STAKEHOLDERS’ PARTICIPATION IN THE COST REDUCTION STRATEGY OF A BUSINESS FIRM

CASE STUDY: ZAIN UGANDA

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DEDICATION

I dedicate this research work to my supporting Family and Friends.

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I would like to acknowledge gratefully the works of several Academicians, Authors and my Professors in enhancing the quality of this work I have developed.

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ABBREVIATIONS

CFO:	Chief Finance Officer
ED:	Executive Director
FC:	Fixed Costs
FD:	Finance Department
HRD:	Human resource Department
ITD:	Information Technology Department
KHF:	Kadik Health Founation
MD:	Managing Director
OD:	Operations department
Pr:	Profits
TR:	Total Revenue
UMU:	Uganda Martyrs University.
VC:	Variable Costs

DEFINITION OF TERMS AND CONCEPTS.

ZAIN = A brand name of Celtel (U) Ltd – one of the mobile telecommunication companies in Uganda.

COST SAVING = a strategy being employed by most business firm in an effort to reduce or manage the operational costs – aimed at improving on the profitability and price competition management.

BUDGET: It's a blue print of a projected plan of action expressed in quantitative terms for a specific period of time.

STAKEHOLDERS = also have a role to play in the business (e.g. customers like contractors, distributers, product/service users, suppliers, government/tax) in addition to Management, employees, and business owners

STRATEGY= A special plan for a specific purpose

DEMOTIVATE = cause somebody to dodge/avoid doing certain things as expected. Despair. Be unmotivated.

APPRAISAL = Assessing the Quality or the value of something. Valuation

ABSTRACT

This research is about cost cutting strategies in a business firm, with an aim of making profit and grows tremendously. The study sought to find out the extent to which stakeholders participated in cost reduction plans or the contribution they would bring to that effect.

The primary objective in a business firm is to make good profits. Economists generally say that the positive difference between TR and TC means gold. The problem stands that despite all the effort to implement the cost reduction strategy, not much of the expectations have been realized even when stakeholders have been involved in the implementation plans.

The purpose of the study was to establish how much stakeholders could contribute to the cost saving strategy, if they were to be properly involved in the plan.

The objectives of the study were to examine the role played by the workforce in the Cost cutting plans, to establish the ways in which the company's Management systems approach or implement the cost cutting strategy, to find out how much the Service providers or contractors contribute to the cost management of their client and to find out the effect of Budgets on the operational systems in respect to the cost saving strategy.

The methodology used involved a research design that gave a direction of approach to the field visit and data acquisition. The research instruments used included questionnaires, interview guide, phones and notebooks to gather the info. The findings showed that only a few stakeholders are involved in the strategy which affects the successful implementation. Decisions made excluding other stakeholders are responsible for the poor results.

The recommendations are that all stakeholders must stake part in the cost strategic planning and and implementations and performance rewarded, if something substantial is to be realized.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The choice to study about cost cutting strategy in the business firms came as a result of the recent global credit crunch that affected many big organizations world wide. Very many people lost jobs as their firms struggled to stay in business, while some other businesses closed down completely because of their inability to meet their financial obligations.

The cost reduction strategy has always been resorted to as a turnaround strategy – whenever a firm realises that things are going bad against its wishes. The researcher in this study wanted to find out why cost cutting – in many businesses - must always wait until the business starts failing so that it can be implemented. A lot of money has been lost in a number of unnecessary or negligible issues by the business firms because of poor planning and lack of attention given to cost reductions. The researcher thought that a lot of returns can be realized if strategic cost cutting is made part of the daily business.

In this chapter, the researcher gives a detailed explanation of his concept, detailing the significance and justification of the study. The researcher asked himself a number of questions in relation to the study that required answers to be sought and the objectives and purpose of the study were well stated. The statement of the problem paved way in finding the solutions to it and this research had a scope (in terms time and geographic coverage) as seen in this chapter.

1.2 Background to the Study.

There are very many issues surrounding the functional behaviour towards organisations plans to reduce on the avoidable expenses companies still incur. Some functions have a feeling that the organisation stands to shine only because of their high contribution, hence it claims much more during the budgeting time and better basic pay. Some departments make sure that all that is passed for its budget is consumed even before the end of the given period. Some other departments suffer a lot of demotivation because they feel so inferior and un recognised, yet they contribute a lot to the growth of the company. Such a mentality has caused declined performance and poor results from the employees affected.

There has been an evident outcry of declining or poor performance in the business firms. Very poor performances have even led to the closure of some major firms like Enron, restructuring and outsourcing in such companies like Zain, UTL, MTN, Warid, URA and many more in Uganda. Today, out of 100 words spoken out by a serious businessman, two are about the Credit crunch. This is not about to be forgotten.

On the global perspective, cost reduction strategy has seen employees contracts terminated prematurely and many more loose jobs. Other organizations like General motors and AIG in America have had to be bailed out by their government. The African continent has not been saved either from the effects of credit crunch. Where the organisations (like NGOs) had not strategized before, they have been hit hard and have had to close. This is because; their main sponsors have withdrawn their support in respect to the current economic crisis.

Currently in Uganda here; the problem of having not planned well the cost reduction in time is strangling different companies. Some companies are now restructuring, retrenching, reselling and outsourcing certain functions in order to reduce on the operational costs, so that they can manage to realise some good profits, and foot the competitive age. One may take the examples of major telecom companies like Warid and Zain that have just retrenched their workers in addition to other measures as found out in this research, save for URA, UTL, BAT and many more that did it mpnths back.

All in all, every organisation that competes for the same market today should revisit or is revisiting the strategies through which they can register profitability through cost cutting. In this report, the researcher got to know the perception of different functions/immediate stakeholders in relation to cost cutting and the extent of their participation.

1.3 Problem Statement

Every business in Uganda has a primary objective of making profits and grow tremendously. Today, one realises that the issue of monopoly is getting cleared off completely. This means that the market is becoming so competitive. Prices on the market are less or no longer determined by the firms, but by the market itself. Most organisations today have chosen to look further into the issue of reducing more on the operational cost, so as to ensure that the investor saves something better from the profits (as it is known from the theory Pr = TR-TC). The perception of this strategy is being taken out of context or misunderstood by some stakeholders in the organisation. The Problem was that despite the great effort employed by organizations to manage the costs through the cost cutting strategy, much has not been registered from the stakeholders of the firm. The expected returns have not been realized in the participating companies. This study was aimed at finding out what exactly stakeholders are doing to have these costs managed, whether they are implementing the strategy the right way and the extent to which these stakeholders can really get involved in the cost saving plans, with out affecting the expected output (in terms of quality and quantity).

1.4. Purpose of the Study

The main objective of the study was to find out how much stakeholders of the firm do offer or can contributed to its profitability through its cost reduction strategies.

1.5 Objectives of the Study;

a) To examine the role played by the workforce in the Cost cutting plans.

b) To establish the ways in which the company's Management systems approach or implement the cost cutting strategy.

c) To find out how much the Service providers or contractors contribute to the cost management of their client.

d) To find out the effect of Budgets on the operational systems in respect to the cost saving strategy.

1.6 Research Questions

The study focused on answering the following specific questions.

a) What role does the work force play in the Cost cutting plans of a business firm?

b) How does management really approach or implement the cost reduction strategy?

c) What contributions do contractors/service providers make towards their client's cost minimization plans?

d) What could be the relationship between the budgets, the operational systems and the cost reduction strategy?

1.7 Scope of the Study

1.7.1 Time Scope

The research covered a period of three years (2007 – 2010). This is because it was during this time that many organizations met problems with sustainability due to a number of factors that included credit crunch, mismanagement, and high competition among others. This led to companies revisiting their strategies and implementing those they felt were appropriate. For those who could not catch up, they ended up closing. There effects of cost cutting strategy implementation are still being felt in the yr 2010 – the reason for its inclusion in the period of study.

1.7.2 Geographical Scope

The research covered business organization located in the Ugandan capital - Kampala. The representative organisation (Zain Uganda) is situated on plot 11, Wampewo Avenue, off Jinja Road. It is 2 km East of Kampala. Zain was chosen because it had just gone through this turnaround strategy – and so its employees were reshuffled and/or retrenched, some departments outsourced and several changes took place in this organization.

1.7.3 Subject scope.

The study was looking at the strategic cost cutting approach to save the company from collapsing. The turn around strategies include cost reduction plans. This study looked at ways in which the management, employees and other stakeholders combined effort to save the company from high costs of production. Their involvement through their respective departments captured inputs from what they perceive as the least to the highest spending department (in the Zain setting as a firm in question).

The study covered the extent to which these stakeholders of the organisations participate in the cost saving strategy. The workforce role, management approach and immediate contractors (representing other stakeholders) were picked up in this study and their individual involvement and relationship studied. The budget effects to the strategy were investigated.

1.8 Justification of the Study

This study to be undertaken needs urgent attention. This is because, many companies are collapsing, and/or employees are being sent away because of failure to meet the targets or declining revenues.

Because the researcher wants to use a different approach that involves the stakeholders, he greatly feels that it is important now to undertake this study. This approach mainly had to do with employees' involvement in the operational cost reduction. The researcher thought that if the employees, suppliers, contractors, distributors and other shareholders were to be well trained and cautioned about management of the costs (since they are directly involved), the organisation would catch up on its positive course. The previous researchers about cost saving/reduction had always not tackled this issue from this angle. They always looked at the way management handled this issue of cost reduction in order to manage price wars and achieve targeted profitability.

There is some urgent need to know how best departmental managers can manage their budgets, or work within their budgets especially those that involve expenditures on avoidable issues like avoidable car accidents, high fuel consumptions, contracts, facilities full utilization, training, allowances etc.

1.9 Significance of the Study

This study was useful to the researcher because, as far as his academics are concerned, it was a requirement for the partial fulfilment of his Masters Degree in Business Administration.

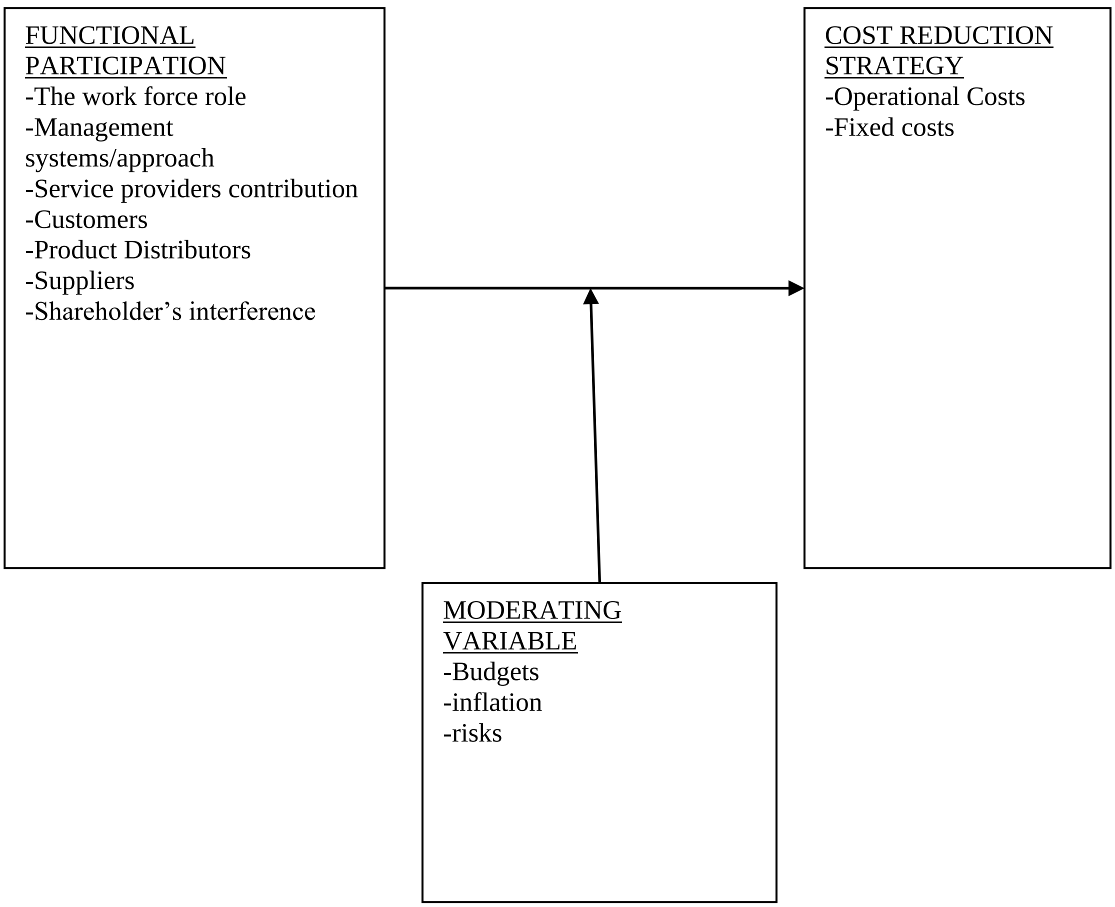
This opted study is the researchers strategy – as it would help him a lot in business management (whether personal or employment) as a reference or guiding document.

The firm from which this research was undertaken would benefit from getting to know how best it can involve its full force and available resources in the reduction of operational costs, and yet still get a lot from them, without their demotivation or decreased performance. Information gathered here would help other researchers in finding out alternative ways of saving different companies from rather high costs of production that affect the businesses tremendously.

The small scale and medium business firms that accessed this report would get gold out of it. They would learn how best they could handle avoidable expenses that infringe on their profits – so that they can be able to expand and grow faster that it was before.

1.10 Conceptual Framework

Fig 1.1 Relationship between the variables of interests



Source: Thompson A and Strickland AJ (1987), Horngre, (2001), Dwivendi (2006)

The main objective of this study is to find out the extent to which various operational systems in an organization contribute to the survival of a business firm through cost reduction strategies. Simon (2000) suggested that an organization needs to consider such issues like increasing revenue faster than expenses can increase through bulk sales, decreasing expense/costs while maintaining revenue or improve productivity so that a lot can be achieved

The plan to decrease the expenses while increasing or maintaining revenue was the researcher's target. A number of variables (independent, dependent and moderating) had been identified together with their corresponding elements – as shown in the Fig.1.1 above. The dependent variables of cost reduction strategies were affected by the actions that took place at the operational level. Likewise, the moderating variables (such as budgets, inflation, and marketing) affected the outcome of the strategy in question through influencing the independent variables. The effects they caused would be discussed in the following chapters. In this study, the relationship between the management approach, workforce role, other stakeholders (outsourced contractors), the budgets and the operational costs were looked at in details.

1.10.1 Relationship between the variables in the conceptual framework.

In this research, the researcher chose to study only a few of these variables (shown in fig.1.1 above) and how these variables related to each other. He only looked at management, contractors, and employees for independent variables, while for moderating variables, he picked out the budgeting effects. These would be studied to find out the impact they have on the operational cost cuttingplans.

The independent variables; they are a great factor affecting this strategy in question. They all act towards one main objective of profitability. The management system is composed of the leadership in the organization that has the duty to plan, organize, coordinate, control and motivate their subjects. They have a duty of implementing the company strategies and see to it that they work perfectly. To achieve this, they need the support of the workforce composed of the employees. Every strategy set up involves this workforce. Some of the strategies laid down saw certain functions being outsourced. This means that contractors/had to come in and take over those sections. Contractors are a representative of other stake holders. For the company to achieve its main objective smoothly, it has to get these outsiders involved in some way. This is because they have the ability to determine cost.

The management, the workforce, and the contractors (other stakeholders) have to work together to enable conducive atmosphere for each other to operate. The budgets made by any firm affects these functions, hence has a lot to expose in relation to the strategy. Such a relationship that sees each factor and functional system responsible to the other was further laid bare as we shall see from the findings.

1.11 Conclusions

This chapter opened an overall expectation of this research. It helped the researcher to have some good direction and stated reasons for his research. A smooth flow of events that were handled through, the objectives of the study, the answer to the questions that the researcher had asked himself, and the solution to the problems that bothered him would all be found in the next chapters. The satisfaction that was derived from this study would be a special guiding tool to a successful business entity.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explained different theories as had been stated in different books. This helped to determine what has already been done to the research problem being studied and to avoid unnecessary duplication of work. The main issue about this chapter is to understand some explanations that different researchers/scholars have about the firms' strategies, costs versus profitability and how to get there. One of the ways is to manage costs of production. Theories of profit (as the main business objective), costs and cost dynamics (as some of the determinants of good profit) and strategy (as a specific way/plan employed to achieve a dream) were looked in details in this chapter.

2.2.0 Theoretical Review

2.2.1 Theories of profit.

Profit maximization is the major objective of a business firm (Joel Dean 1960). A profit maximising firm seeks to maximize the difference between total revenue (TR) and total costs (TC). From the price theories explained by Donald Watson (1963), one of the ways to achieve this goal is for the firm to choose a price and an output which maximizes TR-TC. The best way to make a higher TR and TC difference is to reduce the total costs (TC) as much as possible.

Profitable Business

A good business is all about making profits. Salemi (1987) notes his profit definition as the reward for the entrepreneurs, the return of the forth factor of production or organisation. According to Prof.Howley (1893) with his theory of risk bearing of profits, he says profit is the reward for risks and responsibilities which are born by an entrepreneur. According to Lipsey (1978) profits do not arise due to the reason that risks are taken by the entrepreneur, but because superior entrepreneurs are able to reduce them.

Normal profit and Pure profit.

Normal profit; Dwivend (2006) defines it as the minimum rate of return that a firm must earn to remain in the industry. It is also defined as the wages of management. It equals the transfer earnings. It refers to the long term earnings of the entrepreneurs under competitive conditions – which tend to equalise or the state of equilibrium in which there is no risk of uncertainty involved.

Pure Profit; It is the return over and above the opportunity cost i.e. the payment that would be necessary to draw forth the factors of production from their most remunerative alternative employment; explains Dwivend (2006). He continues to elaborate pure profit as "a residual left over after all contractual costs have been met, including the transfer costs of management, insurable risks, depreciation and payments to share holders sufficient to maintain investment at its current level ". In other words, pure profit is equal to net profit less opportunity costs of management, insurable risk, depreciation of capital, and necessary minimum payments to share holders that can prevent them from withdrawing their capital from its current use. According to R.G Lipsey (1978), pure profit belongs to the owner of the firm as an additional return on the capital.

Profit Vs Cost of production.

Dwivend (2006) notes that, if reference is made to normal profits, profit enters the cost of production in the same way as rent, interest and wages. For normal profit, it is treated simply as wages of management. But, when reference is made to pure profit, it excludes the cost of production. Pure profit is rather surplus over and above the cost of production.

Clark's Theory of Profit: Profit is the reward for Dynamic Entrepreneurship

According to Clark, Profits accrue in a dynamic world not a static world – it does not exist in a static world. A static world is the one in which there exists absolute freedom of economic activity and competition; population and capital are stationary; there are no inventions; production process does not change; and goods continue to remain homogeneous. There is no uncertainty and hence no risk

The dynamic world is the one in which factors that remain constant in a static world undergo process of change. Such changes include; increase in population, capital, improved production techniques, change in form of business organizations, and multiplication of consumer's wants.

In Clark's view, the major function of an entrepreneur in a dynamic society is to take the advantage of generic changes to promote his business, expand sales and **reduce costs of production.**

Criticisms of Crark's Theory

1. To some economists, the firm's earning between the wage of management and profits is not acceptable. Clark's definition was therefore a matter of phraseology and no clear line could be drawn to show the functions which give wages of management and those which were remunerated by the profits.

2. Even if it is accepted that profits are accounted for by the coordinating functions of entrepreneurs, it causes special difficulties in explaining the profits in the practical world. Making a distinction between interest and dynamic reward is a difficult proposition in practice.
3. The basic tenet of Clark's theory is that profits result from certain generic changes and Clark's entrepreneur is the pioneer of such changes. But in practice, one finds that profit can exist also under different conditions.

2.2.2 Theory of Cost.

Traditional Theory vs Modern theory

Dwivend (2006) notes that the traditional U-shaped cost curves have received less recognition from today's economists. The argument behind this is that the traditional theory of cost has greater applications to the theory of price determination and has a greater predicting power than the modern theory. The theory recognizes that in the short run, TC = TFC + TVC and AC = AFC + AV (Stigler 1939)

Total fixed costs (TFC) include; the salaries of administration staff and related expenses, the salaries of direct production labor paid on fixed term, standard depreciation allowance and maintenance costs of land and building.

Tradition theory assumes optimum capacity of a plant to be technically given and a cost minimizing firm has no choice but to utilize the plant to its optimum capacity (Stigler 1939). **The modern theory** deviates from this on grounds that firms in their production planning, choose a plant with flexible capacity (i.e. plant with built in reserve capacity). Dwivend (2006) states the reasons for having this reserve capacity as;

Meeting the seasonal and eventual increase in demand; this explains why technology has taken its course because for companies to meet high demand, better equipment and plant have had to be acquired.

Avoiding loss of production due to breakdown and repair works has been handled through employment of maintenance team and ensuring preventive maintenance of the production system. Some organizations have gone ahead to outsource these functions in order to enjoy the better technical approach and expertise these service providers offer.

Organizations have now planned for provision for meeting anticipated growth in demand. This involved strategic relocation businesses or manufacturing units to suite the anticipated growth – like cocacola has done, purchase of flexible high capacity plants, taking the advantage of technology providing built in reserve capacity, building excess capacity in land and building for expansion if required and making full utilization of excess organizational and administrative capacity.

A firm will always use a plant that gives a better cost of production Dwivend (2006). A plant with maximum flexibility is the target with this modern theory. This is one of the ways employed in cost management today.

Business Cost

Business costs include all expenses which are incurred in carrying out the business. The concept of business cost is similar to actual or real cost (Shepard 1953). Business costs include all the payments and contractual obligations depreciation made by the firm together with the book cost of depreciation on plant and equipment. Both concepts are used in calculating actual profits and losses in the business, in filing returns for income tax and for other legal purposes.

Fixed costs and Variable costs

Fixed costs are those that are fixed in volume for a curtain given output. They do not vary with the variation in the output between zero and a certain level of output. The costs that do not vary over a certain level of output are known as fixed costs – as explained by Shepard (1953).

They include cost of i) Managerial and administrative staff; ii) depreciation of machinery, building and other fixed assets, iii) Maintenance of land. The concept of fixed costs is associated with short run.

Variable costs are those which vary with variation in the total output. Variable costs are functions of the output. They include direct labour costs, cost of raw materials, running, cost of fixed capital such as fuel, ordinary repairs, routine maintenance expenditure and the costs of all other inputs that vary with output.

Total cost (TC) represents the value of the total resources used in the production of goods and services. It refers to the total outlays of money expenditure, both explicit and implicit, on the resources used to produce a given output. The total cost for a given output is obtained from the cost function.

2.2.3 Generic strategy

Porters Theory

Walsall (1996) explained Porters' theory as the term which he used to describe the strategy a firm takes in the pursuit of competitive advantage in an industry. There are three generic strategies as per porter's argument that a firm must choose from - although others have disputed his conclusion. The firm needs to consider cost leadership; become the lowest cost producer, differentiation; make your product unique, and Focus; only serve a segment of the market through: cost leadership - a cost focus strategy or differentiation – a differentiation focus strategy, with that segment or niche.

A firm can gain cost advantage in two ways;

(a) Control Cost drivers by getting the right scale economies, manage the learning curve and keeping it proprietary, so that competitors do not benefit from your effort, controlling capacity utilization by efficient planning, exploiting cost linkages within the value chain and with suppliers, controlling relationships with other business units to share lower costs. Its important to know that vertical and horizontal integration have cost consequences for value activities.

    Timing is important in order to enjoy cost advantages by moving first or moving last into the market. Simon (2000), adds that ccontrolling of discretionary policies (for example invest in IT to benefit from cost advantages), optimization of the geographical location of each value activity and control of institutional factors (e.g. organizational structure) must be given special attention in strategic planning.

(b) Redesign the Value Chain

This requires the firm to adopt different methods of designing, producing, distributing, and marketing the product. Examples include; new product process, direct as opposed to indirect sales, sub-contracting, new distribution channels and others.

Cost leadership as a generic strategy means that these lower costs must translate into higher profits (Walsall 1996). Cost leadership is not about charging low prices or having low cost per se. It means that costs must be significantly lower than competitors' costs to encourage competitors choose differentiation instead.

Theory of Choice

The many theories looked at and the many more not written about in this research (but referred to), **Porters theory** of strategic cost management and competitiveness was greatly relied on to explain the cost cutting strategy and its importance.

2.3. Global Perspective.

Strategy

When a business worth rescuing is falling into despair or situational crisis, such strategies like turn around come into play, ACCA (2006). The main goal is to arrest and reverse the resources of competitive and financial weaknesses as quickly as possible. The first task of rescue is diagnosis; find reason for poor performance, poor strategy implementation, and execution of an otherwise workable strategy. Clack,J.B,(1965), says that discerning what is wrong and how serious the firm's strategic problems are is a prerequisite to formulating a turn around strategy.

Some of the most common causes of business trouble are ignoring the profit dispensing effects of an overly aggressive effort to "buy" market share with deep price cuts, being burdened with heavy fixed costs because of an inability to utilize plant capacity, better on research and development efforts to boost competitive position and profitability and failing to come up with an effective innovation, betting on technological long shorts, being too optimistic about the ability to penetrate the markets, making frequent changes in strategy (because the previous strategy did not work), and being overpowered by the competitive advantages enjoyed by close rivals.

There are five generic approaches to achieving a business turnaround (Thompson 1987). Firms must look at revamping the existing strategies, revenue increasing strategies, cost reduction strategies, asset reduction/retrenchment strategies or even combination of the above.

When a cause of weak performance is diagnosed as"bad" strategy, the task of strategy overhaul can proceed along any of the several paths – as suggested by Trickland (1987). The firm can shift to a new competitive approach and thus try to rebuild its market position. It can look at overhauling internal operations and functional area strategies to produce better support of the same basic overall business strategy. Merging with another firm in the industry and converting to its basic strategy and retrenching into a reduced core of products and customers more closely matched to the firm's strength would offer a very good ground for the strategic implementations.

These paths will prove more appealing depending on the prevailing conditions in the industry on the firm's particular strengths and weakness compared to rival firms and on the severity of the crisis. Consequently, situational analysis of the industry, major competitors, and the firms own competitive position, its skills and resources are prerequisite to action, Clack,J.B,(1965). Usually, reformulating the strategy of an ailing business needs to be predicted on a firm's strengths and what it is best at doing.

Revenue increasing turnaround efforts aim at generating increases in sales volumes. For revenue building options, any firm would strategically look at price cuts, increased promotions, bigger sales force, added customer services and quickly achieved product improvements.

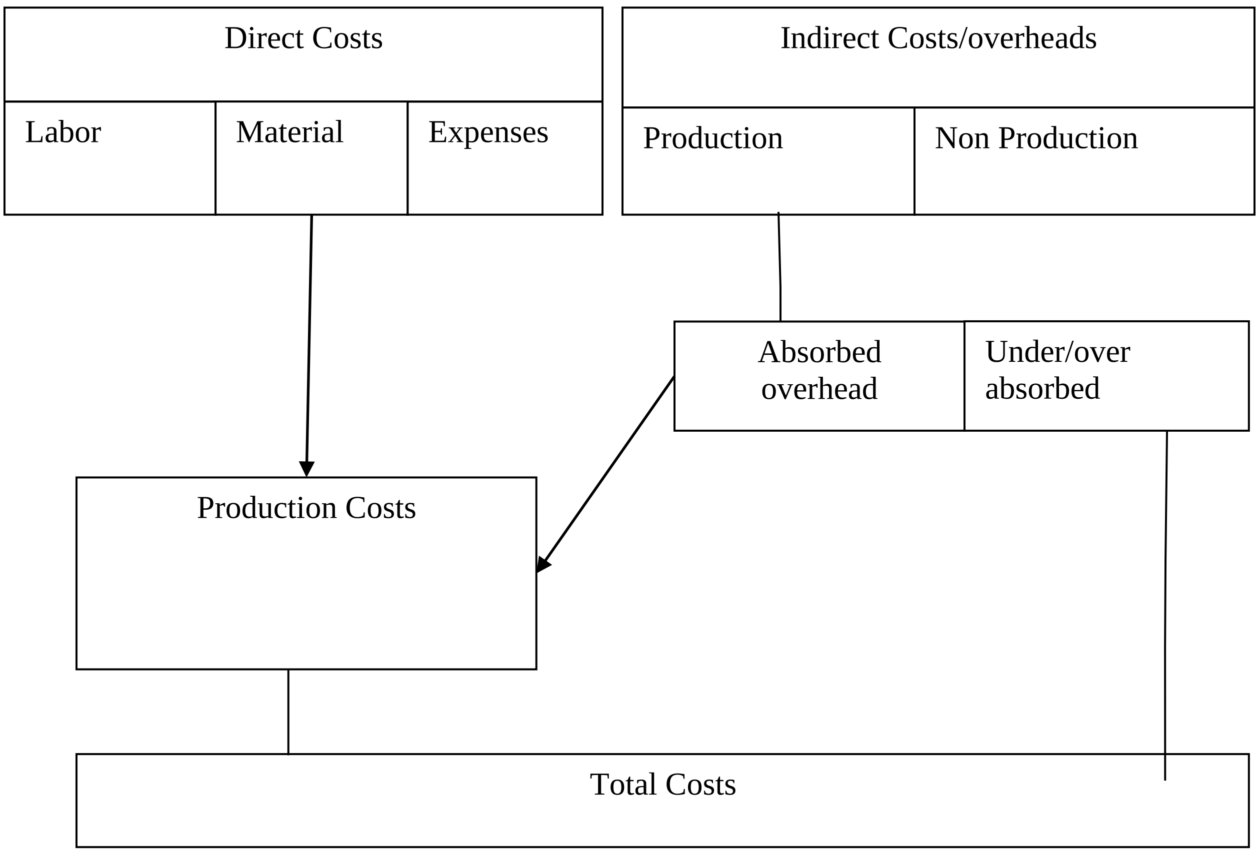
If demand happens to be price elastic, revenues can be boosted by instituting a price increase instead of the price cut. Attempt to increase sales revenues are necessary when there is little or no room in the operating budget to cutback on expenses and still break even, and when the key to restoring profitability has increased utilization of existing capacity.

Cost reducing turnaround strategies work best when an ailing firm's cost structure is flexible enough to permit radical surgery, when operating inefficiencies are identifiable and readily correctable, and when the firm is relatively close to its breakeven point, BPP ACCA (2006). Accompanying a general belt tightening can be an increased emphasis on budgeting and a cost control, elimination of jobs and hiring, modernization of existing plant and equipment to gain greater productivity. or postponement of capital expenditures. Asset reduction/retrenchment strategies become essential in rescuing a firm, when cash flow is a critical consideration and when the most practical way to generate cash is through the sale of some assets (plant and equipment, land, patents, inventories or profitable subsidiaries) and through retrenchment (pruning of marginal products from the product line, closing or sale of order plant, a reduced work force, withdrawal from outlaying markets, cutbacks in customer service etc).

Otley (1987) says that some times, the purpose of unloading some of the firm's assets is not just to stem cash drains and get rid of losing operations, but to raise funds which can be used to strengthen remaining activities. Combination turnaround strategies are usually essential in grim situations, where fast actions on broad front are required. Likewise, combination actions frequently come into play when the rescue efforts entail bringing in new managers and giving them relatively free hand to make whatever changes they see fit in restoring the business to a good condition. The tougher the problems, the more likely that the solutions will involve a multi prolonged approach rather than just one category of turnaround actions.

Some strategies like turnaround tend to be risky undertakings and often fail Horngren (2001). Many firms wait until it is too late to begin a turn around, and others find themselves short of both cash and entrepreneurial talent needed to compete in a mature industry, characterized by a fierce battle for market share, better positioned rivals, simply proved too strong to defeat in a head to head combat for the market share needed to survive. Thompson (1987) says that, when the market maturity approaches and competitive hostility intensifies, a firm's range of strategic options narrows. A crisis ridden firm to be successful, its management has to be alert to the signs of an impending competitive shakeout and launch an early effort to reposition the firm and restore its competitive status.

Fig. 2.3(a): The absorption cost accumulation system



Source: Cole 1996

Any business strategy to be capable of sustained success must be predicated on building and maintaining a competitive advantage. Thompson (1987) writes that competitive advantage grows out of positioning a firm in its competitive and industry environment so that it has an edge in coping with the competitive forces. Many different positioning advantages exist, such as;

offering the highest quality product, providing the best customer service, being the biggest firm in the market, having the lowest prices, dominating a particular geographic region, having the best product to meet the needs of a narrowly targeted group of buyers, guaranteeing the highest degree of performance and reliability, and offering the most value for money (a combination of good quality, good service, and acceptable price).But whichever positioning option is perused, the essential competitive advantage requirement is that viable number of buyers end up preferring the firm's product offering because of its perceived "super value".

Superior value is nearly always created by offering buyers a standard product at a lower price or by using some differentiating technique to provide a batter product than offsetting a higher price it usually carries Thompson (1987) explains. A number of competitive strategies are employed to enable a firm meet its objectives. Strategies aimed at being the industry's low cost producer, differentiation strategies, focus strategies, offensive strategies and defensive strategies are always given a high priority by business planners. The main objective of the study was to establish the extent to which the stakeholders contributed to the cost reduction strategy of a profit making business firm. Cost Management is one of the strategies to be employed.

2.4.0 National Perspective

The Stakeholder

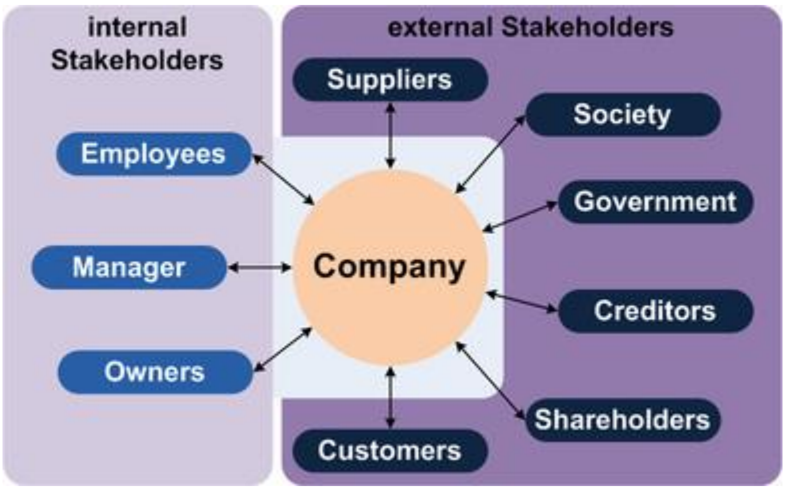
A stakeholder can be defined as Person, group, or organization that has direct or indirect stake in an organization because it can affect or be affected by the organization's actions, objectives, and policies. Key stakeholders in a business organization include creditors, customers, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources. Although stake-holding is usually selflegitimizing (those who judge themselves to be stakeholders are de facto so), all stakeholders are not equal and different stakeholders are entitled to different considerations. For example, a firm's customers are entitled to fair trading practices but they are not entitled to the same consideration as the firm's employees. See also corporate governance.

Stakeholder may refer to:

> **Stakeholder (corporate)**, a person, group, organization, or system who affects or can be affected by an organization's actions
>
> **Project stakeholder**, a person, group or organization with an interest in a project.
>
> **Stakeholder theory**, a theory that identifies and models the groups which are stakeholders of a corporation or project
>
> **Stakeholder analysis**, the process of identifying those affected by a project or event
>
> **Stakeholder (law),** a third party who temporarily holds money or property while its owner is still being determined

Stakeholder (corporate)

Fig.2.4 (a) Internal and external stakeholders of a company



Source: www.erc.msh.org. (Retrieved 2010-04-08)

A corporate **stakeholder** is a party that can affect or be affected by the actions of the business as a whole. Stakeholders were defined as "those groups without whose support the organization would cease to exist." This theory was later developed and championed by R. Edward Freeman in the 1980s. Since then it has gained wide acceptance in business practice and in theorizing relating to strategic management, corporate governance, business purpose and corporate social responsibility (CSR). The term has been broadened to include anyone who has an interest in a matter.

Types of stakeholders

People who will be affected by an endeavor and can influence it but who are not directly involved with doing the work. In the private sector, People who are (or might be) affected by any action taken by an organization or group. Examples are parents, children, customers, owners, employees, associates, partners, contractors, suppliers, people that are related or located near by. Any group or individual who can affect or who is affected by achievement of a group's objectives.

An individual or group with an interest in a group's or an organization's success in delivering intended results and in maintaining the viability of the group or the organization's product and/or service. Stakeholders influence programs, products, and services.Any organization, governmental entity, or individual that has a stake in or may be impacted by a given approach to environmental regulation, pollution prevention, energy conservation, etc. A participant in a community mobilization effort, representing a particular segment of society. School board members, environmental organizations, elected officials, chamber of commerce representatives, neighborhood advisory council members, and religious leaders are all examples of local stakeholders.

Internal Stakeholders - Market (or Primary) Stakeholders are those that engage in economic transactions with the business. (For example stockholders, customers, suppliers, creditors, and employees)

External Stakeholders - NonMarket (or Secondary) Stakeholders are those who - although they do not engage in direct economic exchange with the business - are affected by or can affect its actions. (For example the general public, communities,activist groups, business support groups, and the media)

Stakeholder view theory

Post, Preston, Sachs (2002), in their theory called Stakeholder view, use the following definition of the term "stakeholder": "The stakeholders in a corporation are the individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and that are therefore its potential beneficiaries and/or risk bearers." This definition differs from the older definition of the term stakeholder in Stakeholder theory (Freeman, 1984) that also includes competitors as stakeholders of a corporation. Robert Phillips provides a moral foundation for stakeholder theory in Stakeholder Theory and Organizational Ethics. There he defends a "principle of stakeholder fairness" based on the work of John Rawls, as well as a distinction between normatively and derivatively legitimate stakeholders.

Stakeholder engagement is the process by which a firm's stakeholders engage in dialog to improve a firm's decision-making and accountability toward corporate social responsibility (CSR) and achieving the triple bottom line. Stakeholder engagement works to take into account the concerns and objectives of a firm's stakeholders in its decisions. Stakeholder engagement takes into account the varying perspectives, priorities, and limitations of different stakeholders. The practitioners in stakeholder engagement are often businesses, non-governmental organizations (NGOs), labor organizations, trade and industry organizations, governments, and financial institutions.

The company most often initiates open, two-way dialogue seeking understanding and solutions to issues of mutual concern. Stakeholder engagement occurs when a company wants to consider the views and involvement of someone or some group in making and implementing a business decision. Stakeholder engagement must occur when a company truly wants input from groups that will be affected by the company's decision. This is very different from when a company wants to issue a message or influence groups to agree with a made decision.

Components

Partnerships, in the context of corporate social responsibility interactions, are people and organizations from some combination of public, business and civil constituencies who engage in common societal aims through combining their resources and competencies, sharing both risks and benefits.

Agreeing on the rules of engagement is integral to the process. It is important for everyone to understand each party's role. Buy-in is essential for success in stakeholder engagement. Every party must have a stake in the process and have participating members have decision-making power. Every party must be committed to the process by ensuring action based on the decisions made through the engagement.

No decisions should be already made before commencing stakeholder engagement on the issue. It is integral that the dialog has legitimacy in influencing the decision.

Benefits

Stakeholder engagement provides opportunities to further align business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value. Stakeholder engagement is intended to help the practitioners fully realize the benefits of stakeholder engagement in their organization, to compete in an increasingly complex and ever-changing business environment, while at the same time bringing about systemic change towards sustainable development.

Employer

An employer is a person or institution that hires employees or workers. Employers offer hourly wages or a salary in exchange for the worker's labour power, depending upon whether the employee is paid by the hour or a set rate per pay period. A salaried employee is typically not paid more for more hours worked than the minimum, whereas wages are paid for all hours worked, including overtime.

Employers include individuals hiring a babysitter to governments and businesses which may hire many thousands of employees. In most western societies, governments are the largest single employers but most of the work force is employed in small and medium businesses in the private sector.

Although employees may contribute to an enterprise, the employer maintains control over the productive base of land and capital, and is the entity named in contracts. The employer typically maintains ownership of intellectual property created by an employee within the scope of employment and as a function thereof. These inventions or creations become the property of the employer based on a concept known as "works for hire".

An employers' relative level of power over employees is dependent upon numerous factors; the most influential being the nature of the employment relationship. The relationship employers share with employees is affected by three significant factors – interests, control and motivation. It is up to employers to effectively manage and balance these factors to ensure a harmonious and productive working relationship. Interests can be best described as monetary constraints and economic pressures placed on organizations in their pursuit of profits. It covers facets such as labour productivity, wages and the effect of financial markets on businesses.

Wood et al. (2004, p 355) describe control as being either output focused, focusing on desired targets with managers defining, and using, their own methods for reaching targets, or process controls, which specify the manner in which tasks will be achieved (Ibid, p. 357). Employer and managerial control within an organization rests at many levels and has important implications for staff and productivity alike, with control forming the fundamental link between desired outcomes and actual processes. Employers must balance interests such as decreasing wage constraints with a maximization of labour productivity in order to achieve a profitable and productive employment relationship.

Motivation is the third and most difficult of the factors for employers to effectively manage in the employment relationship . Employee motivation can often be in direct conflict with control mechanisms of employers, and can be broadly defined as that which energizes, directs and sustains human behaviour (Stone, 2005, p 412). Dubin (1958, p 213) further elaborates on this, noting motivation as “something that moves a person to action, and continues him in the course of action already initiated.”

The employment relationship is thus a difficult challenge for employers to manage, as all three facets are often in direct competition with each other, with interests, control and motivation often clashing in the equally important quest for individual employee autonomy, employer command and control and ultimate profits.

Employee

An employee contributes labor and expertise to an endeavour. Employees perform the discrete activity of economic production. Of the three factors of production, employees usually provide the labor. Specifically, an **employee** is any person hired by an employer to do a specific "job". In most modern economies, the term employee refers to a specific defined relationship between an individual and a corporation, which differs from those of customer, or client.

Most individuals attain the status of employee after a job interview with a company. If the individual is determined to be a satisfactory fit for the position, he or she is given an official offer of employment within that company for a defined starting salary and position. This individual then has all the rights and privileges of an employee, which may include medical benefits and vacation days. The relationship between a corporation and its employees is usually handled through the human resources department, which handles the incorporation and onboarding of new hires, and the disbursement of any benefits which the employee may be entitled, or any grievances that employee may have. Employees can organize into trade unions or labor unions, who represent most of the available work force in a single organization. They utilize their representative power to collectively bargain with the management of companies in order to advance concerns and demands of their membership. An offer of employment, however, does not guarantee employment for any length of time and each party may terminate the relationship at any time. This is referred to as at-will employment. In some professions it is customary to offer two weeks notice when resigning for a job, but that may not be legally enforceable.

Stakeholder Analysis

A stakeholder analysis is a technique you can use to identify and assess the importance of key people, groups of people, or institutions that may significantly influence the success of your activity or project. You can use this technique alone or with your team members. It is used by members of your quality improvement team.

Weaver, P. (2007) says that the use of a stakeholder analysis helps to identify people, groups, and institutions that will influence your initiative (either positively or negatively), anticipate the kind of influence, positive or negative, these groups will have on your initiative, and develop strategies to get the most effective support possible for your initiative and reduce any obstacles to successful implementation of your program. One should conduct a stakeholder analysis in the early stages of planning a quality improvement initiative.

Forms of Stakeholder Analysis

There are three basic approaches used to help visualize, map and understand stakeholders.

Tuner (2002) says that the approach with the highest profile in general business is the 'customer relationship management' or CRM approach. This approach requires substantial data sets to be gathered about a key segment of the business' stakeholder community (typically customers) followed by the use of data mining techniques allow trends and opportunities to be identified, graphed and communicated. These reports inform management decision making and help the business prosper. CRM works effectively in situations where the business is relatively stable and there are a large class of stakeholders interacting with the business in a reasonably common way.

A second approach that cannot be ignored is the extensive body of work focusing on influence networks. This research focuses on the importance of relationships through the study of 'influence networks', 'social networks', 'social capital', viewing projects as 'temporary knowledge organizations' (TKOs) and more recently the idea of CRPR (Complex Responsive Processes of Relating)(Weaver 2007). All of these theories emphasize the critical importance of the relationships between different stakeholders both within and around the project team. The strength and effectiveness of the internal relationships enable the project team to function effectively and allows the team (or the project) to interact and influence its surrounding stakeholder community. Weaver, P. (2007) says that the difficulty in using these strands of research lies in building the influence/relationship maps; the work is difficult, time consuming and invasive requiring extensive interviews with the stakeholders. Consequently whilst an appreciation of these ideas is critical for effective stakeholder management, the opportunities to undertake a detailed analysis of a particular stakeholder community are very limited and typically only occur as part of an academic research assignment.

Weaver, P. (2007) still explained that the need for a practical, usable approach to visualizing many different stakeholder communities has led to the development of a range of listing and mapping techniques by academics, consultants and businesses over the years. These approaches trade the richness of data available under the CRM approach for a holistic view of the whole stakeholder community and largely ignore the complex network of relationships considered in CRPR and the other network theories outlined above for a simpler consideration of 'importance' in some form, Weaver, P. (2007). Obviously the 'importance' of a stakeholder is directly associated with his or her ability to influence the project through their network of relationships; the difference in the analysis is in the way this is assessed. All of the mapping techniques discussed above use a qualitative perception of a stakeholder's 'importance' rather than a quantitative analysis of the influence networks and relationships surrounding the stakeholder to determine an absolute value for that person's 'importance'.

A firm can follow the following steps to use the stakeholder analysis approach Hematti (2002).

1. Organize group brainstorming. Identify all the people, groups, and institutions that will affect or be affected by your initiative and list them in the column under "Stakeholder."

2. Once you have a list of all potential stakeholders, review the list and identify the specific interests these stakeholders have in your project. Consider issues like: the project's benefit(s) to the stakeholder; the changes that the project might require the stakeholder to make; and the project activities that might cause damage or conflict for the stakeholder. Record these under the column "Stakeholder Interest(s) in the Project."
3. Now review each stakeholder listed in column one. Ask the question: how important are the stakeholder's interests to the success of the proposed project? Consider: The role the key stakeholder must play for the project to be successful, and the likelihood that the stakeholder will play this role, and the likelihood and impact of a stakeholder's negative response to the project. Assign A for extremely important, B for fairly important, and C for not very important. Record these letters in the column entitled "Assessment of Impact."
4. The final step is to consider the kinds of things that you could do to get stakeholder support and reduce opposition. Consider how you might approach each of the stakeholders. What kind of information will they need? How important is it to involve the stakeholder in the planning process? Are there other groups or individuals that might influence the stakeholder to support your initiative? Record your strategies for obtaining support or reducing obstacles to your project in the last column in the matrix.

2.4.1 The Management System Approach

Its about the organization and coordination of the activities of an enterprise in accordance with certain policies and in achievement of clearly defined objectives. Management is often included as a factor of production along with machines, materials, and money. According to the management guru Peter Drucker (1909-2005), the basic task of a management is twofold:

marketing and innovation. Practice of modern management owes its origin to the 16th century enquiry into low-efficiency and failures of certain enterprises, conducted by the English statesman Sir Thomas More (1478-1535).

Management also concerns directors and managers who have the power and responsibility to make decisions to manage an enterprise. As a discipline, management comprises of the interlocking functions of formulating corporate-policy and organizing, planning, controlling, and directing the firm's resources to achieve the policy's objectives. The size of management can range from one person in a small firm to hundreds or thousands of managers in multinational companies. James (2002) says that in large firms the board of directors formulates the policy which is implemented by the chief executive officer. Some business analysts and financiers accord the highest importance to the quality and experience of the managers in evaluating an organizations current and future worth.

Talent costs constitute a significant portion of the operating budget of most companies, making salary and benefit costs a natural consideration for cost reduction in the current economic crisis (Deloitte 2009). These cutbacks are on top of the “freezing” of defined benefit pension plans and increased cost sharing of healthcare costs by many companies over the past several years. This still leaves a significant number of employers potentially considering benefits reductions as part of their strategies to conserve cash.

Most management systems or the decision making levels in organizations have mainly opted for outsourcing and retrenchment of their staff as the main avenues to cut on the costs. There are a number of ways and strategies management has chosen to consider, regarding cost cuts. Among these, include outsourcing, retrenchment, and proper and full use/exploitation of facilities among others. The organization's departments have been given directives to suggest better ways to the top management on they can reduce costs that are affecting the company returns negatively.

Criteria for what to outsource

Clark and Baldwin (1997) suggested some ways leaders can quickly look up to – when they decide to cut cost. The criteria for what to outsource include;

(i).**Standard parts.** It may be advantageous to outsource the production of standard parts that have widespread use, no variations, and are not likely to go obsolete. If these conditions are met, these parts can benefit from mass production economies-of-scale. These can be procured by pull-based automatic resupply techniques, since these parts will be used one way or another. Thus, these parts may be suitable for outsourced batch production.

(ii). Modularity. To eliminate interface complications, outsourced production should only be allowed for parts and modules with consistent, clearly-defined interfaces that are easy to integrate.

(iii). Skill, talent, and costly equipment. The assembler has a chance of taking advantage of a supplier's capabilities providing all the other issues that he lacks such as special skill, talent, and costly equipment. After adequate discussion.

(iv). Company-specific lines. An innovative outsourcing arrangement would be for specialized outsourcing companies to set up company-specific parts production lines in or nearby assembly plants. The case of Zain Uganda contracted Ericsson to provide all the necessary transmission equipment. Ericsson has now set up very big supply stores and repair center in Uganda to be able to satisfy or manage its special customer lines.

(v). Cooperation. Engardio (2000) too agrees with Clark (2009) that for outsourcing to be successful, very good cooperation is imperative in the form of supplier partnerships, where all the suppliers work closely with the assembler to optimize cost, delivery, and all aspects of quality and reliability. Outsouring proposals should be carefully scrutinized for any suppliers whose relationships have been cooperative.

What not to outsource

Ferrante (1997) observed that many companies outsource their newest products and the cash cows even the crown jewels while retaining older legacy products, spare parts, and oddballs. However, the latter group consumes excessive resources and makes the least profit on a total cost basis. Ironically, many of them should have been rationalized away.

Given the compelling reasons presented in herein, Ferrante (1997) noted that one might ask why companies outsource their cash cows while retaining the losers and the oddballs. The reason may be that firms just jump on the bandwagon because everyone else is doing it, even though they only *think* they are saving money and don’ t realize the competitive consequences. Perhaps another reason is that outsourcing may be a way to avoid systematic improvements with a seemingly easy silver bullet solution. Also, one would reason that the new designs are cleaner with better documentation. Granted, older products may have poor documentation and this is a corporate plan that comes back to haunt companies sooner or later. Bulkeley (2002) is in agreement with Ferrante (1997), but suggests that it does not necessarily mean it should dictate outsourcing strategy. Rather, the business model should determine which products should be outsourced, even if some documentation has to be cleaned up to accomplish this.

The Human Resource Approach.

The human resource department has been the first target by most companies, as one of the sections that can contribute positively to the cost reduction strategies. HR leaders have received directives from the senior management to reduce expenses while maintaining high level of quality and service.

Some strategies on cost reduction have been suggested accepted by the top management for the HR department to practice. Among these include;

1. **Control plan and eligibility expenses**

There are cases of over payment of claims that pass without being realized, just because of poor records or lack of though follow up. A critical eye on that could save the company millions of money.

The HR team needs to manage the eligibility data for multiple health plan carriers and data reconciliations with each health plan regularly. An eligibility audit can help identify the ineligible individuals trying to enjoy the company money. The audit can reduce the health care claim costs from 4 - 8%. CFOs must execute the reduction of compensation and benefits with care, and navigate a variety of trade-offs and rules that pertain to different types of benefits. They have to negotiate short-term cash needs while maintaining morale and ensuring longer-term talent attraction, incentive and retention objectives.

2. **Manage absences and disability**

This has to do with costs associated with employees' leaves of absences and disability claims. Unless these are tightly managed, they can negatively impact on productivity and generate unplanned costs through overtime and temporary labour expenses. Some of the ways of controlling leaves and disability claims include; automating the delivery of leaves of absence and disability management to employees, reducing unnecessary costs, managing durations, improving compliance and mitigating the potential for absence abuse.

3. **Go green**

This includes doing business by communicating over the internet. The transition to online communication can save the company over 50% of the communications costs (leave alone saving of the trees – by using the paper less). Online communication allows employers to personalize communication on an individual level, populating data fields with information meaningful to the employee, and enables powerful decision support and modeling tools that helps employees to made better informed decisions. Some facts about effective online communication include; Minimizing paper statements by printing statements on demand only and reducing mailing frequency, encourage employees to sign up for EOBs and negotiate fees reductions with the health plan carriers, audit communication approach to identify streamlining opportunities and engage employees by matching communication preferences to delivery vehicles.

Cost sharing Solutions

Management has an option of suggesting a cost sharing approach regarding certain benefits like health insurance benefits, housing and transport allowances etc. Instead of removing the benefits completely, it can explain the standing situation to the employees and request them to contribute a certain percentage towards these benefits.

Management considerations

The most important thing for a CFO at this moment is to step back and be sure they understand all the parameters they can work with says Katz (2009). Where can you chip away to get the biggest bang for your buck and minimize damage either to current morale or long-term reputation, the long-term consequences of a policy choice for the company and its employees, creative alternatives, from changes in timing to creating a fixed contribution regardless of salary or non-cash contribution, best meet the company's overall strategy and objectives, changes to employee rewards can have adverse retention effects. It is important to ensure the policy changes help retain employees you consider critical talent.

Employee morale, retention and the attractiveness of the company to future talent must also be kept in mind. Katz (2009) explains further that the current economic environment obviously affects employee morale; employees today watch the news and know how bad the economy is. Many are thankful they have a job and recognize the need to cut costs. But the war for talent is not over. Company promises and the way benefits are managed now will shape employee trust in their employers. Younger employees, for example, don't expect to be with a company for a lifetime. As companies scramble for talent post recovery, reward programs and matches that help save for retirement will be vital to attracting talent.

Most plans are written in such a way that Board approval is necessary to change the way a match is made explains Delloit (2009). Usually a CFO works with a retirement committee that mediates changes before new plans go to the Board. While healthcare is a much larger part of the spending on benefits, changes to the medical plans don't usually involve the Board. As noted earlier, changes in this portion of employee benefits may be less transparent, generating little press attention or publicity.

Finally, management will have to ensure consistent policies and communication on rewards. Employees will understand as long as they see the benefit change as a consistent corporate policy. ***Cutting benefits to lower-level employees while providing cash bonuses for the senior executives is unlikely to play well as the company comes out of the recession.*** When you go back to the market you want to send the message that you worked with your employees, not that you treated them unfairly. Delloitte (2009) says that ***corporate communications and education are possibly the most important thing at the moment;*** the former to ensure transparency and the latter to help employees understand corporate strategies in these tough times.

Today, management confronts unprecedented pressures to conserve cash. As many consider employee benefits an opportunity to cut costs, there are many issues and strategies to consider. Some reward programs will later on be integral to attracting and retaining employees. As the current recession recedes (Delloit 2009), companies will want to come up with total rewards strategies to attract the critical talent they are looking for.

The Human resource Department too has an exceptional role to play in the expense reductions strategy, as one of the main parts of the management function. Some of the areas one has to study include expenses on trainings, allowances, transport facilitations and type of the cars needed, employee benefits, recruitments (which people to recruit and for what, level of education), remuneration of employees-permanent or short term contracts for some workers and the possibility of retrenchment and outsourcing.

2.4.2 The Workforce

There are a number of issues that will move the employees to perform or participate positively in the company strategies. Among these include; culture, motivation, respect, communication, reward, benefits and many others. The workforce stands the biggest composition of the organization's resources because it manages the other resources. It's the "intelligent resource" that any organization must respect because it is a composition of human beings – that are able to make other resources operational.

Employee involvement.

Employee involvement helps to upgrade corporate operating performances for the following reasons- as put by Kim (1996): using the creative flair of employees to solve the operating problems, increased trust between employees and management – with repercussions on firmer across - the board commitments to organizational targets, interactions between group activities and monitoring these tasks.

The team of employees has been found to have very bright ideas that can be taken on or borrowed by management to arrive at a successful strategy. Internal integration is one of the ways this organized resource looks at.

When to Integrate Internally

According to Morrisson (1999), a criteria can be used to determine what is best to integrate internally:

Cost. Pure assemblers usually assume that most of their cost is part cost and therefore ignore opportunities to lower overhead costs. However, considering the total cost pie charts through an outsourced supply chain reveals that each subassembly breaks out into its own pie chart (with a higher percentage of overhead) and each of those parts again breaks out into its own pie chart with most of the cost being overhead. But, with an outsourced supply chain, the firm has little visibility or control over these overhead costs throughout the supply chain. Garten (2002) adds that cost reduction efforts usually end up focusing on beating up suppliers; even more enlightened efforts, which try to work together to lower cost, are often stymied by lack of total cost data and resistance to change caused by suppliers not understanding their total cost situation.

Integration lets the assembler understand, measure, and thus control *all* the costs within its scope of operations. All these cost reduction strategies can be applied to minimize total cost not just at assembly, but also at subassembly production and parts fabrication.

Quality. Garten (2002) goes ahead to introduce in this quality issue on grounds that, having control over production leads to complete understanding, measurement, and control over all aspects of quality, whereas outsourced production seeks to create an acceptable specification to quality, such as defects per million. However, quality cannot really be *specified*, especially by a single number; rather, quality needs to be *assured* by meaningful quality programs.

Variety. High-variety parts may need to be built on-demand in-house. Morrisson (2002) suggests that the Build-to-Order and Mass Customization techniques may be the only way to quickly and cost-effectively build high-variety parts. It is more likely that these capabilities will be much more effectively implemented internally than at suppliers.

Lead time. Morrissons (2002) still thinks that product delivery time suffers if suppliers cannot deliver on-demand, if the suppliers are too far away, or when there are many links in the supply chain. This may be a critical consideration when products are to be built spontaneously for rapid delivery to customers. However, lead time may be less important for capital equipment.

Availability. Internal production of some critical parts may be able to ensure a steady supply of parts.

Size. Instead of outsourcing large modules, like airplane fuselage segments, in-house fabrication could build monolithic structures to minimize cost, weight, delivery time, flow time, shipping damage, and integration difficulties.

Interface complexity. Clayton (2000) supports the argument that if outsourcing forces more modularization, this may result in more interface complexity. This complexity and its problems can be eliminated by fabricating more monolithic parts in-house.

Special/flexible tooling. Clayton (2000) elaborates that if special or flexible tooling is required, it would usually be better to develop and operate it in-house. Concurrent engineering of the product and tooling can produce both better tooling and better product designs and keep improving them over time. Suppliers may be reluctant to develop such tooling without comprehensive contracts that, in turn, may not be in the best interest of the assembler. Clayton (2000) further says that, such arrangements may be complicated by issues involving tooling ownership and access if the assembler wants to change suppliers or reintegrate the tooling later.

Innovation. The higher the levels of innovation in both product development and processing, the greater the need for in-house manufacture, as Clayton Christiansen pointed out.

The organization's workforce is grouped into sections known as departments. Each department has some specific role to play or they do quite similar assignments. These departments are headed by managers or directors, but may have subsections headed by team leaders or assistant managers, depending on the individual companies. The main sections of Zain Uganda previously included; the operations, information and technology department, Finance and planning, sales and marketing, customer care, human resources and administration and management departments. The recent restructuring and outsourcing strategy saw some departments merged, while others were taken over by contractors. By the time of this research, Zain Uganda had only remained with the Human resources and administration department, Sales department and marketing department.

2.4.3 The Contractor

Amongst the many players in an organization that have a great role to play in cost reduction are the contractors. They have recently increased in numbers per given organization – through the outsourcing strategy - as a one of the solutions to minimize costs, Delloite (2009). Lately, there has been a lot written about *core competencies,* usually presenting the seemly logical argument that companies should focus at what they are good at and outsource the rest to someone who is better at it. However, this cart-before-the-horse strategy results in the corporate business model being determined by a collection of whatever everyone happens to be good at the time. For the past several years, many companies have been outsourcing more and more of their operations in order to focus on core competencies, such as research, development, sales, and only the final assembly aspect of manufacturing. Outsourcing has become important now days .Market Competition has forced people to adopt new strategies to lower cost of product.

Delloite (2009) elaborates further that outsourcing could be done in various areas where manufacturers have agreements with third party to perform specific jobs on their behalf. Some of the issues looked at that lead to a company to outsourcing options are; avoidance of overhead cost (significant cost reduction), repair or maintenance & no cost of equipments, avoidance of legal and other statutory obligation and the possibility of changing partners any time or contract renegotiations. There are already areas in which this strategy has already been very successful through outsourcing. They include; customer support services, human resource services payroll and financial services, production activity services and procurement services.

Delloite (2009) advices companies to focus on the core activity and outsource such activities like security, catering or canteen services, hygiene, loading and unloading of material, maintenance activity (fire fighting ,ac units utilities , telephone , computer maintenance), building repair courier jobs, pest control and logistical support.

Contracting problems

Unfortunately, too much outsourcing has complicated the supply chain with more links in the chain, more transfers, and longer lead-times, especially when there are sequential tiers through which materials and parts must pass on the way to their destination. Engardio (2000) says that in the slow, stable days of mass production, this worked all right, since assembly could be safely scheduled in advance and there was plenty of time to order and deliver batches of parts from outsourcers. But now markets are changing so fast that the most competitive companies will need to build products on-demand and will need their parts and materials delivered quickly on-demand. Thus, the long-lead times created by far-flung supply chains will be no longer acceptable. Further, outsourcing is at odds with the inventory-less aspect of lean production and build-to-order, since outsourcing is usually a batch operation.

In many cases, excessive outsourcing makes it hard for manufacturers to control costs and quality and to optimize profits which often drift away from assemblers to suppliers. Furthermore, the illusion of outsourcing saving cost will be shattered, when companies measure total cost and consider the value of responsiveness, customization, and the opportunity costs that are not lost with advanced business models.

Outsourcing and cost savings

Labor and materials, are the focus of most outsourcing decisions, and are a small part of the only cost that matters ⅔⅝⅞1ᴸR⅝ *selling price.* The selling price contains many cost elements besides labor and materials, such as all the costs of inventory, setup, change-over, material overhead, customization, quality, product development, equipment, tooling, and distribution. Engardio (2000) explains that having control of the supply chain enables the businesses to drastically reduce all of these costs in such ways like: labor costs (both direct and indirect) which can be greatly reduced by Lean Production and Design for Manufacturability (DFM), quality costs that can be reduced by effective quality programs that can reduce quality costs from a substantial percentage of revenue to the insignificant levels of six sigma (which represents the statistical goal of about three defects per million). Material overhead, procurement, and information system costs can be greatly reduced by standardization, product line rationalization, and automatic resupply techniques line. Product portfolio planning, standardization, and modular design can reduce product development cost, while build-to-order and mass customization can reduce the costs of customization and distribution and eliminate the costs of finished goods and WIP (work in process) inventory, inventory obsolescence, setup, kitting, scheduling, tracking, and inefficient utilization of people and equipment.

In order to reap greatly from all these potential cost savings ideas, the manufacturer must ensure that *all* costs are minimized throughout the supply chain. Even if it appears that most of a product cost comes from purchased parts and subassemblies, total cost reduction opportunities are bound at every subcontractor and part manufacturer. It may be difficult or impossible to arrange an outsourced supply chain that is proficient in lean production, quality, standardization, automatic resupply, and on-demand built-to-order of supplies. So unless the supply chain consists of extremely cooperative suppliers in close physical proximity, it will be necessary to keep in-house enough operations to gain control of cost and speed.

Outsourcing and Profitability

Slywotzky and Morrison (1999) recommend that companies reintegrate the chain to capture the profit in the system. They stated that:

When value shifts occur up and down the value chain, the challenge is to expand the scope of the business model to include activities that were once viewed as upstream or downstream from your own position.

Engardio (2000) writes that excessive outsourcing has had a profoundly negative effect on profits in certain organizations. For example personal computer manufacturers continue to struggle with very low profit margins, and yet their suppliers of microprocessors and operating systems reap the highest profits in the industry. And now, with all that profit, both Intel and Microsoft are able to expand out of their traditional roles to capture a bigger share of certain electronic systems.

Outsourcing and speed

Outsourcing slows down supply chains if any of the following conditions exist, which are quite common for outsourcing. Sydney (2003) pointed out instances where this can happen as:

(1) If suppliers are too far away, then the shipping time would slow down any attempts at rapid responsiveness and build-to-order. And even if the supplier could build batch-size-of-one parts on-demand, those parts may have to be batched into a daily shipment, or greater interval. Thus, as the manufacturing speed becomes more important, vertical integration and having nearby suppliers will provide an advantage and immunity from long-distance transportation delays.

(2) Multi-tiered supply chains slow down responsiveness even more, when each supplier must wait for parts and subsystems to arrive from *its* suppliers. Every additional tier can add days or weeks to response time. If locally outsourced parts are made in batches (as is usually the case), this would not only take too long, but it would also be contrary to the inventory-less aspect of build-to-order. If production has to wait for the outsourcers to finish other jobs, then there will be additional delays.

Outsourcing high-volatility parts can cause *product* shortages because contract manufacturers may not be flexible enough to rapidly increase production due to the above reasons. Theoretically, an outsourcer could set up another general-purpose line to meet demand spikes, but only if the order was large enough to justify the conversion and other lines were not already committed to, and set up for, other jobs. In contrast, flexible factories could shift demand to other lines without such large step-function inhibitions.

Outsourcing and quality

It is often hard to consistently assure the quality of outsourced production. An alarmingly large percentage of the quality problems that occur are caused by outsourced parts or product manufacture. This is because most manufacturers try to control the quality of outsourced production indirectly through specifications, which are usually too simplistic to assure all the aspects of quality or, if specifications try to nail down all aspects of quality and reliability, the process becomes so cumbersome that it adds more cost, delays production, and strains relationships. Outsourced quality is even worse when suppliers are selected based on low-bidding instead of a supplier's reputation for quality production.

In general, outsourcing makes it harder, maybe impossible, to achieve Six Sigma quality levels because of the lack of control and disconnects caused by distances, different time zones, and varying quality cultures. Further, it is unlikely that the outsourcer will be using dedicated, one-piece flow lines since outsourcing is usually a batch operation with frequent changeovers from one assembler's products to another. Outsourcers that brag about six sigma quality operations may have only achieved that performance for their highest volume operation that has enough volume to warrant a dedicated line and enough effort to please an important client.

The most time-consuming, expensive, and risky response to solving outsourcer quality problems is to *teach* the outsourcer how to make your products. As Schwinn found out the hard way, after they taught their suppliers how to build bicycles, the suppliers became formidable competitors.

Anderson (2007) is of the view that the business model should *decide* the set of core competencies that are needed and decide which core competencies need to be *developed* to support the business model. If the company wants to enjoy the benefits of the Cost Reduction Strategy then it will have to make *conscious* decisions about core competencies that optimize the degree of outsourcing and internal integration.

2.4.4 Budgets

Budgets have a big role in strategic planning process and give a consolidated statement of the resources required to achieve the organizations objectives or to implement planned strategies. Departmental budgets may be important if strategic changes are likely to affect parts of a business in different ways. Obviously if the strategy requires the development of a new product, the effort and resources available will be channeled towards the development of these new products with a lower emphasis perhaps on the existing product range. There are common sources of cost accumulation that companies have to always study carefully. Such costs include; Insurance cost, transport costs, power costs, HR costs, Operational Costs, marketing and sales costs, administrative costs, production costs, IT costs and taxes.

Insurance Costs

Cohen .W (1990) suggests that one needs to consider the four factors in order to pick a rightful insurer. These include; type of insurance offered, flexibility in coverage, financial stability of the insurance firm, and the insurance costs The cost factor can be evaluated using a matrix table to select the insurer who offers the lower cost for the coverage and the deductable that you decide on. However, you have to make an accurate comparison of the initial premium involved and the probable size of dividend if one is being paid.

Many of the problems in cost accumulation stem from the fact that there are common costs shared by the various departments, products or services provided by an organization, says Cohen (1990). These are the indirect costs (overheads) or common processing costs (for joint products). If a company manufactures a product, the cost of the product will include the cost of the raw materials and components used in it and the cost of labor effort required to make it. Cole 1996, agrees that these are direct costs of the product. The company would however incur many other costs in making the product, which are not directly attributable to a single product but which are incurred generally in the process of manufacturing a large number of product units. Such costs include factory rent rates, machines, depreciation, supervision costs, the costs of control and checks and inspections, design costs plus those of heating and lighting.

It might seem unreasonable to ignore indirect costs entirely when accumulating costs of making a product and yet there cannot be a completely satisfactory way of sharing out indirect costs between the many different items of production which benefit from them. We therefore need to decide whether, when accumulating the costs of an item, overhead costs should be added to the direct costs of production to arrive at a total product cost.

Budgets affect both the firm's strategies and the departmental plans. An effort by the cost accountants to slash some budgets in different departments has been taken with negative attitude by some managers. This is also partly due to the expected results from the managers and their departments, whose results are only evident, when their budgets are passed. However, the top management are seeing things at a different angle because they want to save the company from collapsing. They have to ensure that some proper strategies are implemented. Such strategies could be the turnaround strategies – where cost reduction is one of the approaches. The reduction on the costs will most likely have to start with budget cuts. This fact may be demotivating to managers, but when properly enlightened about what is going on, they may embrace the move and together with their juniors save the ailing situation.

But how true is this? Does it not create unfairness somewhere somehow? In April 2009, Zain laid off some of its workers giving reasons that it was organizing another new business model. "We want to only remain with the **core functions**" said the Managing Director (Zain 2009) in one of his mails to the staff.

The whole problem springs out from the declined performances of the company, yet the standard of living is going high and high, competition is raising, quality products or services are needed, technology is calling out yet all workers are crying for the pay rise to be able to manage the this costly life. Despite all these demanding things, the company's sales and total revenue are declining. The owners of the company are also targeting their return on investment. All these demanding factors have left management with no other alternative but to look at how they can save a little bit more, which they can use to offset the burden on them.

This study looks at the budgets as a modulating factor – that can affect both the departments and the participation in cost reduction strategy. Different departments have different budgets. They have an effect on the expenditure of the general firm. They have an effect on the total revenue to the organization. However, there are arguments that some departments are more important that the others. This means that employee remuneration, departmental budget approvals or other favors may tend to fall on those departments that are perceived as super.

Williamson (1998) defines a budget as a formal plan of action expressed in monetary and quantitative terms. Otley (1987) explains that a budget serves as a financial and management control. Financial control leads into control of resources, while management control ensures that activities on the part of the enterprise are coordinated.

Types of Budgets

Din (1982), states three major types of budgets as fixed budgets, flexible budgets, and continuous budgets; though in government institutions, two major types of budgets are identified as recurrent budgets and capital development budgets.

Fixed Budgets;

The institute of cost and Management accountant (CIMA UK) defines fixed budget as the one which is designed to remain unchanged irrespective of the level of activity attained.

Flexible Budgets

Jawaharlal (1996) defines a flexible budget as the one prepared for a range that is more than one activity. It is designed in a manner so as to give the budgeted cost of any level of activity.

Continuous Budget

This is a perpetual twelve month budget in which the current month or quarter is dropped and replaced by projections of a month or a quarter (Randal 1996).

The Usefulness of Proper Budgets

Budgets are produced to aid the planning of annual operations. A budget provides a plan of action over a period of time, which aids the operation (Drury 1992). Budgets coordinate the alternative parts of the organization, and facilitate coordination through communication of information about plans to managers and employees (Nassolo 1997). Budgets perform the functions of control which is an art of comparing where you are (actual performance), to where you are supposed to be (plans), so that corrective action can be taken. Through control, the organization's activities are monitored and performance is evaluated (Sebbi & Lewis 1996).

Budgeting at the organizational level is meant to improve service delivery by shifting responsibility from policy implementation to the beneficiaries and promotions of the local skills. Damilo (2002) explains that this helps in emphasizing transparence and accountability in management of the organizations funds.

Where a budget is insufficient to complete a piece of work, additional funds are availed, so that the project meets success. The additional funds – in form of supplementary estimates – should be availed so long as satisfactory reasons are given. This will help facilitate the completion of the projects, to avoid wastages on incomplete works. It is very important to plan on changing business conditions in order to appropriately take actions that can deal with the changes. This is the reason why contingency funds are always set aside to deal with such changes, which were not realized at the time when the budgets were being prepared originally (Parasuraman &Zeithal (1994) Budgets also help to point out weaknesses in the organizational structure. The formulation and administration of budgets isolate problems of communication of fixed responsibility and working relations (Horngren, 2001)

In a good organization, it is important that people are introduced to the objectives, policies, programs and performance; which can be achieved through their good participation in the budgeting process – since each manager is informed about what others have agreed upon (Jawaharlal 1996).

According to Gildenhuy (1993), the budgets serve as an operating program on which the administrative authority can base operational plans for each function that must be carried out to deliver to service and ensure that the broad goals may be realized effectively, efficiently and responsibly. Therefore a budget is a qualified plan course of action over a definite period of time. It is an attempt to estimate inputs and the cost of inputs along with associated outputs and revenues from outputs. Cole (1996) noted the usefulness of creating an effective budget as a force to an organization to carefully consider the expected demand for its product and service and the resources required to meet that demand. The budget acts as translation of higher priorities for the organization in the appropriate resources required to achieve those priorities as it highlights to potential problems in sufficient time to take corrective actions. Hence a budget is a creation of baseline against which actual results can be compared

This therefore explains why budgeting – as a management component – needs to involve stake holders from the design stage to the implementation stage. Otley (1987) says that benefits of budgeting accrue to the whole organization if both the short and long term consequences of the budget is taken into consideration.

2.5.0 Conclusion

At the end of it all, one would realise that there are several methods through which an organisation can save costs. Making the workforce, contractors and management itself to exercise their role as part of the cost saving system is very important because they make the main resource and determine negatively or positively on expenditure. Every business has a way of reducing on expenses that come about as operational costs. You will realise that this study bends a lot towards identification of hidden cases in an organisation that opens up for increased unnecessary expenditure.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter describes the methods that were used in this study. It highlights the areas of consideration, and these include; research design, study population, area of study, sample size, selection and sampling techniques. Other guiding facts here include methods of data collection, analysis, validity, ethical consideration and limitations - the problems encountered and how the researcher overcame them.

3.2 Research Design

The researcher used a cross sectional survey design. This helped to examine large sample size employing questionnaires in which departmental directors, managers, employees, contractors and consultants; were asked to select answers that best describe the extent to which the firms' functional systems contributed to the cost reduction strategies of Zain Telecom Company - without affecting its performance negatively.

The researcher targeted the workforce, contractors, and management because – unlike the previous researches that singled out some critical sections – he wanted to get particular views/perceptions of the workers in relation to the strategy in question on the basis of their departments and relations with management and outsourced functions, towards the contribution of the company's main objective.

In some cases, direct face to face meetings with the interviewees were employed because he thought it important to get rid of the issues that would negate the use of questionnaires. Also, this would help the researcher to get that info that would have rather been missed from those officers that had no interest in filling out these questionnaires. Semi-structured interview approach was used here in order to allow the respondent to choose his/her best way of stating his views.

3.3 Target Population

The study population focused on established members of staff- the workforce, managers, and close contractors (as a representative of the business firms; with profit making as a major objective) totaling to about 200. The reason behind the consideration of the general work force, the contractors and the management approach was basically to establish the extent to which they worked together in order to effect this strategy – considering the fact that they both had a crucial role to play towards its success.

Management; It is the task holder, which planned to put up measures through which it could save a little a bit more for the shareholders, and be able to match along the competitive age. The management system has a task to ensure that this strategy works out, else, it would affect their roles in the company. To make this possible, the other close stakeholders have to be involved. They include;

The Workforce: composed of employees, the junior managers, the supervisors and senior staff. These are the part of the company's resources that contribute much to costs incurred since they can 'think'. It is believed that these persons have great ideas they can contribute towards this strategy. It is also true that these same persons can fail the strategy, if they chose to.

The Contractors; these are also part of the stakeholders in the company. The are outsourced to help the firm manage those sections which it feels are not core to it. Analysts believe that these and other stake holders especially those directly involved in the company matters can also be made to offer a very good contribution to cost cutting – despite the fact that they are service providers/customers to the company. The researcher's interest then was to establish the relationship between these systems as regards cost minimization.

3.4 Area of the Study

This study targeted cost cutting in a business firm, faced with stiff competition (by rival firms). Zain Uganda was the representative of such a business after. It was chosen because it was meeting stiff competition from rival telecom companies like MTN Uganda, Warid Telecom, Uganda Telecom, Orange telecom and many more other data companies that posed a threat to it – despite the fact that it was the firm mobile telecom company on the Ugandan Market. Another reason for the choice of this company was that it had gone up to the extent of employing such tough measures to implement the strategy. Such approaches included restructuring, outsourcing its functions, system reorganizations and many other approaches. The head office in Kampala was the centre of data collection because all the systems involved converged there.

3.5 Sample Size and Selection

4. **Table 3.5a: The selected size and sample**

Group	Number of Persons	Sample size
Workforce and Management	90	73
Contractors	8	8

5. **Source: Primary data from Zain (2010)**

A table for determining the sample size from a given population by Krejcie RV and Morgan D W (1970) was used to determine the sample size. This was because the research new his population very well and the table was simple, easily understood and demonstrated a good representative of the total population. The sample size of 10 contractors out of 10 directly involved was chosen. 73 of the 90 permanent staff of Zain Uganda were chosen, while 14 of them out of 15 managers were targeted (Table 3.7a below). Randomly, the participants from those categories were involved in the research. This was because the research wanted to capture as good information as possible, considering the fact that he would not be sure of which respondents would accept the interviews or questionnaires.

3.6 Sampling Techniques

This research involved a population that is in groups/departments in which the researcher is interested. He realized he was also constrained by the time factor. It was behind this reason that he chose to use stratified random sampling to get individuals that are a representative of the characteristics found in the entire group. Guided by Krejcie and Morgan table (Appendix E), over 80% of the members in each of the two groups under study was the researcher's target and the participants were randomly selected. The reason for the 80% is that it was a good representative of the population under study as guided by Krejcie and Morgan (1970).

3.7 Data Sources

The research covers Zain Uganda (as a representative of the profit making business firms). Primary and secondary sources of data were taken care of in this research. Primary sources were from members of staff (the workforce), management and contractors. Secondary data sources were from quarterly and annual reports, companybwebsites plus other external related captures from magazines, news papers, textbooks and libraries.

3.8 Methods of Data Collection

The instruments used to collect data were; **questionnaire forms, interview guide, mobile phones and note books.**

Questionnaires forms: Self administered questionnaires were designed and used to collect data. The structured questionnaire measured the workforce role, the contractors' contribution and the management's approach to the cost cutting strategy. Questionnaires were opted for because they are associated with both positivistic and phenomenological methodologies employed in this study. This is true since these questionnaires have a mixture of closed and open ended questions.

Hussey and Hussey (2000) notes that are advantages of using questionnaires; They offer high response rates and comprehensive data can be collected, they are always useful if sensitive questions need to be asked for example income, marital affairs, shy respondents, hidden facts of oppression to some individuals, where the interview is conducted in the interviewee's home it is possible to use a lengthy questionnaire as they can gather a lot of details, and the questionnaires can be presented to the respondent in the street or in the home or office, indeed in any convenient place for the interviewee (Hussey and Hussey, 1997)

Other advantages gained through the use of questionnaires are; the mailed survey is usually far less expensive and, because the form has been simplified, the analysis is simpler and less costly. Finally, the use of a questionnaire does reduce the influence (and consequent bias) due to the presence of the interviewer (Whitney,1972).

Interview guide and Note books: There are some respondents whose information was so important but could not respond to questionnaires (e.g. some managers). To a limited extent, the researcher met them face to face, and collected the data needed from them using the interview guide and those who could still not accept responding to the interview guide, direct questioning involved use of a notebook to capture their answers.

Internet medium: Other important respondents in case study lived a distance from the Zain central office. To capture their views, questionnaires were emailed to them (thanks to the company that offered these staff members with mobile internet and laptops) as they could access internet wherever they would be. Such respondents included Field engineers, and some outsourced firms (contractors). The reason behind this was to ensure timely responses and research cost minimization.

Some two research assistants were trained and used to follow up these questionnaires and present them for analysis. This helped the researcher to quickly follow up through time saving and error minimization. The time schedules for questionnaire filling and returning did not take more than a month. For some respondents, phone interviews were used to collect more data or clarify the issues that had been stated in the questionnaires. This was because this method offered very prompt responses, and by great chance, it was cheap to call (since it was during this time that Zain was running a “Kika” promotion that offered 25 minutes for every 500shs loaded. Because respondents were on Zain, it became a real good deal). All the above methods of data collection were justified on the grounds that they offered quick responses and were affordable in terms of finances required to foot this research.

3.9 Measurement of Variables

The participation in cost saving in Zain Uganda was measured against the contributions each functional system offered towards the firm’s strategy through its operations an relationships with the employer. The influence of budgets was measured as per the effects it brings about in relation to the close stakeholders (workforce and active contractors) and the strategy in question. As per Stevens (1951) level of measurement, the ordinal scale was used – where the variables were ranked in some order of importance ranging from **5.Strongly agree, 4.Agree, 3.Not sure, 2.Disagree** and **to 1.Strongly disagree.**

These rankings were incorporated in the questionnaire that required the respondent to tick against the variable he/she really felt suited his/her opinion. Part of the questionnaire was a structured form that sought to include the respondents' views, which would be compared to those that were predesigned against the ordinal scale. This would help in the final analysis where the relationships between these variable would be tested using the SPSS research program.

3.10 Data Management and Analysis

For better resolution of the research questions, descriptive and quantitative research analysis techniques were used. The quantitative technique was preferred to qualitative because of the challenges that surrounded it (qualitative) such as lack of clear and accepted set of conventions for analysis corresponding to those observed with quantitative data (Robson, 1993). Nevertheless; both positivistic and phenomenological approaches were employed in this research. Data collected was cross tabulated to show the frequency and percentages of different variables involved in the study. The entry and analysis of data was done using SPSS (Statistical Package for the Social Sciences). These are generated frequency tables for socio- economic and demographic data taking into account the relationship between independent and dependent variables and extraneous/moderating variables under the study. Data was collected transcribed and grouped. Double data entry and checking was done with the help of research assistants to minimize errors.

3.11 Reliability and Validity

Reliability; great effort was made to ensure that the results were consistently the same, in case they were to be done over and again. The originally planned pre-test, test and retest approach could not be used because most respondents could not return the retest questionnaires in time – especially after having filled the first one. In order to go on and test the reliability, the Cronbach's coefficient alpha (α) was used. This was because the items were not scored dichotomously – both multiple choice tests and easy tests included items that had several possible answers.

Table 3.11a: Cronbacch's Alpha test.

Cronbach's Alpha	N of Items
.837	60

Source: Primary data from Zain (2010)

Table 3.11a below shows the results from the Cronbach's coefficient alpha – obtained using SPSS package to test the consistence of the questionnaire form.

The coefficient obtained demonstrates good reliability of over 70%, because it was above 0.7 (70%) of Cronbach's Alpha (minimum figure.)

Validity; effort to ensure truthfulness/acceptability of findings was given special consideration. The content validity method ensured that all the conceptual space is covered. By looking over the researcher's inter item correlations; good sense of validity was registered.

3.12 Ethical consideration

In order to respect the ethical code of conduct demonstrated by the researchers, the letter of introduction (from the university) and the researcher's identification documents/card were used to identify himself and explain his mission/presence before the respondents and the organization's authorities. The verbal consent to participate in the study would be obtained from the respondent before discussing issues to do with the study/research. Respect to the respondents would be dully given to those on the interview, their close colleagues, and their place of work, their interrupting commitments and any other ethical value expected. Integrity, openness, and truthfulness were put at the fore front during the study. To the fullest degree possible, the ethical principles were adhered to.

Respect for persons; Individuals were treated as capable of making decisions, allow for self-determination, refrain from making choices for participants, allowing participants to feel free to volunteer, and protecting those that were vulnerable.

Beneficence; protection of participants from harm, protection of the well being of the participants, maximizing of the possible benefits by the researcher, and ensuring that the possible benefits to participants outweighed the risks were catered for.

Justice; Consideration of issues of fairness, equal treatment of all the participants, and a representative selection of the participants was employed.

Other ethical issues in research that were taken care of, included; informed consent-subjects – about being informed of the purpose of research, invasion of privacy - need to respect the respondents' privacy, confidentiality - holding all information in strict confidence disguising the participants identity in all records and reports, anonymity-data collected - did not relate to names or any other forms of identification, and Protection from physical and mental stress, harm or danger-research that involved embarrassing the subjects, or endangering their homes, lives, jobs or any harm. This was handled carefully.

Ethical issues in data processing and reporting-data ware interpreted in accordance to the general methodological standards. No misrepresentation or distortion in reporting was made. Intellectual property rights were respected-with citations and acknowledgments during report writing. For the ethical behavior of respondents - screening of information given help the researcher to eliminate dishonest responses, misrepresentation or false information as long as they were suspected.

3.13 Limitations/ Problems encountered during research

(i) Time constraint – a lot of work was going on simultaneously with the research process. This led to a complex situation, that involved work schedules, research follow up (moving up and down, data compilation, office to office and following up broken appointments), personal work and normal lectures.

(ii) Finances – a lot of money was really needed to assist in this study. This included transport costs to and from the field, typesetting charges, occasional sample printouts for corrections with the supervisors, and many more expenses.

(iii) Limitations of data on the same topics – could not be easily found in the university libraries. This prompts the researcher to use other public/university libraries, internet and organizational data.

(iv) Slow responses and abrupt change of interview appointments by respondents – led to delayed data collections and increased cost of movement back and forth for responses. Most respondents claimed not to have time to fill the questionnaires. This strategically prompted the use of a phone to enable phone interview. Thanks to the company's "KIKA" promotion that eased the call costs.

Problems relating to typesetting and lack of computer/laptop were solved by hiring one, so that compiling work became routine. Finances involving distribution of questionnaires and follow up were minimized by printing all questionnaires at once and distributing them through the departmental secretaries, and keeping in touch with them so that they could be collected at once when they are ready. The use of internet emails and phones also simplified work and minimized research expenses.

3.14 Conclusion.

The methodology chapter generally described the way the study was done under normal circumstances. At the end of it all, data was gathered and subjected to interpretation, so that the objectives of this study could be achieved – and the solution to the stated problem found.

CHAPTER FOUR

DATA PRESENTATIONS, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter explains the detailed research findings as obtained from the primary data. It is composed of the tables that are then analyzed and then the outputs are detailed and clearly discussed to explain the real facts about the unanswered questions.

4.2 Background

Table 4.2(a): Participants in the study carried out on Zain Uganda and its close stakeholders.

Company		Frequency	Percent
1	Nokia Siemens Networks	3	5.9
2	Zain Uganda	41	80.4
3	G4S	2	3.9
4	KHF	2	3.9
5	ERRICSSON	1	2.0
6	RUBASONS	2	3.9
	Total	51	100.0

Source: Primary data from Zain (2010)

Table 4.2(b): Participant in their respective categories

Group	Number of Persons expected	Sample size	Responses got
Zain Workforce (employees)	75	63	33
Zain Management	15	14	8
Contractors	8	8	5
Total	98	85	46

Source: Primary data from Zain (2010)

The research about cost cutting was done from Zain Uganda. It involved the general work force (employees), the Zain managers and the dominant contractors (the out sourced service providers to Zain). The main contractors targeted were 8, but the responses gotten by the time of reporting were from 5 of them. They included;

i) Ericsson: the vendor that supplies all the telecom equipment to Zain Uganda.

ii) Nokia Siemens Networks (NSN): the contractor to which all the technical operations activities (department) was outsourced.

iii) G4S: that manages the security of the company properties and fuel supervision.

iv) AON/KHF: The health insurance provider

v) Rubasons: The distributor of the company products

The information gathered from Zain employees was from 41 respondents. 8 of these were managers working with Zain directly. See tables 4.1a and 4.1b above.

4.3 Presentation and Discussion

Table 4.3(a): Time for which the respondents have been in the organization.

		Frequency	Percent
Valid	Less than 3 years	27	52.9
	Between 3 and 6 years	22	43.1
	between7 and 10 years	1	2.0
	Total	50	98.0
Total		51	100.0

Source: Primary data from Zain (2010)

The biggest number of respondents (52.9%) had worked with the company for less than 3 years, while more than 43.1% had been in the system for more than three years. This number is a good a good representative of respondents that already new what had been taking place and had the experience. They went through the restructuring process and now are informed of ways in which such a company can cut costs (based on experience and practice). Table 4.3 (a) above shows this.

Table 4.3(b): The industry of the respondent

Industry		Frequency	Percent
1	Sevice Provision	43	84.3
2	Manufacturing	6	11.8
3	Trade	2	3.9
	Total	51	100.0

Source: Primary data from Zain (2010)

In the table 4.3 (b), most respondents were in the service industry. The views of the employees in the service industry about cost reduction against those of other industries will be seen later, and Table 4.3 (q) Appendix Q gives the details about that. The manufacturing industry represents those companies that provide the telecom equipment such as Ericsson and other service providers.

Table 4.3(c): The gender of the respondents

		Frequency	Percent
Valid	Male	35	68.6
	Female	16	31.4
	Total	51	100.0

Source: Primary data from Zain (2010)

The male dominated the survey with 68.8% as seen in table 4.3 (c). According to the researcher's observation, male employees dominate the operations technical team – meaning that they have a lot to change if saving costs have a lot to do with gender in such a department. Where caution is to be given with respect to the departments, special consideration has to be given in relation to the dominant gender and duty assigned.

Table 4.3(d) : The departments of the respondents

		Frequency	Percent
1	Operations Department	26	51.0
2	Finance and Planning	11	21.6
3	Sales and Marketing	7	13.7
4	Information and Technology	4	7.8
5	Others	3	5.9
	Total	51	100.0

Source: Primary data from Zain (2010)

Respondents that dominated the research were from the operations department, reason being that the company is of an engineering back ground. Finance and planning is core in that organization, while other departments like marketing had less respondents because most of the work there is outsourced, and the few employees around are not permanent.

Table.4.3 (e) Suggested ideas on cost cutting

	Cost saving approach	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**TT**
1	Restructuring/ Retrenchment of the workforce	8	6	3	4	11	2	15	**49**
2	Outsourcing non-core functions	8	7	11	9	6	7	2	**50**
3	Technological enhancement (use of modern integrated systems)	2	10	7	3	13	8	3	**46**
4	Employees involvement in strategy and reward to performance	8	7	7	11	4	3	5	**45**
5	Management reforms, Finance and procurement re-organization	11	8	10	2	3	10	6	**50**
6	Stakeholders' (contractors, customers, government,..) contribution	5	5	5	5	5	9	12	**46**
7	Facilities management and proper utilization (cars, land, buildings,)	5	4	5	13	5	4	9	**45**

Source: Primary Data from Zain (2010)

Table 4.3 (f): The highest rankings per idea

	Cost saving approach	1	2	3	4	5	6	7
1	Management reforms, Finance and procurement re-organization	21.6						
2	Facilities management and proper utilization (cars, land, buildings,)		7.8					
3	Outsourcing non-core functions			21.6				
4	Employees involvement in strategy and reward to performance				21.6			
5	Technological enhancement (use of modern integrated systems)					25.5		
6	Stakeholders' (contractors, customers, government,..) contribution						17.6	
7	Restructuring/ Retrenchment of the workforce							29.4

Source: Primary Data from Zain (2010)

Tables 4.3 (e) and 4.3 (f) show the responses received against individual ideas about the way respondents would rank them in order of importance. One realizes that not all ideas were ranked. Its behind this reason that percentages do not make a total of 100.

Table 4.3 (f) extracts the biggest percentages that represent the greatest opinion on rankings. 21.6% say that its important to first consider the option of management reforms, finance and procurement reorganization before the other measures can be taken. This is in agreement with Porter's theories on Strategic management.

In the follow up interviews, most respondents seem to agreed with idea of management reforms and reorganization. The operations manager (interviewed on 04 August 2010, at the zain Uganda head offices) stated that;

> The top management should usually look at the way of rearranging the leadership of certain sections, change policies to suite the needs of all the stakeholders and

management requirements, look into those areas it really thinks could be a starter to cost savings (where stakeholders can participate freely without fear for job losses, complications or demotions) and most of all communicate the strategies, implementations, evaluations and achievements. He suggested further that incentives/rewards can even be promised for any good success registered.

Table 4.3 (g) recorded facilities management and proper utilization under the second ranking. This is still proper and in agreement with the operations manager's view (at an interview). He said,

- Full Utilization of the company's facilities should be one of the management's top priorities in the strategy. There is a lot that can be saved through proper use of these facilities, but this has to be an initiative of the leadership in the organization. The staff that utilizes such facilities like cars, buildings, computers, plant and equipment etc, must be educated/trained or cautioned on proper handling. For example one needs to be cautioned on careless driving that may cost the company not only the car, but also the employee's life and al expenses that go along with that, he said.

According to the responses, outsourcing non –core functions and employee involvement in the strategy took the third and fourth choices respectively. This meant that it is proper to look at giving out those functions to those stakeholders that can handle them much better than the company itself. Still to a great extent, making use of the employees is very important. This is in agreement with Kim's (1996) suggestions that employees has been found to have very bright ideas that can be taken on or borrowed by management to arrive at a successful strategy. Kim said Employee involvement helps to upgrade corporate operating performances – as had been noted in chapter two.

A very big percentage of 29.6% was of the view that restructuring and or retrenchment of the workforce should not top the least of any company's priority moves in the in the strategy. One of the respondents in an interview questioned;

> Why a company should recruit staff and then send them away after a short period on the grounds that it wants to cut costs. "That is poor planning" he said. "It is not fair to have somebody leave his previous job for a new role in your company, and then send him/her away after a few months" he stressed again.

This explains the literature noted before suggesting that, the human resources management can do a number of things to ensure that there are observable cost saving practices within this department itself. Retrenchment can be the last move any organization can go for (www.hewitt.com).

Table 4.3(h): The mean and the standard deviations of responses with respect to variables

		Cost reduction strategy	Employees role	Budgeting effects	Management approach	Contractors contribution
	Valid	51	51	51	50	50
	Missing	0	0	0	1	1
Mean		3.6701	3.6057	3.3866	3.4685	3.5264
Median		3.7500	3.6429	3.3750	3.3824	3.5192
Standard Deviation		.41223	.36278	.42808	.39170	.42153
Minimum		2.75	2.93	2.13	2.06	2.77
Maximum		4.50	4.50	4.13	4.35	4.77

Source: Primary data from Zain (2010)

The responses in the research were measured against the ordinal scale with 5 options (ranging from strongly disagree to strongly agree). The mean value for these 5 options lies at 2.5. The mean values and standard deviations shown against the variables in the table 4.2a explain the extent of average agreement by responds to the variables under study.

The standard deviations against the variables are all fairly low. This means that there is less deviation from the mean, and so confirms the fair results.

4.3.1 Cost reduction strategy

From the statistics got about the respondents' views, more than 60 % (mean = 3.6701) are in agreement that the cost saving strategy is generally acceptable by the stakeholders and would help a lot in the company's main objectives of profitability and growths. This clarified that the stake holders were well aware of the strategy. The stakeholders know that they have to perform in favor of this strategy without affecting the performance or the set standards. This well matches Trickland (1987) who wrote the cost reduction plan is a combination of efforts in the firm, as long as operating inefficiencies are readily identifiable.

4.3.2Management Approach to the strategy

Statistics show that responses in favor of management approach to the cost cutting strategies were above average (mean = 3.4685) i.e. 68%. This means that to some good extent, management keeps a follow up of the strategy it set. The workshops on cost cutting are organized, use of consultants, laying down policies to follow, planning, controlling, decision making and strategy implementation are being practice.

The actions of the management well in agreement with the Delloite (2009) that some steps have been taken by management to manage the ailing situation through cost cutting. Among these, include outsourcing, retrenchment, and proper and full use/exploitation of facilities among others. The organization's departments have been given directives to suggest better ways to the top management on ways they can reduce costs that are affecting the company returns negatively.

4.3.3 Employees' Role

Results about the employees involvement in the strategy showed that there is high agreement of the respondents that much can be done if they workforce is allowed to participate and facilitated well. The mean of 3.6057 i.e. 72% (shown in the table 4.2a above) confirms it. Morrisson (1999) says that a number of issues that will move the employees to perform or participate positively in the company strategies include; Culture, motivation, respect, communication, reward, benefits and many others. This is exactly what the questionnaire tested and found out. However, some issues hinder or demotivate these employees, and such could poor facilitation, lack of favourable policies, poor communication (Appendix P, table showing percentage responses against different ideas).

4.3.4 Contractors' contributions

Even when they are mean to make great profits from their services, respondents still showed that they can help their clients to cut or minimize costs (mean = 3.5264 i.e 70% agree.) In an interview with the NSN project manager on the 4th of August 2010, (Zain's operations contractor), he said much effort is put to ensure that their client spends as much less as possible. Otherwise, the contract can be given to another person. This agrees with the results got.

4.3.5 Budget Effects

According to the findings, budget effects on the other variables fetched the least mark (mean = 3.3866 i.e. 67%), but still the respondents were in agreement that it has a contribution it makes towards cost reduction plan. Still this agrees with another interviewee met on the 6th August 2010 (the Zain Uganda cost controller), that said, the organization needs to set up a budget for cost management, otherwise, budget cuts and compresses budget can affect the performance through stake holder demotivation.

4.3.5 The relationship between the variables

Table 4.3(i): Spearman's correlation table

Variables		Cost reduction	Employee participation	Budgeting	Management approach	Contractors
Cost reduction Strategy	Correlation Coefficient	1.000				
	Sig. (2-tailed)	.				
	N	51				
Employee participation	Correlation Coefficient	-.201	1.000			
	Sig. (2-tailed)	.157	.			
	N	51	51			
Budgeting effect	Correlation Coefficient	.346(*)	.136	1.000		
	Sig. (2-tailed)	.013	.340	.		
	N	51	51	51		
Management Approach	Correlation Coefficient	.208	-.059	.099	1.000	
	Sig. (2-tailed)	.147	.683	.494	.	
	N	50	50	50	50	
Contractors	Correlation Coefficient	.204	-.041	.042	-.128	1.000
	Sig. (2-tailed)	.156	.780	.770	.375	.
	N	50	50	50	50	50

*** Correlation is significant at the 0.05 level (2-tailed).**
Source: Primary data from Zain Respondents (2010)

Table 4.3(i) shows the relationship between the variables in question. The level of significance here is p = 0.05. When the p-value is less than the level of significance, then it means there is a significant relationship between the corresponding variables. When the p-value is greater than the level of significance, then the relationship is insignificant.

4.4 Conclusions

There have been good consistencies observed between the primary and secondary data gathered and analyzed about cost cutting. Its very clear that there are roles that each stake holder can play, to contribute towards the company strategies, much less, the cost cutting plans. It greatly remains within the managements' hands to organize the smooth implementation of this strategy, involving the stakeholders themselves. Like the NSN project supervisor put it (on an interview with him on 4th August 2010) it is important to respect the players in the strategy, so that you can get along with your objectives.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Cost cutting has been resorted too with high turn up of recent by big organizations after stiff competition and the recent economic recess that saw some companies wind up. Competitiveness and price wars have forced many firms to revise their strategies in order to match the alarming business situation. On the other hand, poor performance of these firms has led to considerations of the turnaround strategies that rare measures being taken to reorganize the companies. Such measures have included outsourcing, reshuffles, restructuring, salary cuts, technological considerations, benefits reductions, cost sharing eg on health insurances, use of consultancies and many more approaches.

As the study begins its final face, one would realize that the objectives of the study about participation of the stakeholders in the organization's cost cutting strategy were realize. As stated before, they included examination of the role played by the workforce in the cost cutting plans, the establishment of the ways in which the company's management systems approach or implement the cost cutting strategy, finding out how much the Service providers or contractors contribute to the cost management of their client and finding out the effect of Budgets on the operational systems in respect to the cost saving strategy.

This concluding chapter briefly summarises all the findings met in this research – with respect to the set objectives, and gives recommendations in relation to the findings.

5.2 Summary, Conclusions and Recommendations

Employee involvement

Its been very clear from the research findings that there is a very big role the workforce can play in the company's businesses and strategies. Workers can "genuinely" fail the strategies and the general business, especially when they have a mind of "I gain from no where – other than the salary I sweat for".

Incentive programs with the formal employee involvement scheme leads to better corporate operating results than those with no employee involvement. Its important to some good extent to appreciate the workforce contribution through motivational approaches. As identified by Weaner (1972), the frequency of bonus payments (monthly, half yearly or yearly), influences employee motivation levels, with rewards paid through the program, boosting employee performance and consequently enhancing corporate strategies and general performance.

Companies with labor intensive production processes may encourage their employees to participate more actively in the program through adopting a suggestions and innovations system. According to Kim (1999), companies with labor intensive production systems offer more opportunities for employees to corporate with profits or Earnings - sharing programs through suggestions for upgrading the production process. This contrasts companies with capital - intensive production processes, which make heavier use of machinery or mechanized processes that do not offer the same opportunities for discovering employee opinion on upgrading these processes.

The general suggestions that follow stand as a simple guide to the business firms that would willingly want to engage their staff in the cost reduction strategy.

Information Technology: Dim the brightness of computer monitors; keep PCs a year longer before replacing them, **s**hare training on administrative software with similar functions, use a third party for hosting your server, which could save a staff position, switch to virtual servers and give basic training to all computer users about handling and management of simple cases or applications.

Personnel: The administration can be advised to forgo a salary increase. Where possible, the top administrators can take a salary cut, reward performance with one-time bonus instead of increase to base salary, reduce retirement plan contributions (zero effect on salaries), offer employees temporary or partial leave without pay but with full benefits, pool support staff members in clusters of four and five departments, consolidate common functions that have become dispersed (e.g., advancement activities), conduct a mission-activity-end product analysis to closely examine how each staff person's work contributes to the institution's mission (streamlining the system, administratively speaking), defer state approved salary increases for nine months, budget for zero new positions, zero departmental budget increases. Further more, the humana resource department can **c**losely examine all vacancies before filling, freeze hiring of temporary employees, consultants and independent contractors, consider voluntary retirement incentive plans, reduce travel, freeze salary levels for highly paid administrators, while giving modest raises to staff on the lower end of the pay scale, and in order to save jobs reduction of all salaries by a certain percentage can take priority. Its also important to examine the health care benefit levels, spousal and dependents health care coverage as this contributes to cost.

Finance: As an important section in the firm, it needs to organize collaboration with other organizations to share some staff members, facilities, registration and records functions, security, and parking. Reduction of debt-service payments by renegotiating long-term debt, seeking a lower interest rate, extending the term of the loan, or changing banks can be taken care of. Use purchasing cards to better track procurement, use cooperatively bid contracts to reduce spending, holding off for now on financing any new debt, asking shareholders to accelerate pledge payments; remember that some donors also are experiencing cash-flow problems, and employing mid-year budget reductions can help to realize some good savings. The finance department can also plan for budget cuts at 3-10% levels, sell off assets or rent out some, and then have a weekly phone call/brief meeting with the chair of the board, vice chair, chair of investment, audit and financial planning committees, and the president and vice president for development to update plans.

Facilities: Costs around this can be reduced by eliminating excess storage facilities for some supplies, switching to compact fluorescent bulbs, purchasing of energy efficient equipment when new equipment is needed and leasing prime vacant spaces to some professional firms, independent nonprofit organizations, and other revenue providers. Again, closing and leasing of remote centers and unused buildings is critical because it ensures that there is full utilization of facilities. The can lock in utility contracts now for the next few years while the price of energy is significantly reduced compared to just months ago, clean buildings at night when the job can be done faster, slow construction projects and reexamining capital projects that can be delayed or deferred while maintenance of certain sections of the firm can also be delayed within reason.

Other employable approaches: the firm should negotiate with service providers for lower management fees, establish a committee to collect and review cost-saving suggestions from all the stakeholders in the business firm and establishing an ongoing independent business-wide task force to find operating savings with three-year horizon.

Recruitment Negotiations

A lot of this should be done at employee's first entry point into the company, so that if one is satisfied with the requirements, benefits and policies around, he/she can sign in and get ready to meet that, that he agreed to – other than being demotivated by the different life he/she would find if he/she had not been told before.

The HR should be keen at planning for the number of employees it needs to hire, other that waiting to embarrass them by retrenchment at a later stage and at a cost.

Conclusion

The research carried out sought to answer a number of questions that puzzled the researcher. These questions have been answered. From the general research findings – considering both primary and secondary data - its evident that most stakeholders have a great role to play in the operations of the company. Its therefore upon the management (as the biggest player or leader) to ensure that they are well analyzed and their services fully utilized. To achieve this, management has to ensure that all these stakeholders are motivated and respected – which act may cause less expenses buy high savings after winning the royalty of all these customers.

The incentive program builds up a partnership relationship between the direct close stakeholders and the management, resulting in more income for the players and higher productivity for the company. In order for the strategy to be really efficient, it is necessary to establish targets that can be met with stakeholder involved in the conceptualization and operation of the strategies, boosting the stakeholders' motivation and commitment to the objectives established by the management. It is well known that most Ugandan business firms do not implement incentives program – especially for salary earners. Its important to work with well motivated persons, striving for gains in productivity with keener competitive edge in the market.

From this research, one would also recommend that business firms set aside an office to ensure that cost cutting recommendations/practices are practiced at all levels in the organization, and results reported monthly. Such an office has to ensure that any person that has any interest in the organization (stakeholders = customers, shareholders, contractors, suppliers, government, etc) is made use of to save another cost. The organization has to think of how fairly the stakeholders' effort could be rewarded. Like mentioned before, such an act of carefully involving these persons makes them even more loyal to the company than they would respond if left to work alone.

5.3 Suggestions for further Research

During this research, it was realized that some decisions taken by management end up affecting the performance of the company, while others demotivate the stakeholders. In an interview with one regional manager – operations (17th July 2010), some issue that questioned the closing of some customer service offices in order to save on the expenses was raised. He wondered whether it would not demotivate customers that were always using it. "I think the company should …. have improved on the looks and service provision there, in order to attract more customers." He said. The same issue of demotivation applies to all other stakeholders in the business in some way or the other. Because of this, research about effects of cost reduction on performance of the organization, contribution that can be made by other customers (like service consumers, government/tax bodies, environmentalists etc) on cost cutting and the effect of stakeholder motivation on the cost cutting performance should be done, in order to find out how the attached negative effects can be managed.

Results got from cost reduction strategy implementation involving restructuring and outsourcing practices employed through turnaround strategy should also be researched about because they would help a lot in planning. Further more, culture in any organization has great influence/effects on the operations of the firm. A study about the effects of the organizational culture about the cost reduction strategy should also be done.

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APPENDIX B

DESERTATION BUDGET ESTIMATES

Activity	Frequency	Unit cost	Totals (UG Shillings)
Research/Library Visits	10	20,000/=	200,000/=
Proposal	1 (50 pgs)	1,000	50,000
Questionnaires printing	120 (3pgs each)	500	60,000/=
Questionnaires distribution	5	20,000	100,000/=
Questionnaires Collections	5	20,000	100,000/=
Dissertation progress reports/chapters	6 (10 pgs each)	1,000	60,000/=
Dissertation 1st Draft	60	500	30000/=
Dissertation 2nd Draft	80	(80x500)+(20x500)	50,000/=
FINAL REPORT	80	500	40,000/=
Miscellaneous	1	210,000	210,000/=
GRAND TOTAL	**1**		**900,000/=**

APPENDIX C

WORK PLANS

Date/Period	Activity	Comment
1st Nov-31st Dec 2009	Compile and submit Proposal	Interface with the supervisor
1st Feb-3oth April 2010	Make corrections	Extra research and consultations with the supervisor
1st May -31st May 2010	Submit Final	Supervisor handles
1st June -31st July 2010	Distribution and collection of Questionnaires	Redistribution for validity/reliability tests included
1st Aug-7thAug 2010	Data analysis	Finalizing the Second Draft
8th Aug-16th Aug 2010	Hand in the Final dissertation draft	The supervisor takes charge
26th Sept-30th Sept 2010	Oral defense and submission for examination	Researcher and the Supervisor
1st Oct-15th Oct 2010	Submission of Final bound Report/copy	Researcher

APPENDIX F

TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size
"S" is sample size.

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APPENDIX G

Contractors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.77	2	3.9	4.0	4.0
	2.85	1	2.0	2.0	6.0
	2.92	1	2.0	2.0	8.0
	3.00	2	3.9	4.0	12.0
	3.08	3	5.9	6.0	18.0
	3.09	1	2.0	2.0	20.0
	3.15	2	3.9	4.0	24.0
	3.31	4	7.8	8.0	32.0
	3.38	2	3.9	4.0	36.0
	3.42	1	2.0	2.0	38.0
	3.46	5	9.8	10.0	48.0
	3.50	1	2.0	2.0	50.0
	3.54	3	5.9	6.0	56.0
	3.62	5	9.8	10.0	66.0
	3.77	7	13.7	14.0	80.0
	3.85	3	5.9	6.0	86.0
	3.92	2	3.9	4.0	90.0
	4.00	1	2.0	2.0	92.0
	4.15	1	2.0	2.0	94.0
	4.17	1	2.0	2.0	96.0
	4.62	1	2.0	2.0	98.0
	4.77	1	2.0	2.0	100.0
	Total	50	98.0	100.0	
Missing	System	1	2.0		
Total		51	100.0		

APPENDIX H

Management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.06	1	2.0	2.0	2.0
	2.67	1	2.0	2.0	4.0
	2.76	1	2.0	2.0	6.0
	2.88	1	2.0	2.0	8.0
	2.94	1	2.0	2.0	10.0
	2.94	1	2.0	2.0	12.0
	3.00	1	2.0	2.0	14.0
	3.06	2	3.9	4.0	18.0
	3.12	4	7.8	8.0	26.0
	3.13	2	3.9	4.0	30.0
	3.18	3	5.9	6.0	36.0
	3.24	2	3.9	4.0	40.0
	3.29	3	5.9	6.0	46.0
	3.33	1	2.0	2.0	48.0
	3.35	1	2.0	2.0	50.0
	3.41	2	3.9	4.0	54.0
	3.47	3	5.9	6.0	60.0
	3.53	5	9.8	10.0	70.0
	3.59	2	3.9	4.0	74.0
	3.65	4	7.8	8.0	82.0
	3.71	1	2.0	2.0	84.0
	3.76	1	2.0	2.0	86.0
	3.82	2	3.9	4.0	90.0
	3.88	1	2.0	2.0	92.0
	4.00	1	2.0	2.0	94.0
	4.06	1	2.0	2.0	96.0
	4.35	1	2.0	2.0	98.0
	6.00	1	2.0	2.0	100.0
	Total	50	98.0	100.0	
Missing	System	1	2.0		
Total		51	100.0		

APPENDIX I

Budgeting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.13	1	2.0	2.0	2.0
	2.63	2	3.9	3.9	5.9
	2.75	2	3.9	3.9	9.8
	2.88	1	2.0	2.0	11.8
	3.00	5	9.8	9.8	21.6
	3.13	6	11.8	11.8	33.3
	3.25	3	5.9	5.9	39.2
	3.29	3	5.9	5.9	45.1
	3.38	3	5.9	5.9	51.0
	3.50	5	9.8	9.8	60.8
	3.57	2	3.9	3.9	64.7
	3.63	5	9.8	9.8	74.5
	3.71	1	2.0	2.0	76.5
	3.75	3	5.9	5.9	82.4
	3.88	4	7.8	7.8	90.2
	4.00	3	5.9	5.9	96.1
	4.13	2	3.9	3.9	100.0
	Total	51	100.0	100.0	

APPENDIX J

Employee participation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.93	1	2.0	2.0	2.0
	3.00	4	7.8	7.8	9.8
	3.07	1	2.0	2.0	11.8
	3.21	2	3.9	3.9	15.7
	3.29	1	2.0	2.0	17.6
	3.36	5	9.8	9.8	27.5
	3.43	3	5.9	5.9	33.3
	3.50	3	5.9	5.9	39.2
	3.55	1	2.0	2.0	41.2
	3.57	1	2.0	2.0	43.1
	3.62	1	2.0	2.0	45.1
	3.64	8	15.7	15.7	60.8
	3.71	7	13.7	13.7	74.5
	3.77	1	2.0	2.0	76.5
	3.85	1	2.0	2.0	78.4
	3.86	3	5.9	5.9	84.3
	3.93	1	2.0	2.0	86.3
	4.00	2	3.9	3.9	90.2
	4.07	1	2.0	2.0	92.2
	4.14	1	2.0	2.0	94.1
	4.40	1	2.0	2.0	96.1
	4.50	2	3.9	3.9	100.0
	Total	51	100.0	100.0	

APPENDIX K

Cost reduction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.75	1	2.0	2.0	2.0
	3.00	2	3.9	3.9	5.9
	3.13	4	7.8	7.8	13.7
	3.17	2	3.9	3.9	17.6
	3.25	6	11.8	11.8	29.4
	3.50	3	5.9	5.9	35.3
	3.63	5	9.8	9.8	45.1
	3.71	1	2.0	2.0	47.1
	3.75	6	11.8	11.8	58.8
	3.88	6	11.8	11.8	70.6
	4.00	8	15.7	15.7	86.3
	4.13	1	2.0	2.0	88.2
	4.25	4	7.8	7.8	96.1
	4.38	1	2.0	2.0	98.0
	4.50	1	2.0	2.0	100.0
	Total	51	100.0	100.0	

The mean and median of the variables

		Cost reduction	Employee participation	Budgeting	Management	Contractors
N	Valid	51	51	51	50	50
	Missing	0	0	0	1	1
Mean		3.6701	3.6057	3.3866	3.4143	3.5264
Std. Deviation		.41223	.36278	.42808	.53878	.42153
Minimum		2.75	2.93	2.13	2.06	2.77
Maximum		4.50	4.50	4.13	6.00	4.77

APPENDIX L

The rankings of the Suggested ideas on cost cutting

	Cost saving approach	1	2	3	4	5	6	7	TT
1	Restructuring/ Retrenchment of the workforce	15.7	11.8	5.9	7.8	21.6	3.9	29.4	**96.1**
2	Outsourcing non-core functions	15.7	13.7	21.6	17.6	11.8	13.7	3.9	**98.0**
3	Technological enhancement (use of modern integrated systems)	3.9	19.6	13.7	5.9	25.5	15.7	5.9	**90.2**
4	Employees involvement in strategy and reward to performance	15.7	13.7	13.7	21.6	7.8	5.9	9.8	**88.2**
5	Management reforms, Finance and procurement re-organization	21.6	15.7	19.6	3.9	5.9	19.6	11.7	**98.0**
6	Stakeholders' (contractors, customers, government,..) contribution	9.8	9.8	9.8	9.8	9.8	17.6	23.5	**90.2**
7	Facilities management and proper utilization (cars, land, buildings,)	9.8	7.8	9.8	25.5	9.8	7.8	17.6	**88.2**

Source: Primary Data from Zain (2010)