cent of the SMEs surveyed were satisfied with the returns of investment from their efficiency initiatives to date. Almost three-quarters (72 per cent) of the SMEs planned to take additional action to reduce their costs over the next two years, and energy savings were the most popular choice for addressing inefficiencies, followed by waste minimization.

Factor 7: Tax savings

The results indicated that tax saving is important in cost reduction. The results concur with Keen (2013) who defines tax incentives as all measures and strategies which provide for more favourable tax treatment to certain activities or sectors. Some SMEs were registering for VAT so that they could claim input tax from the purchases they made for their raw materials. They were also able to negotiate favourable payment plans with the tax collector so that they could manage their working capital. SMEs can lobby for reduction of customs duties and other taxes that affect them.

Factor 8 Cost cutting

Another factor identified was cost cutting on unnecessary expenses, regular review of expenses, and reevaluation of complex expenses. Bharadwaj and Saxena (2009) asserts that cost-cutting approaches have been evident in the construction and manufacturing sectors, with many SMEs asking employees to reduce their working hours, take temporary pay cuts, or unpaid leave to survive a period of declining activity (Athey, 2009). SMEs are also more likely

to take a cost-cutting approach to finance, with many seeking funds internally or from family sources, thereby reducing their dependence on external finance

Factor 9: Low cost marketing strategy

The findings showed that low cost marketing strategies can be employed to reduce costs in SMEs. Similarly, to the findings, Abonyi (2003) asserts that it is crucial to find different ways that helps SMEs to grow and develop effectively as SMEs comprise over 90 percent of all enterprises in the world and provide the backbone of the private sector in economies. Mohd (2012) argued that marketing is regarded as one of the organisational resources, which allows entrepreneurs to communicate and inform potential customers about their products or services.

Thus, effective marketing encompasses one-on-one communication skills and the ability of entrepreneurs to define and target their markets. Examination of British medium-sized firms reveal that firms which give a higher priority to marketing than other business functions achieve higher performance. These firms use annual and longer-term marketing planning, perform marketing research, adopt a proactive approach in future planning, as well as employ market expansion strategies and clear approaches to manage marketing activities. Marketing is important for business success and can enhance survival in tough times.

Factor 10: Low cost strategy on location

The findings also revealed that operating at cheaper location is a prime factor of cost reduction strategy. Choe (2011) mentioned that low cost facilitates improved efficiency when implemented and it enhance survival of SMEs. Most SMEs interviewed were located away from the central business district which had high rentals and some of the rentals was being demanded in forex. By locating in places like Magaba and Siyaso, rental cost was significantly reduced as the rentals charged on such locations was nominal and also by clustering in one place it became advantageous to the business as they could access their inputs from the same location and also could sell their products at that very same location,

Factor 11: Time cost reduction

Reducing cost through time management was revealed to be in important cost reduction strategy. Realizing which tasks take up time is key to freeing it up, Wilson (2012). Most small business owners think they only spend 20 minutes a week updating social media or an hour a week photographing. But actually, when they track it, they realize which things are a time suck.

Some SMEs have resorted to banning the use of cellphones when one is at work to allow employees to concentrate on their core business. They have identified robbers of time and have put measures to address these. As highlighted above, social media came up tops. Concentration was being affected which had an adverse effect on productivity.

Factor 12: Networking

The results showed that networking is another cost reduction strategy that SMEs can employ. Networking according to Brown and Locket (2004), is when entrepreneurs or owners of business build relationships with other individuals who surrounds them. This process allows these individuals to share various details, processes and information that contribute a positive business performance. Networking helps SMEs to engage in ideas and best practices which help them to diversify, move up their value chain, be more innovative, become more productive and generate decent jobs.

In addition, it will also be an opportunity for the business to find new partnership, tap into new markets and meet potential investments. Networks are essential in business. It can increase demand and increase volume. Involvement of networking in business contributes to business continuity, (Miller et al 2010). This process allows these individuals to share various details, processes and information that contribute a positive business performance. Many businesses have been able to stay afloat because they have developed critical relationships through networking.

Factor 13 Technological cost reduction strategies

The findings showed that technology can be employed to reduce costs by enhancing efficiency, data management using cloud computing and use of technology. The traditional cost reduction employ the new technology approach with the aim of replacing direct labor costs with technology that can increase operating efficiency and reduce influence of labor unions (Doern, 2015) . The challenge that will be faced by firms on this route is lack of money to finance capital projects.

Information and communication technologies are indispensable to the operation of the core routines of organizations (Jim, 2015). SMEs generally have an ad hoc approach to IT management, and therefore seldom have a defined IT budgets or an explicit IT plan or strategy; Kinney and Raibon, 2011). Investments in technology are often driven by the owner, rather

than by any formal cost-benefit or strategic analysis. For making investment in information and communication technologies, SMEs should seek accredited advisors to ensure success Business executives of SMEs must regard IT as a strategic SMEs can get Competitive advantage by having Integrated information systems (Kachembere, 2011).

Factors 14 Inventory cost reduction

The research findings showed that inventory costs reduction strategies can be employed by SMEs to reduce costs. Cost reduction in inventory management is vital in an exploding market that is continuously attracting more competition. One report predicts that the logistics market will surge from around $8 trillion in 2015 to more than $15 trillion in 2023. As competition increases, logistics businesses must take a few straightforward steps to reduce inventory costs to stay in the game. Strategies like Just in time which significantly reduce stock holding costs and bulk buying to take advantage of discounts were being used by the SMEs.

4.9.2 The association of each identified cost reduction strategy with SME survival

The research results highlighted that there is positive and significant relationship between cost reduction strategies and survival of SMEs. The findings were supported by Akeem (2017) who carried out a study on the effect of cost control and cost reduction techniques in organizational performance, findings revealed that there is a direct relationship between cost reduction and profit. Thus, the study concluded that for an organization to ensure survival and more profit growth, there is need to control and reduce cost to an acceptable limit.

According to KPMG (2009), proper implementation of cost reduction techniques results in good results which may facilitate the survival of the organisation. However, Akeem (2017) argued that an attempt to cut cost and still be competitive is advantageous if the customer does not detect or notice the reason for reducing costs. This would have avoided the loss of potential customers. According to McCormick (2010), most organisations are focusing on cost reduction as a strategy of driving growth rather than as a strategy for survival. It is of paramount importance to ensure that they are enough finances to carter for the short term forecast for the strategies to be implemented. If not the case the organisation might be faced with urgent cost cutting strategies which might be unsustainable for the entity.

On another note, McCormick (2010), highlighted that a cost reduction strategy which is not suitable for the business would reduce the chances of survival. An inappropriate cost reduction

strategy damages the survival of the organisation. Moreover, for organisations seeking to survive, they are avoiding cost reduction techniques which are not favourable to the regulatory laws of health and others that might require an effective cost structure. However, Phil (2009) postulates that a well-planned cost reduction technique will enable the organisation to be competitive in the market. Cost reduction techniques assist the organisation in difficult times to enable future growth of the organisation. Savings from cost reduction enable the organisation to reallocate the savings to most profitable activities. KPMG (2009) stipulated that effective cost reduction within the organisation can be achieved if the organisation is aware of the driver of costs.

4.9.3 Statistical differences in the cost reduction strategies for SMEs in different sectors

The research revealed that there is no statistical difference in the cost reduction strategies for SMEs in different sectors, P>0.05 on all the strategies and different sectors that were tested through an independent sample test. This, therefore, means that the same strategies can be used across the different sectors yielding the same results albeit with small or insignificant variations. SMEs in different industries can thus learn from each other.

4.10 Chapter Summary

The chapter examined and assessed the responses to the investigation with the assistance of IBM-SPSS version 23 software. The objectives of the research were addressed by carrying out a factor analysis to determine the cost reduction strategies that can be employed by SMEs for their survival. A correlation analysis was done in order to identify the association of the identified factors with the survival of SMEs. In order to determine the perception of the respondents on cost reduction strategies a kruskal Wallis test was done. The factor analysis highlighted 14 prime strategies that can be employed by SMEs. All 14 strategies had a positive and significant relationship with SMEs survival. The findings will form the basis for the conclusion and recommendations in the following chapter.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the conclusions and the recommendations of the study based on the findings from the previous chapter four. From this chapter, the achievement of research objectives and the answer to the research questions will be outlined. The chapter explains the theoretical, methodological and empirical contribution of the research. It also provides the recommendation of the research that are directed to the policy makers and the management SMEs. The generalisation of findings, limitations and the areas of improvement forms the last sections of this chapter.

5.2 Achievement of Research Objectives

The aim of the research was to evaluate cost reduction strategies that can be adopted by SME's to foster their survival.

The intended objectives were to establish cost reduction strategies that can be employed by SMEs to foster their survival, to determine the association of each identified cost reduction strategy with SME survival and to find out if there are any statistical differences in the cost reduction strategies for SMEs in different sectors. The objectives were achieved by gathering relevant literature to the study, collecting quantitative data in SMEs sector using a structured questionnaire which was designed and guided by the research objectives of the study. The data collected was analyzed in SPSS using factor analysis to identify strategies that can be employed by SMEs, the independent sample test to identify the statistical differences in cost reduction among sectors as well as correlation to determine the association of the cost reduction strategies with the survival of SMEs. Conclusions were made on the hypothesis based on the factor analysis that was run. The following section provides the conclusions that were made from the findings.

5.3 Conclusions

The following conclusions were on the objectives of the study.

5.3.1 The cost reduction strategies that can be employed by SMEs to foster their survival.

The research concluded that cost reduction strategies are very important for SMEs to foster survival. A number of strategies that can be employed by SMEs were identified in the research. Cost reduction through human resource management is fundamental for SMEs survival. Human resources may become costly if not properly managed. The study concluded that human capital developments, cheap recruitment measures, improving working conditions and good remuneration to retain employees can foster survival of SMEs.

SMEs can survive by outsourcing support functions that may hold costs in the day to day running of business. SMEs can reduce cost on material through buying cheaper equipment's, locating near raw materials or adopting Just in time to reduce cost holding. While financing is very important for SMEs, it is a cost to access finance through other means such us loans from financial institutions, shareholder injections can be used as cost management strategy by SMEs. The risk profiles of SMEs make securing debt finance expensive as lenders would demand a premium on the interests charged.

The research established other cost reduction strategies which are saving energy by using other cheaper alternatives, employing low cost strategies in marketing, using technology in data management and everyday business to improve efficiency, time cost reduction measures and networking.

5.3.2 The association of cost reduction strategies with SME survival

The conclusion made on this section were that cost reduction strategies are significant in influencing survival of SMEs. SMEs can employ several s cost reduction strategies for their survival. SMEs must employ cost reduction strategies that allows profitability, increase in market share, increasing sales, and satisfy customers and enhances their competitiveness in this Vuca environment and guarantees ultimate survival. The business world is now like a jungle where survival is for the fittest. Many companies have gone under due to failure to manage their ballooning cost and by putting attention on this area of costs, survival can be enhanced.

5.3.3 Statistical differences in the cost reduction strategies for SMEs in different sectors

The research concluded that amongst the sectors in SMEs which comprises financial services, retail, manufacturing, transport and construction, the cost reduction strategies that can be

employed are not different. SMEs can thus adopt tried and tested strategies from other sectors and achieve essentially the same outcomes and therefore there is no need to reinvent the wheel.

5.4 Answer to Research Objectives

The major research question which sought to be answered was, "What are cost reduction strategies that can be adopted by SME's to foster their survival. The main research questions which were addressed were,

1. what are the cost reduction strategies that can be employed by SMEs to foster survival?

2. What is the association of each identified cost reduction strategy with SME survival?

3. Are there any statistical differences in the cost reduction strategies in SMEs for different sectors?

The findings from the study focused on finding cost reduction strategies that can be used by SMEs for survival. A factor analysis was therefore conducted. The research questions were answered as follows;

a) Cost reduction strategies

A factors analysis was conducted to identify the cost reduction strategies that can be employed by SMEs, fourteen prime cost reduction strategies were identified and named. These components with factor loading greater 0.4 were selected while those with less were not considered.

b) Association with SMEs survival

A correlation analysis was done to measure the association of cost reduction strategies with the survival of SMEs. The results showed a positive and significant relationship between cost reduction strategies and SMEs survival [**r=0.550), p<0.01 (p=0.008)].**

c) Statistical difference on cost reduction strategies

An independent test was conducted to see the statistical difference on cost reduction. The results showed that the distribution of cost reduction strategies across all sectors, was (p<0.05) on all of the strategies identified. This shows that there is no statistical difference in the distribution of cost reduction strategies on all sectors.

5.5 Contribution

5.5.1 Theoretical contribution.

Both theory and empirical findings contribute to our understanding of the interplay between cost reduction strategies and survival of SMEs. This study also contributes to our understanding of the cost reduction strategies that can be employed in SMEs in order for them to survive.

5.5.2 Methodological contribution

Finally, a methodological contribution relates to researcher's ability to use the research design and survey method in this study. Other research methods can be used in future studies to broaden the amount of data collection and accuracy of responses. Methods like focus groups, case studies as well can also be employed to gather research data. The methods yield valid, verifiable and reliable data. Qualitative methods can also be employed in future research since the current study used quantitative analysis. However, the daw backs of qualitative analysis should be taken into consideration particularly lack of objectivity and also failure to generalise findings

5.5.3 Empirical contribution

The research study endeavoured to provide both academic and practical contributions to the existing body of literature on the cost reduction strategies and SMEs survival. On the academic side, the study contributed fundamental literature in the cost reduction strategies that can be used by SMEs for them to foster survival. The study also provided empirical evidence on the relationship between cost reduction and SME survival. It also highlighted whether there were any statistical differences in the use of cost reduction strategies in different sectors. This substantiated other researches that were conducted on a similar study area.

5.6 Policy Recommendations

SMEDCO a together with government must continue to provide guidance to SMEs on the cost management practices that will foster their survival. This will be a positive support towards the growth of SMEs and ultimately economic growth. This can be achieved by workshops, training programs for SMEs managers, and providing education on the cost reduction strategies that are available for SMEs in a Zimbabwean economy.

SMEs are the drivers of economy in Zimbabwe, it is imperative that the government must craft policies that support strategies that are implemented by SMEs. Some strategies may fail to yield results because of policy limitations.

5.7 Managerial Recommendations

The following recommendations were made;

The management of SMEs must be able to identify costs that their businesses are unnecessarily incurring. Identification of cost drivers is very critical in the management of costs. Management of SMEs must place a cost control mechanism that would identify and manage all the cost drivers of companies. For an entity to be profitable, management must have a clear and thorough understanding of all the factors that drive and affects the profit.

Coming up with reduction strategies in time will help SMEs to survive. Management must leverage costs that influence the profit line, both for the company and its competitors. In order to achieve this, the management must be knowledgeable, and some management training can help acquire this knowledge. Reducing costs should be made top of the agenda for owner-managers of small and medium sized firms. Whether the goal is to boost profits, or simply to survive in a turbulent marketplace, getting to grips with your costs can often be a more effective strategy than increasing revenue.

Every hour which a manager spends agonizing over cost-reduction is another hour spent not steering the business properly. Equally though, managers/owners who fails to address any shortfalls like poor cot management will not be in business very long. Missing monthly bills is one of the quickest ways to drive a business into the ground. A balanced and effective cost saving strategy does not shy away from spending money where it is needed, but equally it is also not afraid of eliminating spending in areas where it is not.

SMEs owner managers must continue to renew and adopt cost management strategies which is an important resource for SMEs survival and ultimate growth.

5.8. Generalisation of Findings

This research was limited to SMEs in Harare due to time and cost constraints. The main assumption of this study was that, the results of the study can be used as a benchmark to SMEs in all sectors. SMEs survival is crucial for the growth of the economy, hence, it was not enough

make to conclusions basing on sample used in Harare. The sample did not include other sectors in SMEs.

Using a larger sample at national level would provide reasonable findings. More so, the quantitative structured questionnaire had no option for the SMEs to explain their own opinions. The generalisations of the results might need to be taken with caution. It is therefore suggested that other researches be done using qualitative methods to gather more detailed information. This research was cross sectional, the results may be too general to be applied to the SMEs.

5.9 Limitations

Despite the fact that the current research study offers fruitful insights in respect of the cost reduction strategies that foster SMEs survival, it is not devoid of its own limitations. The study only focused on Zimbabwean SMEs operating within the Harare Metropolitan Province and this could present a potential drawback in terms of generalising the results to other SMEs in the country as they could have different views on the cost reduction strategies that they use. Furthermore, the study only utilised owners and managers of SMEs as the key informants during data collection and this is regarded a limitation in that the research could have yielded biased results.

The fact that quantitative approach was adopted for this study also present some limitations in the form of the research instrument (structured self-administered questionnaire) that was used to solicit the required information from respondents. Although the researcher had attempted to design the study questionnaire in such a way that each variable under investigation had as much information or questions as possible, structured close-ended questions inevitably restrict the researcher to further probe for in-depth information from the respondents.

In addition, the research was carried out on limited time constraint (six months) such that cross-sectional survey data was employed to test the proposed hypotheses yet a deeper understanding of the relationships among the identified scale dimensions could have been obtained if longitudinal survey data was used.

Another restraint was that some respondents were not comfortable to release information which they classified as confidential in their operations. The hurdle was circumvented by assuring respondents that all information gathered would be kept confidential and was for academic

purposes only. Furthermore, no identification information was required on the questionnaire as a means of assuring respondents' anonymity hence privacy.

5.10. Areas of Further Research

From the findings and research limitations, it is recommended that future researchers should conduct a similar study in other provinces within Zimbabwe or in other countries in order to examine the similarities and differences. Replication of this study is therefore warranted within the SME industry in order to test the validity and reliability of the scales which were adopted.

This study examined SMEs within different sectors such it will be an interesting extension of the study if future research is conducted to investigate the cost reduction strategies used by SMEs within a specific sector as the findings will be more focused and specific to a particular industry. In addition, future research may also consider conducting comparative studies in respect of cost reduction strategies between Zimbabwean SMEs and SMEs from another developing country.

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APPENDICES

Appendix 1: Introductory letter
RESEARCH INTRODUCTORY LETTER

2 January 2020

Dear Sir/Madam

RE: MASTERS IN BUSINESS ADMINISTRATION RESEARCH QUESTIONNAIRE

My name is Leonard Kanhukamwe, a Masters of Business Administration student with the University of Zimbabwe at the Graduate School of Management. As part of the degree programme requirements, I am conducting a research on a topic entitled**: Fostering SME survival through cost reduction. A Case of SMEs in Harare.**

I kindly request your valuable contribution through completion of the attached dissertation questionnaire. The research is purely for academic purposes. The results will therefore be treated with high level of confidentially and professionalism. After completion, please return the completed questionnaire by email to *lkanhukamwe91@gmail.com* or contact me directly on 0772 886 374 for physical collection of the completed questionnaire.

Your cooperation will be greatly appreciated.

Yours faithfully,

Leonard Kanhukamwe

Appendix 2: Questionnaire for SMEs

RESEARCH QUESTIONNAIRE

Research Topic: Fostering SMEs survival through cost reduction: Evidence from SMEs in Harare.

Please indicate your answer by putting a tick/ x in the box.

<u>**SECTION A: DEMOGRAPHIC INFORMATION**</u>

A1. Please tick to indicate your job position from categories below?

(i) Owner Manager   [ ]

(ii) Senior management   [ ]

(iii) Supervisor   [ ]

A2 Who owns the business

Female owner   [ ]

Male owner   [ ]

A3. Number of years held in that position

Less than 1 year [ ]   1 – 3 year [ ]   3 – 7 years [ ]   7 – 10 years [ ] 10 years and above [ ]

A4. Highest Education Level

Diploma [ ]   Degree [ ]   Masters [ ] Doctorate [ ]   Other *(specify)* ---------

A5. Which sector are you in?

Transport   [ ]

Retail   [ ]

Clothing and Textiles   [ ]

Manufacturing   [ ]

Financial services   [ ]

Construction   [ ]

Other (Specify) -----------------------------

SECTION B: COST REDUCTION STRATEGIES

The following section relates the cost reduction strategies you have adopted to ensure survival of your business, you are required to rate your responses from strongly disagree to strongly agree 1= strongly disagree 2=disagree 3=moderately agree 4=agree 5=strongly agree

Please tick only one number for each statement

To what extent do you agree with the following statement?

Item No	Cost reduction Strategies							
B1.	We pay employees according to productivity	Strongly disagree	1	2	3	4	5	Strongly agree
B2.	We use alternative source of power like solar to reduces costs	Strongly disagree	1	2	3	4	5	Strongly agree
B3.	We use shareholder injections as cheaper method of financing the business	Strongly disagree	1	2	3	4	5	Strongly agree
B4.	When we borrow capital, the intention will be to take advantage of the tax savings that are associated with debt capital	Strongly disagree	1	2	3	4	5	Strongly agree
B5.	We outsource transport for our operations	Strongly disagree	1	2	3	4	5	Strongly agree
B6.	We lobby for reduction of customs duties and other taxes that affect us	Strongly disagree	1	2	3	4	5	Strongly agree
B7.	We make use of information technology in our business	Strongly disagree	1	2	3	4	5	Strongly agree
B8.	We employ just in time to reduce cost holding costs	Strongly disagree	1	2	3	4	5	Strongly agree
B9.	We use social media to market our products	Strongly disagree	1	2	3	4	5	Strongly agree
B10.	We hire interns (attachment students etc.)	Strongly disagree	1	2	3	4	5	Strongly agree

B11.	Our organisation is located near the raw materials we use	Strongly disagree	1	2	3	4	5	Strongly agree
B12	We buy used equipment that are cheaper and durable	Strongly disagree	1	2	3	4	5	Strongly agree
B13.	We normally serve electricity e.g. switching off lights at night	Strongly disagree	1	2	3	4	5	Strongly agree
B14.	We buy our raw materials in bulk	Strongly disagree	1	2	3	4	5	Strongly agree
B15.	We invest on energy efficient appliances	Strongly disagree	1	2	3	4	5	Strongly agree
B16.	We outsource support functions like HR, Marketing, IT etc.	Strongly disagree	1	2	3	4	5	Strongly agree
B17.	We use cloud computing, systems and free cloud storage to save on IT costs	Strongly disagree	1	2	3	4	5	Strongly agree
B18.	We do our marketing through word of mouth	Strongly disagree	1	2	3	4	5	Strongly agree
B19.	We reduce our working days to reduce cost	Strongly disagree	1	2	3	4	5	Strongly agree
B20.	We do a revaluation of complex expenses	Strongly disagree	1	2	3	4	5	Strongly agree
B21.	We have automated time consuming tasks	Strongly disagree	1	2	3	4	5	Strongly agree
B22.	We regularly review our expenses	Strongly disagree	1	2	3	4	5	Strongly agree
B23.	We have a temporal workforce	Strongly disagree	1	2	3	4	5	Strongly agree
B24.	We always cut unnecessary expenses	Strongly disagree	1	2	3	4	5	Strongly agree
B25.	We joined trade associations for lobbying and networks	Strongly disagree	1	2	3	4	5	Strongly agree
B26.	We always cut down on meetings	Strongly disagree	1	2	3	4	5	Strongly agree
B27.	We normally cut production costs e.g. we sell left over material and we make product out of the waste	Strongly disagree	1	2	3	4	5	Strongly agree

B28.	We have modernized our marketing methods	Strongly disagree	1	2	3	4	5	Strongly agree
B29.	Our marketing relationship strategies makes customers to become partners	Strongly disagree	1	2	3	4	5	Strongly agree
B30.	We always focus on quality	Strongly disagree	1	2	3	4	5	Strongly agree
B31.	We invest in our employees so that they become better and reduce mistakes	Strongly disagree	1	2	3	4	5	Strongly agree
B32.	We outsource our company weaknesses e.g. production of costly items	Strongly disagree	1	2	3	4	5	Strongly agree
B33.	We have free lancers (experienced professionals) assisting us	Strongly disagree	1	2	3	4	5	Strongly agree
B34.	We effectively manage time e.g. we block out destructions like social media	Strongly disagree	1	2	3	4	5	Strongly agree
B35.	We create an environment that encourages creativity and innovation	Strongly disagree	1	2	3	4	5	Strongly agree
B36.	We have multiple suppliers of materials to enable price comparison	Strongly disagree	1	2	3	4	5	Strongly agree
B37.	We turnover our inventory faster	Strongly disagree	1	2	3	4	5	Strongly agree
B38.	We normally move our business to a cheaper location if necessary	Strongly disagree	1	2	3	4	5	Strongly agree

SECTION C: SME SURVIVAL

As a result of the above practices, the following statements show the measures for SME survival, you are required to agree or disagree with the statements below. *Please indicate the extent to which you agree to statements on the choice of cost reduction strategy to foster SME survival on a scale of 1-5 where*:

Strongly disagree =1   Disagree=2   Moderate=3   Agree=4   strongly agree=5

Item No	Measures of SMEs survival		1	2	3	4	5	
C1.	Our profitability is increasing	Strongly disagree	1	2	3	4	5	Strongly agree
C2.	Our company has been able to sustain itself over a period of time	Strongly disagree	1	2	3	4	5	Strongly agree
C3.	Our company is growing/ expanding	Strongly disagree	1	2	3	4	5	Strongly agree
C4.	Our company is now competitive	Strongly disagree	1	2	3	4	5	Strongly agree
C5.	Our market share is increasing	Strongly disagree	1	2	3	4	5	Strongly agree
C6.	Our product quality is improving	Strongly disagree	1	2	3	4	5	Strongly agree
C7.	Our customer satisfaction level is improving	Strongly disagree	1	2	3	4	5	Strongly agree
C8.	Our sales volumes are increasing	Strongly disagree	1	2	3	4	5	Strongly agree

THANK YOU FOR YOUR PARTICIPATION