

# **UNIVERSITY OF KWAZULU-NATAL**

## **THE EFFECTS OF COST CUTTING MEASURES TO STAFF PERFORMANCE IN THE KWAZULU-NATAL PROVINCIAL TREASURY DEPARTMENT**

**By**

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# **THE EFFECTS OF COST CUTTING MEASURES TO STAFF PERFORMANCE IN THE KWAZULU-NATAL PROVINCIAL TREASURY DEPARTMENT**

## **ABSTRACT**

Cost management is a strong pillar of an organisation's success. In an endeavour to manage costs, the South African government implemented cost cutting measures. This study examines the impact of cost cutting measures implemented by the Treasury Department, KwaZulu-Natal province to staff performance (achievement of targets and quality) and staff morale (job satisfaction). This study examined whether cost cutting measures implemented have a negative or positive effect on staff members' job satisfaction or commitment to work; whether this affects employee morale and service delivery. The study further intended to trace whether these cost cutting measures are implemented accordingly and consistently by all senior managers throughout the department. A quantitative research study was conducted through staff questionnaires to get insight into the current problem facing some staff members. The study used self-administered questionnaires wherein close ended questions were asked. The study found that cost cutting measures reduce service quality in the department. The implementation of cost cutting measures influences staff morale negatively in the department which in turn affects staff performance. The study further concluded that cost cutting measures are not implemented consistently throughout the department. The study recommends the implementation of a model which will incorporate cost cutting incentives for both senior management and junior staff for significant cost reduction outcomes. Training of staff to understand the bigger picture of cost containment in the department is recommended. Ongoing monitoring of cost cutting outcomes was also recommended.

**Keywords:** austerity, cost containment measures, cost cutting, cutback, job satisfaction, service quality.

## DECLARATION

I, Vincent Mondli Makhunga, (207522716) declare that:

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## **LIST OF ACRONYMS**

CFO	Chief Financial Officer
CPA	Component Principal Analysis
EFA	Exploratory Factorial Analysis
GDP	Gross Domestic Product
KZN	KwaZulu-Natal
NPM	New Public Management
PFMA	Public Finance Management Act
SARB	South African Reserve Bank
SOE	State Owed Entity
SPSS	Statistical Package for Social Sciences
USA	United States of America

# **CHAPTER 1 : INTRODUCTION AND BACKGROUND OF THE STUDY**

## **1.1. Introduction**

In a mission to reduce non-essential government expenditure, the National Cabinet requested the then Minister of Finance MEC Pravin Gordan to introduce cost saving measures to the Public Finance Management Act (PFMA) compliant institutions (Treasury, 2013). Moreover, the National Treasury published a National Treasury Instruction 01 of 2013/2014 to introduce cost containment measures in all PFMA compliant institutions. The PFMA institutions include all the South African government departments and the state-owned entities (SOEs). The National Treasury introduced a concept of cost cutting to all government departments, this briefly included *inter alia*, reducing subsistence and travel costs, a moratorium in some non-critical vacant posts, prioritisation of essential meetings, cessation of leave conversion pay-outs and reduced spending on some other day-to-day expenses.

This section covers the motivation for the study, the problem statement, the aim and study objectives, the research questions, the significance of the study, the assumptions, study area and research methodology.

## **1.2. Background**

Why would one implement cost containment in public service or within the KwaZulu-Natal Treasury Department. Staff members are disgruntled and somewhat demoralised by the concept of cost containment as its implementation has led to a number of expectation gaps between staff members and their clients.

At a provincial level, the KZN Provincial Treasury Department had to implement cost cutting measures as the department thrives to become the centre of excellence in financial and fiscal management in the country (KZN-Treasury, 2016). These cost cutting measures were meant to be implemented by all other provincial departments. However, there have been that some employees who have resisted change when new initiatives have been introduced (Moran and Brightman, 2000).

In addressing system change challenges there was a great need of transformational leadership as staff members would require adequate communication to prepare them of the upcoming phase (Li, Liu and Liu, 2016). Spending was monitored closely by the Accounting Officer, a simple official trip has to be approved by four or five officials prior to it being taken (KZN-Treasury, 2016). A similar approach is taken for procurement. For example tools of trade, attendance of trainings, filling of vacant positions and so forth. Furthermore, the implementation of these measures has been inconsistent from one section to the other and from one chief directorate to another, resulting in some staff members being creative, some staff being demoralised, frustrated and somewhat disgruntled. Eventually, some measures are not achievable due to low staff morale (Bell and Raj, 2016).

Furthermore, weak economic growth, lower projections for revenue collection and with increasing debt service costs, SA's expenditure ceiling had to be reduced and hence, all provinces received a cut to their baselines over the 2016/17 budget. In KwaZulu-Natal, this meant a reduction of R319 107 million in 2016/17 to R1.232 billion in 2017/18 and to R1.611 billion in 2018/19 (Scott, 2016).

Increasing financial constraints within a context of increasing service delivery demands necessitated the introduction of more efficient and creative models for delivering service to South African communities. This research therefore shed some light on the effects that cost cutting measures have on staff performance.

### **1.2.1. The Strategic Overview of the KwaZulu-Natal Provincial Treasury**

The vision of the KwaZulu-Natal Provincial Treasury is to be a centre of excellence in financial and fiscal management in the country and its mission is to enhance the KwaZulu-Natal Provincial Government service delivery by responding to the expectations of all stakeholders in the value chain as a key driver through optimum allocation of financial resources and enhanced revenue generation, while ensuring that all financial transactions adhere to applicable legislation and corporate governance principles (KZN-Treasury, 2016).

The department has five programmes, namely, Administration, Fiscal Resource Management, Financial Management, Internal Audit and Growth and Development (KZN-Treasury, 2016). The departmental core values and functions are:

- (1) Mobilisation of funds for the KwaZulu-Natal Provincial Government;
- (2) Allocation of funds to provincial departments;
- (3) Preparation of annual and medium term expenditure framework budgets;
- (4) Province wide cash management;
- (5) Provincial financial management through;
- (6) Budget monitoring and reporting through the internal audit unit, financial accounting unit and the systems maintenance unit; and
- (7) Advice on procurement policies and procedures in provincial government.

### **1.3. Motivation for the Study**

In South Africa, most cost containment research studies have been for the private sector environment hence there is a great need for studies to be conducted in relation to the public sector. During the 2016 state of the nation address, the South African state president reiterated the issue of cost cutting measures. In December 2013, the Minister of Finance announced a number of cost containment measures wherein excessive and wasteful government spending had to be reduced. However, Scott (2016) suggested that there was still more to be done to cut wastage. The KZN Provincial Treasury is one of the departments which spear headed the cost containment concept prior to 2013. It is against this background, that the study was conducted. The study looked at the effects of cost containment measures implemented from the 2013/14 financial year on staff performance in the Treasury Department of KwaZulu-Natal. It further looked into how tight a tight belt can be in providing quality services to clients and while still maintaining optimal performance.

### **1.4. Problem Statement**

The implementation of cost cutting measures in the Treasury Department of KwaZulu-Natal has resulted in more resources and funds spent on consultants and other external service providers due to approved annual service delivery plans not being completed. The study focuses on organisational operations which are meant to be effective and efficient in providing service delivery. Hence, this research intends to identify the effects of cost cutting measures related on staff performance.

### **1.5. Aim and Study Objectives**

The purpose of the study is to analyse and evaluate the effects of cost cutting measures to staff performance since its implementation by the KwaZulu-Natal Provincial Treasury. The study intends to achieve the following objectives:

1. To investigate the impact of cost cutting measures on the quality of service delivery.
2. To establish the relationship between cost cutting measures and employee performance.
3. To evaluate the effects of cost cutting measures on job satisfaction.
4. To determine if employee creativity is encouraged in the midst of cost cutting measures to improve and maintain service delivery quality.

### **1.6. Research Questions**

The following are the research questions the study seeks to answer:

1. What is the impact of cost cutting measures on the quality of service delivery?
2. What is the relationship between cost cutting measures and employee performance?
3. What are the effects of cost cutting measures on job satisfaction?
4. Is employee creativity encouraged in the midst of cost cutting measures to improve and maintain service delivery quality?

### **1.7. The Significance of the Study**

The significance of the study is far reaching as it focused on an area that is new and has only been implemented with an effort to mitigate costs but with less consideration on staff morale, service delivery quality and staff performance. The practical implications of the study are as follows:

- The senior management in all departments within the KwaZulu-Natal provincial administration will be aware of cost containment consequences which may relate to service delivery inefficiencies.
- The senior management in all departments within the KwaZulu-Natal provincial administration will be aware of cost containment consequences which may relate to low staff morale and disgruntlement of staff resulting in performance

targets not being achieved.

- The staff members in all departments within the KwaZulu-Natal provincial administration may gain insight into the root causes of cost containment measures and realise that these are implemented to relieve provincial fiscal pressure and that they can contribute positively towards this.
- The staff members in all departments within the KwaZulu-Natal provincial administration could change the way they view cost containment as most of them view it as a concept of workplace “joy” containment measures.

### **1.8. Delimitations / Scope of the Study**

KZN Provincial Treasury is one of the departments that has been spear heading the cost containment concept prior to 2013. It is against this background that the study be conducted. The study was looking at the effect of cost containment measures implemented from the 2013/14 to 2016/17 financial years and the effects it had on service delivery initiatives. This was achieved by sending questionnaires to staff members who are in the forefront of service delivery within the department. These included internal auditors, specialists and senior managers who do extensive travelling supporting KZN provincial departments, KZN municipalities, public entities and municipal entities.

### **1.9. Limitations**

The shortcomings were the unavailability of personnel to fill in the research questionnaire as the target respondents’ travel around the province monitoring and assisting other government institutions. The research was self-funded and the financial resources caused major delays in the research process.

### **1.10. Study Area**

The study was conducted and based in Pietermaritzburg where the KZN Provincial Treasury office is located. This is where the majority of the targeted respondents live. The KZN Provincial Treasury was an ideal organisation as it one of the provincial departments spear-heading the cost cutting initiatives and responsible for monitoring compliance with these initiatives in other provincial departments.

### **1.11. Research Methodology**

This section discusses the research paradigms relating to the proposed study, wherein it covers the research design, research methods, sampling process, research instruments, data collection techniques, data analysis and ethical issues.

Quantitative research studies relationships between variables, which are measured numerically and analysed through the utilisation of a range of statistical and graphical methods (Saunders and Lewis, 2016). The research design of this study is quantitative in nature, focuses on objective measurements and the statistical, mathematical, and numerical analysis of data collected through questionnaires from respondents. This method was suitable for this study since the researcher intended to gather information through close ended descriptions.

### **1.12. Structure of the Dissertation**

Chapter 2 discusses the theoretical framework and its relevance to the study with the aim of addressing the questions underpinning the study. The following subsections were discussed, concept of cost cutting, the cost cutting strategies, cost reduction theories, cost cutting effects on service quality, job satisfaction, staff morale and cost cutting effects on staff performance.

Chapter 3 comprises of the research design followed by the research paradigm, sampling process, target population, research instruments and procedure, validity and reliability, data analysis and presentation as well as the ethical issues.

Chapter 4 provides an in-depth analysis of the research data wherein data was analysed into themes. The following sections were discussed, response rate, demographic information of respondents, factor and reliability analysis.

Chapter 5 discusses the research findings. The research findings were categorised per each research objective in ensuring that findings were aligned to the objectives. These were cost cutting relationship to service quality, cost cutting relationship to staff morale, cost cutting relationship to job satisfaction and job performance and creativity platforms to improve service delivery.

Chapter 6 the final chapter of the thesis, covers conclusions, the main recommendations to address the research problem, recommendations for further research, and the practical research implications associated with stakeholders.

### **1.13. Conclusion**

Planning is always a pivotal stage in any project and similarly, research requires adequate planning and execution in order for it to be successful. This chapter presented the background for the study, the motivation for the study, the problem statement, the aim and study objectives, research questions, significance of the study, the assumptions, the area of study, the research methodology and the chapters' overview summary.

This study attempts to broaden the horizon for understanding the effects cost cutting measures have on the KZN Provincial Treasury's staff performance. The researcher expected to find challenges that staff members face amid cost cutting measures as well as the possible ways to address the issues identified in the study. This thesis contributes to a body of knowledge and intends to improve the public sector approaches in applying cost cutting measures. This was achieved by interviewing KZN Provincial Treasury staff members on their perceptions and views of cost cutting effects to performance.

## **CHAPTER 2 : LITERATURE REVIEW**

### **2.1. Introduction**

This chapter analyses the existing literature on the research topic with the objective of illuminating contributions, weaknesses and gaps. This section precisely covers the following subthemes: the concept of cost cutting, strategies of cost cutting, effects of cost cutting to service quality, job satisfaction and staff performance. These are reviewed from the literature and gaps in the previous research studies were identified to justify the purpose of this research work.

### **2.2. The Concept of Cost Cutting**

Growth comes incrementally and logically to public organisations but decline does not come about in a reverse fashion (Levine, 1978). In Levine's study, cost cutting measures were defined as a bundle of managerial interventions that cause organisational change with lower levels of resource availability and utilization. Although this topic existed some decades ago, it has recently become a buzz word for all the Chief Financial Officer (CFOs) of public organs of state in South Africa after the global recession in 2008. In Alesina and de Rugy (2013) cost cutting was referred to as a term used to justify debt-reduction policies. In a nutshell, austerity means adopting a debt-reduction package dominated by tax increases and spending restraints.

Cost cutting refers to the measures implemented by an organisation to reduce its expenses and improve profitability (Dictionary, 2017). Cost cutting can be motivated in an emotionally compelling in a positive way by tying the effort to a positive outcome for the business and its people (Kilonzo, 2012). The implementation of cost cutting measures requires meticulous structuring and implementation of efforts that obtain employee buying and commitment to obligatory decisions and behaviour changes. Cost cutting measures may include laying off staff, reducing employee pay, switching to less expensive employee programs, downsizing to a smaller office, reducing monthly bills, reviewing service hours and debt restructuring (Nimocks, Rosiello and Wright, 2005).

According to Kilonzo (2012) cost cutting is defined as processes and initiatives effected by an organisation's management to minimise expenditure and enhance the

organisation's bottom line. This term is also described by Marriner-Tomey (2000) as the overall term, including keeping costs within acceptable limits for volume, inflation and other parameters. Cost cutting thus involves cost awareness, monitoring, management, and incentives to prevent, reduce and control costs.

Hurley cited by Bauerschmidt (2011) added another dimension to the existing body of knowledge defining cost cutting as reducing the unit cost of production and refers to the reduction of costs related to producing the same product for less total expense to the organisation. On the other side, cost containment as a reduction in the growth of spending by maintaining organisational costs within a specified budget such as restraining expenditure.

Based on the above, cost cutting refers to procedures adopted by management of a particular organisation to reduce expenses which may include simple procedures such as a reduction in compensation of employees, procurement costs, travelling costs reduction and so forth. Severe cost cutting procedures may include forced use of vacation leave, job cuts and /or layoffs.

### **2.3. Responses to Fiscal Pressure by Government**

A macroeconomics policy focuses on the operations of the economy as a whole with three primary objectives which are economic growth, low unemployment and low inflation (Mankiw, 2014). Financial fiscal pressures are the problems that the government faces from time to time and requires some tools to address them (Lopez-Claros, 2014). There are three possible points of interest that may occur when measuring the country's gross domestic product (GDP), namely, recession, full employment and inflationary gap (Tobin, 1975).

#### **2.3.1. Recession**

A recession is defined as a period of short-term economic down turn during which trade and industrial activities are reduced and is characterised by a decline in gross domestic product (GDP) in two consecutive quarters (Janse Van Rensburg, McConnell and Brue, 2011). There seems to be a consensus among researchers (Mohr and Fourie, 2004; Rios et al., 2013; Palley, 2015) that in coming out of the recession, government has three basic options to consider. It may need firstly, to not implement a policy with the hope that the economy will autocorrect itself in the long run, where wages and costs will go down and eventually cause the aggregate supply

to increase. Secondly, to introduce a fiscal policy to increase government spending, reduce taxes leaving consumers with more disposable income and this eventually increases the aggregate demand. The third option would be to introduce a monetary policy to increase the monetary supply in circulation (by lowering the banks' reserve requirement, reducing the discount rate, government buying bonds from the open market operations), reduce interest rates, and increase investments. Consequently, these factors increase the aggregate demand. These government efforts will eventually bring back the economy to normal or full employment (Lima, Grasselli, Wang, 2014).

### **2.3.2. Inflationary gap**

An inflationary gap is the amount by which the actual aggregate demand exceeds the level of aggregate demand required to establish the full employment equilibrium (Janse Van Rensburg et al., 2011). This in turn forces inflation to rise which results in an increase in the price of goods and services. This pushes the government to pay more for goods and services acquired, thus affecting service delivery (Deepashree, 2016).

Researchers (Gali, 2015, Blanchard, Cerutti and Summers, 2015, Bianchi and Ilut, 2017) concur that in managing the inflationary gap, government has three basic options to consider. Firstly, they may not implement any policy with the hope that the economy will autocorrect itself in the long term where wages and costs will go up and eventually result in the aggregate supply to decrease. Secondly, to introduce a fiscal policy to decrease government spending and increase taxes leaving consumers with less disposable income and this eventually decreases the aggregate demand. The third option would be to introduce a monetary policy to decrease monetary supply in circulation (raise the banks' reserve requirement, raise the discount rate, government selling bonds in the open market operations), raise interest rates, decrease investments and these will decrease the aggregate demand. The results of these government interventions eventually bring back the economy to normal or full employment (Lima et al., 2014).

The government implementation of the cost cutting measures (government spending reduction), must be informed by the fact that the economy of the country is in an inflationary gap. In a country like South Africa where a 3–6 per cent inflation target band is used to manage or measure inflation, in 2013, it was eminent that cost cutting

measures needed to be employed as part of a monetary policy due to the fact that the country's inflation fell above the 6% target (Ndou and Gumata, 2017). This strategy suffered criticism from agencies, trade unions and academics, hence, there was a need to unpack the concept of cost cutting and its effect on government staff performance. In support of this statement, Ellyne and Veller (2011) stated that the South African Reserve Bank has been accused by trade unions of running an inflexible inflation targeting regime, concentrating too much on inflation strength at the cost of lower economic growth, higher unemployment and an unsound exchange rate.

A number of researchers (Eyraud and Weber, 2013; Mauro and Zilinsky, 2015; Hernández De Cos and Moral-Benito, 2013) argue that cost cutting is not a solution to fiscal pressure as the debt ratio does not decrease one-for-one with fiscal tightening. The reason being that cost cutting is that it reduces the Gross Domestic Product of the country in the short term causing the effects referred to as the fiscal multiplier and further increases the debt ratio.

This section reveals that cost cutting measures require they be implemented with other initiatives as they may yield undesired results when implemented in isolation. It is therefore of crucial importance to balance the initiatives that will ensure that economic growth, low unemployment and low inflation are achieved.

## **2.4. The Cost Cutting Strategies**

Cost cutting strategies include cost awareness, cost monitoring, cost management, and incentives to prevent, reduce and control costs. Atella (2000) concluded that cost containment policies can only be sustainable in the long term by manipulating both the supply and demand side of the market. Failure to influence both will result in short term success and escalating cost in the long run. A cost containment model, adapted from Busse, Schreyögg and Henke (2005), categorise cost containment policies into three different regulatory measures according to their point of intervention: price control, volume control and spending control.



**Figure 2.1: Cost Cutting Conceptual Diagram**

**Source:** Adapted from Hasenpusch TP. (2012) *Clearing services for global markets*. Cambridge Books.

The following two sections discuss cost cutting strategies at global and at a South African level.

#### **2.4.1. The Cost Cutting Strategies: Global Perspective**

The study conducted in the United State of America (USA) by Stabile, Thomson, Allin, Boyle, Busse, Chevreul, Marchildon, Greg and Elias (2013) on countries that are high income countries (such as France, Canada and England) revealed that they use similar set of strategies implemented by government to manage costs which are budget shifting, budget setting, direct and indirect control of supply.

Stabile et al. (2013), further, explains these categories as follows: Budget shifting which is about reducing population coverage such as removing entitlement to some or all statutory benefits from specific groups of people; reducing service coverage excluding benefits, the use of positive or negative lists; and reducing costs such as introducing or increasing user charges. Public budget shifting which is about moving budgets across different levels of government and providing incentives for organisations complying with the cost cutting reforms.

The second broad cost containment strategy that these high income countries use according to Stabile et al. (2013) is budget setting which entails the overall budget cap at government level, purchaser level, individual level and lastly, changes in provider payment methods such as a shift to linking salary payments to individual performance.

The last broad cost containment strategy used is direct and indirect cost controls which includes price controls such as setting prices, price or reimbursement rate cuts and volume controls: infrastructure, human resources, technology and the implementation of practice guidelines (Stabile et al., 2013).

Raudla and Kattel (2013), supported the above assertions and added that reducing organisational expenditures can be divided into two main types of cost cutting instruments, namely, cutting of operational expenditures (personnel and non-personnel costs) and cutting of program and investment expenditures. This simply means that cost containment strategies will normally come in two forms which are a focus on goods and services and a focus on people and processes.

Hood (2013) added some of the strategies that countries may consider during the cold fiscal climate, saying that, New Zealand in the late 1980s underwent a major central state restructuring in the face of substantial spending cutbacks, a stagnant economy and a severe currency crisis, with reforms that involved a dramatic reshaping of the traditional civil service 'bargain' and of the responsibilities of ministers and public servants, along with other major policy changes, including deep cuts in industrial and agricultural subsidies and a switch of emphasis from income to consumption taxes. Finland's budgetary reforms of the 1990s were applied following a similar pattern to New Zealand. The United Kingdom's 2010 public spending review planned for a 34 per cent cut in administration budgets across central government between 2010–2011 and 2014–2015 (Hood and Dixon, 2013).

#### **2.4.2. Private Sector Specific Cost Cutting / Reduction Theories**

Lean Management and Kanban Theory is a cost cutting technique which is mainly use in manufacturing organisations. It is a systematic method for the elimination of waste (such as cycle time, labour, materials, and energy) within a system from all value streams. It focusses on the standpoint of the client who utilises a product or service by adding value (Ramekar, Muneshwar and Kute, 2017).

This cost reduction model originated from Henry Ford Pioneers Mass Production System back in 1972 when the oil crisis imposed a severe heaviness on manufacturing systems, customers commanded higher quality products at lower prices, more customization, and swift delivery. Toyota and Kawasaki supported this model and benefited from it. Some of the benefits accruing from using lean management are lower production costs leading to higher profits and wages; and cost avoidance flowing directly to the organisation's bottom line (Holweg, 2007).

### **2.4.3. The Cost Cutting Strategies: South African Government Perspective**

Cost cutting measures implemented in South African government departments were categorised according to the compensation of employees, supply chain management, travel and subsistence, office events and related workshops (Treasury, 2013).

#### **2.4.3.1. Compensation of Employees**

This included proper organogram reviews to eliminate non-essential posts, a moratorium on filing of non-critical posts, curbing of leave encashment payments, conducting regular headcounts and strict control over overtime pays. Domnik (2007), supports this approach citing that management can rely on early retirement and job rotation. Burns, Hyde and Killett (2016) further concurred that reductions in labour costs are common including pay, benefits, and staffing levels. A different view by Greenberg (1990) was that staff members tend to redress and remedy the situation of reduced incentives by pilfering from their employers in one way or another.

#### **2.4.3.2. Travel and Subsistence**

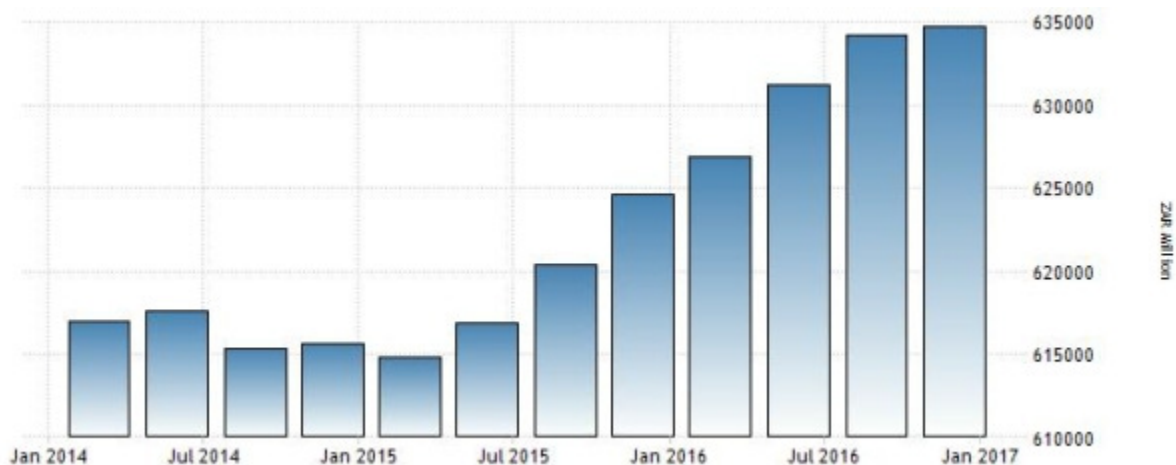
Treasury (2013) recommended that in cost containment measures related to travel and subsistence required that employees travelling to the same engagements use the same vehicle; domestic air travel and upfront discounted fares (prioritising best-fare-of-the-day) be negotiated; travel using economy class; corporate air miles accumulated through loyalty programmes to be used to acquire air tickets; maximum permissible rates be set out in the domestic accommodation rates; and that limited kilometres be travelled per month by each employee. Secondly, staff members booking accommodation were required to negotiate with accommodation facilities to secure rates that are lower and employ cost-effective management of vehicle hire (car rental) expenses. Service providers play the strategic role in aligning their service offerings to government needs and in line with lean supply management (Womack et al., cited in Janssen and Estevez, 2013). (Janssen and Estevez, 2013).

#### **2.4.3.3. Supply Chain Management, Office Events, Workshops, Meetings and Trainings**

Treasury (2013) recommended that in-house trainings be adopted, have a limited budget for non-essential goods, to discontinue catering for meetings, trainings and workshops, encouraged the acquisition of transversal contracts to achieve value for money, and abolished team building exercises and Christmas parties. da Conceição

da Costa Marques (2016) supports this cost cutting approach stating that it permits the institution to transfer fixed costs to variable costs. Chinn cited by (Thenent, Settanni, Parry, Goh and Newnes, 2014) argued that cuts in training and maintenance, a reduction of force structure, and cancellations of equipment programs which are already under way may eventually drive up the assets' unit costs.

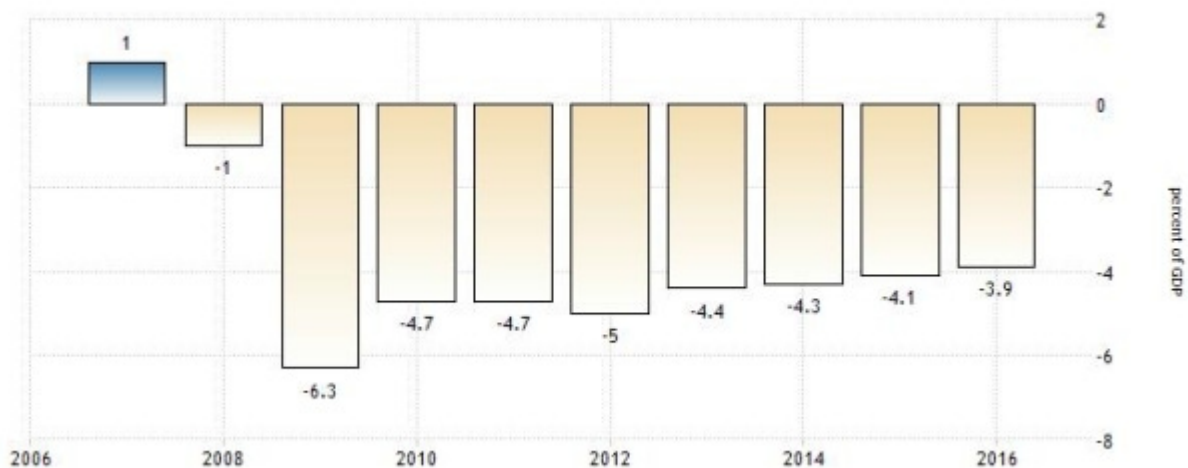
In the past five years, the South African government's spending has been increasing at a fast rate (see Figure 2.2 below). It increased to ZAR 634,777 million in the fourth quarter of 2016 from ZAR 634,224 million in the third quarter of 2016 and averaged ZAR 308,402.11 million from 1960 until 2016. This recorded an all-time high of ZAR 634,777 million in the fourth quarter of 2016 and a record low of ZAR 65,991 million in the first quarter of 1960 (SARB, 2017).



**Figure 2.2: South African Government Spending**

**Source:** SARB (2017)

South Africa recorded a Government Budget deficit equal to 3.90 percent of the country's Gross Domestic Product in 2016. The government budget in South Africa averaged -3.26 percent of GDP from 1989 until 2016. This recorded an all-time high of 1 percent of GDP in 2007 and a record low of -7.40 percent of gross domestic product (GDP) in 1992 (SARB, 2017).



**Figure 2.3: South African Government Budget to GDP**

**Source:** SARB (2017)

What we can broadly draw from the above (Figure 2.2 and Figure 2.3) as a conclusion is that from the implementation of cost cutting measures in 2013, there has not been any significant reduction in government spending. This view is limited though considering that factors such as inflation rate changes have not been taken into consideration.

Implementing cost cutting produces different outcomes as some staff members may redress and remedy the situation of reduced incentives by stealing from their employers. Employees may be pushed to collude with service providers to make up for the lost incentives whilst service providers may be forced to apply lean supply management tactics to maximise revenue with limited resources. Government institutions may implement strategies to transfer fixed costs to variable costs in controlling costs.

#### **2.4.4. Challenges in Cost Cutting Strategies**

In developing cost cutting strategies and sound ethical policies for cost containment, Brody (2014) states that it would be necessary to differentiate cautiously between the rationing problem posed by low-benefit, high-cost strategies and the rather different issues raised by strategies that effectively offer no benefit, whatever the cost.

This section discusses the short comings of some cost cutting reforms implemented by organisations.

#### **2.4.4.1. Identifying What Costs to Manage**

Cost cutting conclusions that are grounded on a flawed understanding of the circumstances can result in counterproductive consequences which may compromise the success of cost cutting (Thenent et al., 2014). Some managers focus more on reducing the outsourced services whilst others focus on reducing costs of the in-house projects. Drahokoupil (2015) asserts that outsourcing can help in decisions relating to whether or not the reduction of public spending led to greater efficiency and effectiveness in the public sector. In a study conducted in Portugal by da Conceição da Costa Marques (2016) he argues that outsourcing remains a prevalent instrument for almost all governments around the world whilst it leaves the question of efficiency gains unanswered. However, is a solution in managing the risks associated with the in-house challenges? In a nutshell, managers are to perform the business process analysis prior to introducing and implementing cost cutting measures. There is no single approach suitable for all circumstances in identifying ways of reducing costs in an organisation hence, one organisation can have successful managers applying different tactics.

#### **2.4.4.2. Implications of Incorrect Implementation of Cost Cutting Model**

The private sector model may be easier to implement compared to the public-sector model. For obvious reasons private companies are concerned about their customers' satisfaction and the company's bottom line whilst the public sector may not be worried about the bottom line and instead be focused on service delivery and the re-election of politicians. The private sector cost modelling may be defined as a priority analysis that plots the characteristic features of a product, regardless from whom (provider, customer and so forth) the monetary resources will be recouped (Sandborn, 2016). In the public sector, it is difficult to identify the model to apply and overhead costs are not always easy to link to the actual service delivered to the community. However, when one is directed to look for cost containment and improvement in the private sector, it is a matter of examining the source of the greatest profits and expenditures Donatelli (Plonien and Donovan, 2015).

Neely, Gregory and Platts (2005) suggested that cost drivers allow initiatives for cost cutting to be centred on improved efficiency which measures the use of resources in activities performed in order to deliver an outcome. Cost drivers in one government department are very difficult to identify which may render the cost cutting process

unsuccessful. Using an incorrect cost cutting model may produce undesired outcomes.

#### **2.4.4.3. Miscommunication of Information to Staff and Clients**

Lack of communication easily creates expectation gaps between the organisation, its clients and staff, and therefore, timely and accurate information is of paramount importance in ensuring that the cost cutting reforms are successful (Coombs, 2014). During the implementation of cost cutting, stakeholders such as clients should be kept informed regarding the fact that the organisation is tightening its belts.

#### **2.4.4.4. External Factors**

High commodity prices, a stronger US dollar against the South African Rand, the ever-changing needs of stakeholders and political interference are significant external threats to the implementation of cost cutting measures. This challenge occurs in both, the public and the private sector. Cost cutting measures are negatively related to the apparent managerial autonomy of public managers and positively to the degree in which politicians interfere in the affairs of managers (Van der Voet and Van de Walle, 2014).

There seem to be a relationship and consensus that exist in both the South African government and international models as they take into account at minimum, the following stages: a cost awareness stage which relates to issues such as in-service education on how the budget is completed and controlled (thus creating the necessary awareness among staff members); training of staff members on budgeting and monitoring, development of the per-unit budget manuals, and inclusion of cost cutting measure reforms on office calendars, dairies and office notice boards to enhance staff understanding (Ntlabezo, 2009).

The above strategies are implemented internally by government on their staff members, it is not implemented on the outside stakeholders which may include reforms such as a reduction in government grants and subsidies. In implementing these, Ortiz (2013) argues that public assistance can be the difference between life and death, meaning that severe budget cuts could have grave implications for millions of the world's poorest and most deprived populations.

## **2.5. Cost Cutting Effects on Service Quality to Clients**

According to Hinton cited by Kilonzo (2012), in today's unsteady economy, services offered by companies have to produce value satisfactions. To be appreciated by customers, services received have to achieve a certain standard of quality as set by the customers. For an organisation to be labelled as creating value that is satisfying, it has to offer its services with the kind of flamboyance that excites and stimulates its customers (Kotler and Armstrong, 2013). Regular improvement of customer satisfaction levels during the service delivery process in order to meet and, hopefully, exceed customer expectations is needed.

### **2.5.1. Service**

Service is defined by the English dictionary as the action of helping or doing work for someone and may be a system of supplying a public need such as transport, communications, or utilities such as electricity and water (Dictionary, 2017). Kotler and Armstrong (2013) describe service as an activity and / or benefits accruing to the client when presented by a particular business and the transaction ends with a client involved but not owning anything, as the activity or benefit accruing is intangible in nature. Services are the provision of essentially intangible experiences and benefits through an exchange of transactions, in an endeavour to satisfy specific clients' needs (Bhattacharjee, 2006). Reading from above we can conclude that a service is an activity to fulfil someone's needs in the marketplace, it is something that can be experienced but cannot be touched or seen with the naked eye as they are intangible activities. In addition, Vargo, Lusch and Akaka (2010) posited that a service is a provider-customer interactive operation that can take place directly or indirectly and should be customer-oriented and solution-focused.

### **2.5.2. Quality**

ISO 9000 which is the international standard on quality management and quality assurance describes quality as a point to which a set of inherent characteristics fulfil the requirements (ISO, 2000). Although extensive research has been carried out on quality, no single study that exists has conclusively defined it. Rareş (2014) describes quality as an elusive and indistinct construct and that there is a positive correlation between the quality of service and the long-term profitability of service organisations. Bhattacharjee (2006) defines quality as the inclusion of all specified features and

characteristics defined for service and its capacity to satisfy the agreed or agreed needs as per the obligation of the user while using it.

### 2.5.3. Service Quality

Service quality is defined as the determinant of how well the service level offered matches the client's expectations (Pakdil and Aydın, 2007). According to Parasuraman et al., cited by (Pizam, Shapoval and Ellis, 2016), clients exploit a variety of pre-purchase data sources to mitigate the risk of receiving poor quality service. Service quality equals the client's perceptions against what the client expects of a service. When the President of the Republic of South Africa, J G Zuma in 2009, said that by working together, we can ensure that South Africans receive the services they are entitled to. This statement challenged all public servants to drive efforts towards reducing the service delivery gap.

### 2.5.4. Service Quality Gaps

The service quality model by Parasuraman, Zeithaml, and Berry (1985) was introduced with ten dimensions of service quality measurement and its proposed service quality gap model which was reduced to five dimensions of service quality measurement reliability, tangibles, responsiveness, empathy, and assurance (Ali and Raza, 2017).

The following summarises the business – client gaps which if not addressed may lead to an organisation being considered as lacking in the service quality:

GAPS	THE RELATIONSHIP
Gap 1	The gap between what clients expect to what managers predict clients to expect.
Gap 2	The gap between management's perception and the real client's experience.
Gap 3	Emanates from the client's experience to the delivery of the client's experience.
Gap 4	The gap between the delivery of the client's experience and what is communicated to clients.
Gap 5	The gap between a client's perception of the experience and the client's expectation of the service.

**Figure 2.4: Gaps Model of Service Quality**

**Source:** Adapted from Wilson, Zeithaml (2012) *Services marketing: Integrating customer focus across the firm*: McGraw Hill

In response to the above gaps per Figure 2.4 above, the eleven South African government's *Batho Pele* (putting people first) principles play a vital role in ensuring effective public service delivery and illustrating how the actions of public officials could be regulated (South Africa, 1997). These principles require that customers: be consulted; receive services that comply with set standards; access services; be treated with courtesy; get information about services; be informed of all the costs (transparency); get their problems addressed immediately, receive an apology where due (redress) and receive value for money (Dorasamy and Ngidi, 2014).

#### **2.5.5. Batho Pele Principles**

The following principles are implemented by all government spheres in an endeavour to bridge the service quality gaps (Maphunye, Tshishonga and Mafema, 2014). These serve as the yardstick wherein transformation of service delivery provided to the South African public service are judged on, namely its effectiveness in the delivery of services which meet the basic needs of all South African citizens (South Africa, 1997).

##### **2.5.5.1. Consultation**

This principle requires that all stakeholders be consulted on the nature, quantity and quality of services provided in order to determine the needs and expectations of the end users. Citizens can be consulted through the following: customer surveys, campaigns, *Izimbizos* (meaning community meetings), and community workshops.

##### **2.5.5.2. Service Standards**

This principle requires that the citizens be advised of the level and quality of public services they will receive so that they become aware of what to expect through service charters, strategic plans, booklets with standards, service level agreements.

##### **2.5.5.3. Ensuring Courtesy**

This principle requires that the citizens be treated with courtesy and consideration. For example, tools, measurements and systems be put in place to improve customer care, customer care units & staff members applying the right attitude.

##### **2.5.5.4. Access**

This principle requires that all citizens be granted equal access to the services to which they are entitled. Initiatives such as decentralized offices to reach out to all citizens,

extended business hours, use of indigenous languages and sign language service charters are displayed on key access points; improved service delivery to physically, socially and culturally disadvantaged persons (including infrastructure), signage which is clear and helpful, and lastly, frontline staff are wear mandatory name tags.

#### **2.5.5.5. Information**

This principle requires that the citizens be provided with complete and accurate information regarding the public services they are entitled to receive such as braille and functional sign language, help-desks, brochures, posters and the press. Information is available at service points, in various official languages. Regular newsletters from the municipal managers, frontline staff training, and mandatory induction training for new staff members.

#### **2.5.5.6. Openness & Transparency**

The citizens are told how departments are run, how much they spend and who are the responsible officials for what departments and so forth. This principle requires that the management be transparent and open to all staff members e.g. appointment circulars, and regular staff meetings with management.

#### **2.5.5.7. Redress**

This principle requires that each department establishes a mechanism for recording any public dissatisfaction, have a toll-free number, suggestion boxes and customer satisfaction questionnaires. Each department implements a complaints handling system of which each staff member is trained to handle complaints fast and efficiently.

#### **2.5.5.8. Value for Money**

This principle requires that the public services are provided economically and efficiently in order to give citizens the best possible value for money such as the use of expenditure controls, improved internal controls (such as the private use of phones, budget reviews), costs per unit of services delivered.

The fresh approach introduced by government to ensure that there are adequate systems, procedures and new attitudes in providing service delivery to the community. The approach intended to drill new behaviour within the public sector to put the needs of the people first and improve the quality of service. The next concern is the ability of

staff members to perform and the availability of resources such as time and finances to implement the Batho Pele principles.

#### **2.5.6. Government Reputation and the Influence of Service Quality**

Enhancing relationships with clients is an inherent feature of governmental action. Citizens and businesses have a life long association with government, interacting with a comprehensive range of public agencies, municipalities and departments in many different ways from birth to death (Sanders and Canel, 2015). There are many important factors that contribute to the government's reputation, namely, poor service quality, political instability and so forth. Some of these factors may result in community unrest, countries credit downgrade and so forth, the list of consequences is endless. If these consequences are not well managed they create a dire situation in country.

The survey conducted by International Business Report Thornton (2013) in July 2012 found that about 59% of all South African business owners surveyed were negatively affected by poor government service delivery compared to the 53% recorded in the first quarter of 2012. Service delivery failure has a multiplier effect, as about 50% of the jobs are created by private small businesses in South Africa.

In the midst of cost containment, government departments employees find themselves in a service delivery – reputation paradox as many of the services may not be fulfilled. This is caused by the fact that it is either the department opts for larger service delivery coverage which is of less quality or smaller coverage with satisfactory quality. This paradox can be addressed at the level of service delivery planning.

#### **2.5.7. Government Service Planning**

State departments prioritise service delivery initiatives at the beginning of the financial year and communicate these initiatives with staff and service recipients. These initiatives are then reduced into being departmental plans. The implementation of cost cutting measures poses a threat to these service delivery plans of being unattainable and often makes them sound ambitious, and hence these ambitious plans tend to produce more adjustments than modest ones (de Rugy, 2013). This may result in stakeholders (community members, the private sector and other affected organs of the state) receiving poor or inadequate service quality.

The existing literature reveals that in the situation of economic slowdown, responses supporting budget cuts are preferred over the option of tax increases (Scorsone &

Plerhoples 2010; Klase, 2011). As the organisation under review opted for budget cuts, most cuts resulted in lesser periods spent on projects or other state initiatives which have a direct relationship with service quality. Venter (2011) found that cost cutting affects service quality and often impacts negatively on product quality. The only shortcoming of this argument is that it was only conducted on a smaller scale for the plastics pipe industry in South Africa. This study intends to assess the gap between the perceived and the actual quality of work delivered by staff members where cost cutting measures have been implemented.

In conclusion, service quality is that it is easier to measure quantity rather than quality, hence, service quality may require a number of factors to be taken into account in measuring it, which in turn may be subjective. Service quality is one variable that is difficult to measure as it is relative to the clients being served and their expectations.

## **2.6. Cost Cutting Effects on Job Satisfaction and Morale**

Job satisfaction is a topic of interest for both employees and the employers. For academics, it is a topic normally studied to assist both employees and employers to bridge the expectation gaps associated with job satisfaction. This section discusses the effects cost cutting measures have on employees' job satisfaction and staff morale.

### **2.6.1. The Concept of Job Satisfaction**

Berry (1997) defines job satisfaction as an individual's reaction to the job experience. Robbins and Judge (2007) define job satisfaction as a positive feeling about one's job resulting from an assessment of its features. Staff members that are highly satisfied with their jobs and responsibilities at work tend to hold positive feelings about their job, while on the other end, dissatisfied staff members hold negative feelings about their job (Stanford, 2010). Job satisfaction has been defined as the degree to which staff enjoy their assigned tasks and normally epitomises a positive orientation toward their job. It is about how an employee perceives his job based on the individual needs, values and expectations (Tabane, 2012).

In most research studies (Schwab & Cummings, 1970 & Nord, 1976), job satisfaction has always been associated with performance whilst Bouckennooghe and Raja (2013) suggested that job performance and turnover are contingent upon the level of job satisfaction. A contrasting view from Locke cited by (Daryanto, 2014) pointed out that job satisfaction may be described as a point where an employee feels that pleasurable

and positive emotional state of mind emanating from job experiences. If competent employees leave the organisation or if potential applicants turn elsewhere due to cost cutting measures, the shrinkage of available talent pool of may occur (Raudla, Savi and Randma-Liiv, 2015). In addressing job performance and staff turnover, it is prudent for management identify the root causes of job dissatisfaction.

### **2.6.2. Causes of Job Satisfaction**

Salary pays and job incentives influence job satisfaction to some extent (Lum, Kervin, Clark, Reid and Sirola, 1998). This assertion was supported by the study conducted by Price (2001) who compared the prevailing variables of job satisfaction, which are the intent to stay between pay and turnover where it was concluded that certainly money or its equivalent that the employees receive from their employer has an influence over staff turnover and job satisfaction. Another study conducted in higher education in Pakistan by Malik, Danish and Munir (2012) revealed that pay has a significant impact on job satisfaction but the promotion has a less significant or partial impact on the job satisfaction of staff members. The conclusion that one may derive from this assertion is that once an employee attains a comfort zone, there is little relationship between the amounts of salary paid and job satisfaction.

Personality can influence job satisfaction. Judge, Bono, Erez and Locke (2005) found that those with a positive core self-evaluation are more satisfied with their jobs and it is most likely that negative individuals are usually not satisfied with their jobs. Three causes of job satisfaction which are cultural and demographic influences, the work situation, and dispositional influences were identified by (Saari and Judge, 2004). Weiss and Cropanzano (1996) added that emotional disposition may influence the experience of emotionally significant events at work, which in turn influence job satisfaction.

Hofstede (2011) suggests that staff attitudes differ among four distinct cross-cultural dimensions which are individualism versus collectivism, uncertainty avoidance versus risk taking, power distance, and lastly, masculinity versus femininity. Demographics such as age, gender and race have also been noted to have an effect on the attitudes of employees (Guillaume, Dawson, Otake-Ebede, 2017). Concurring with this view was Saner and Eyüpoğlu (2012) pointed out that age and job satisfaction are related. There is however no correlation between an employee's race and an employee's job satisfaction (Sarwar, 2014). In addition Almanae (2013) stated that one of the definite

criterion for identifying an effective and well-run organisation is through the job satisfaction.

Spector (1997) identified five core job characteristics as the content and nature of the job and categorises them into (1) skill variety, (2) task identity, (3) task significance, (4) autonomy, and (5) job feedback. The theory of job characteristics states that those who prefer to be continually challenged and who are interested in their work will be more motivated and satisfied in complex jobs. In ensuring job satisfaction, there are different job satisfaction theories that may help the situation.

### **2.6.3. Job Satisfaction Theories**

Edwin Locke's 'Affect Theory' is one of the widely accepted standard job satisfaction theories. Per this theory, job satisfaction refers to what one wants in a job and what one has in a job (Locke, 1969). The other theory was compiled by Judge and Bono (2001) as 'Dispositional Theory' which finds a direct connection between self-esteem and believing in one's talent as temperaments resulting in an individual's job satisfaction.

Judge and Bono (2001) claim that there are core self-evaluations that govern one's disposition towards job satisfaction. These are self-esteem, general self-efficacy and locus of control. In this model, a higher level of self-esteem (the value one places on his/her self) and general self-efficacy (the belief in one's own competence) lead to higher work satisfaction. It is also important to have an internal locus of control (believing one has control over her or his own life, as opposed to outside forces having control) as it leads to higher job satisfaction (Judge and Bono, 2001).

Staff members appreciate when recognition is given through praise, encouragement, promotion or rise in payment (Kamstra, 2005). Job satisfaction is linked to the employees' perception that the organisation's management is recognising their efforts by taking their interests to heart, in the sense that the organisation is making sure that the working conditions are bearable and improving, recognising and rewarding desirable performance or providing reward equity (Murphy, 2015).

The implementation of cost cutting measures to an extent that lead to staff members being unable to attain their self-worth may contribute to job dissatisfaction and low morale.

#### **2.6.4. Consequences of Job Dissatisfaction**

If a person is stressed about his/her job, he/she will experience job dissatisfaction and will not be able to be productive and this may affect their ability to deliver 100% towards their work, Muhammad et al., cited by (Yaacob and Long, 2015). Employees experiencing dissatisfaction at work may have four possible options to consider. Leaving the organisation and moving to the next best alternative, secondly voicing opinions with the view to improve work conditions, thirdly neglecting the situation, allowing the situation to deteriorate and worsen, and lastly, passively waiting with the hope that the situation will improve eventually (Gounaris and Boukis, 2013). Grunberg, Anderson-Connolly and Greenberg (2000) support this view in that some employees may not be able to express negative sentiments ending up moving with the flow no matter how bad the situation.

Satisfied staff members are less likely to leave their jobs (Abbas, Raja, Darr and Bouckenoghe, 2014). Job dissatisfaction driven by staff turnover is influenced by alternative job prospects or the next available job offers. Job dissatisfaction of individuals who possess high intellectual capital may lead to brain drain in an organisation. Dissatisfied workers are more likely to unionize, abuse organisational resources, be tardy and steal employers' resources (Katja Mihelič, 2014).

Studies analysing the relationship between job satisfaction and job performance (Bruk-Lee, Khoury, Nixon, Goh and Spector, 2009; Connolly and Viswesvaran, 2000; Judge and Larsen 2001; Thoresen, Kaplan, Barsky, Warren and de Chermont, 2003, Johnson, Tolentino, Rodopman and Cho, 2010; Kaplan, Bradley, Luchman and Haynes, 2009) have been conducted in the past with less focus on cost cutting measures as a variable; this study will be adding the cost cutting variable.

#### **2.6.5. The Concept of Employee Morale**

Morale is the degree of extent (measured as either high or low) of voluntary co-operation shown by one employee or a team and the extent of the goal to accomplish mutual objectives (Manson, 2014). Morale is a psychological feeling composed of two sets of elements of which one set contains those which help to make a person satisfied with the tasks, and the second set which contains elements that when not taken care of may make an individual feel dissatisfied (Sirota and Klein, 2013). Each employer prefers to have staff members who are highly motivated and who have high morale because highly motivated and engaged employees are pivotal to the success of

service organisations and enterprises (Bakker and Demerouti, 2008; Slåtten and Mehmetoglu, 2011).

#### **2.6.6. Employee Morale and Cost Cutting Measures**

The effects of these cost cutting measures are perceived by staff members to increase stress levels and increase workloads, especially if fewer resources are devoted to the staff (Palese et al., 2014). During the cost cutting process, most of internship programmes and contract staff members are left unemployed, existing staff members have to work long hours to compensate for the vacant positions. The study conducted by Mudaly and Nkosi (2015) concluded that family issues, lack of motivation to attend work, financial challenges, unfriendly bosses, long work hours, increased workload, unsatisfactory work conditions, staff shortages, lack of a proper reward system and incoherent decision-making results in low staff morale.

In implementing cost cutting measures, staff performance bonuses were cut down by the department to achieve cost savings in all possible expenditure votes within the department. The study of the impact of financial incentives and morale at Jordanian Universities, by Al-Nsour (2012) found that both financial incentives and morale influenced performance measured by internal business practices, employee learning and growth and client satisfaction.

If the cost cutting strategies are implemented without assessing the optimal point to stop cutting costs, they may result in reduced staff morale. It tends to be very difficult for the management to inform staff members if the cost cutting measures have reached a tipping point where they cannot cut any further. In line with this view, Weakliem and Frenkel (2006) found that workers with low morale react by displaying poor workmanship, wasting resources, or even disruptions whilst workers with high morale may not be able to do much to enhance their productivity.

Many authors argue that as a consequence of cost cutting, morale declines and remains at low levels, which risks companies investments in human capital (Behn 1980; Holzer 1986; Levine 1984). Cost cutting measures normally cut staff benefits and as a consequence, staff members develop low morale. The removal of these benefits reduces job performance which is related to job satisfaction and where successful job performance is attributed. While staff members personally feel the immediate effects of the budget cuts, studies show that austerity measures can have

negative long-term effects that can stall the economy more than it can help accelerate it (Bushak, 2010).

Most researchers find that non-communicated and unplanned cost cutting measures do not only affect staff morale but they further frustrate the service recipients (clients). Evaluation of historical experiences suggests that social spending is typically unprotected during environments of overall expenditure contraction (Ortiz and Cummins, 2013). The consequences of the economic recession at societal levels can be dramatic (Palese, Vianello, Cassone, Polonia and Bortoluzzi, 2014).

#### **2.6.7. Causes of Low Employee Morale in an Organisation**

Employee morale may be influenced by a number of factors. For instance, factors such as supervision, co-workers, the nature of employees work and communication can be influencing greater job satisfaction whilst factors such as salaries, promotions, fringe benefits, contingent rewards and operating procedures can further contribute to some degree of job satisfaction (Nkomeje, 2010).

However, dissatisfaction of the workforce due to poor treatment by the management is considered to be one of the key causes of low staff morale, for it is common knowledge that men tend to hold back and to do as little as possible for those whom they have a grievance against (Slichter, 1920). As old as this assertion by Slichter is, but it is still relevant in our modern day due to there being little corresponding evidence which proves it otherwise.

In relation to the nature of the assigned tasks, exhaustion and boredom of routine tasks, employees' interest in the job, job dissatisfaction, confidence in individual members of the group and confidence of different members of the group in the leadership at all levels, may lead to low morale. The study conducted by Kube, Maréchal and Puppe (2013) argued that even though factors such as wage cuts may damage work morale, the wage cut does not seem to hurt the quality of work performed.

In relation to the nature of leadership and supervision, this occurs when the team leader fails to act in a fairly, impartial, helpful, social minded manner and so forth.

In relation to working and environmental conditions, these factors influences staff if working conditions are poor and not conducive to promoting employees' well-being. Job satisfaction is linked to the employees' perception that the organisation's

management is recognising their efforts by looking after their interests, in the sense that the organisation is making sure that the working conditions are tolerable and improving, recognising and rewarding desirable performance or providing reward equity (Sikhwivhilu, 2009).

Personal factors: background, intelligence, age, skill and proficiency, training, and the mental and emotional state of an employee may influence staff morale. Other factors such as, organisational efficiency, which focuses on:

1. the way in which the organisation is set up, the way in which the orders are given to staff, the way in which the information is passed up and down;
2. the way informal organisations decide and think and work (Wentworth, 1990).

Based on this chain of causalities, recent research locates the worker and his/her surroundings, motivations, engagement and satisfaction with the work environment and conditions at the centre stage, not only conceptually but empirically (Slåtten and Mehmetoglu, 2011).

#### **2.6.8. Ways to Boost Employee Morale in an Organisation**

Weakliem and Frenkel (2006) affirm that enhancing staff morale does not only make work more pleasant but it also produces productivity for an organisation. Most successful organisations apply the following employee morale booster techniques to keep their teams achieving greater results, namely, keeping staff members feeling their assigned tasks are more than just a job; taking time to creatively celebrate and acknowledge staff achievements; granting time off to staff to pursue projects they are passionate about; mixing up the organisational routine with some new initiatives; training staff to maintain and grow positive mental attitudes and so forth (Erb, 2017).

Patel (2015) further suggests some of the examples which may boost employee morale in an organisation which include crowd-sourcing of company outing ideas, letting go of staff members who demean others, asking for feedback, developing strong and transparent promotion procedures, encouraging real lunch breaks as these may assist in employee creativity, increasing vacation days, recognizing personal accomplishments and losses, celebrating work anniversaries, offering discounts and sponsored programs, the implementation of bringing family to work for a day and so forth.

It is crucial for management to implement programs such as employee wellness programs and regular employee satisfaction surveys as low employee morale leads to higher operational costs and inferior service performance through lack of obedience to routine and fluctuations in the organisation (Salanova, Agut and Peiró, 2005). These initiatives may assist an organisation to improve staff performance while cutting costs.

## **2.7. Cost cutting effects on staff performance**

The efforts that employees devote in performing their jobs is an essential factor in organisational effectiveness and is therefore an important topic of research in organisational behaviour. Job performance is generally defined as behaviour that is relevant to the goals of the organisation and can be measured in terms of the level of the individual's contribution to those goals (Jacobs, Hellman, Wuest and Markowitz, 2013).

According to Peng cited by (Bothma, 2015) job performance is the outcome of the quality, as well as the sum of the work performed, or more ordinarily, how well an employee can perform tasks assigned at work. Whilst according to Jex (1998), job performance is all the behaviours employees engage in while at work.

### **2.7.1. How to Measure Performance**

Employee performance is a multi-dimensional concept, which can be measured in a multiplicity of ways (Blaich, 2015). Managing performance is crucial under cost cutting measures as it enables management to promote the link between the organisational vision, strategy and a people management system. High performance is about systematically pursuing high levels of individual and organisational performance involving quality, productivity and cycle time performance (Bharadwaj, Archer and Rubin, 2005). Hence, all organisations conduct performance assessments at an organisational level, business level and at individual level (Hough, Strickland, Gamble and Thompson, 2011).

The performance management cycle, per Hough et al. (2011) has to be in line with the phases of the Plan, Do, Check and Act Model. The Plan stage is where performance contracts of staff are developed and signed by both the employer and the employee, the Do stage is where the content of performance contracts are being implemented per the agreed key performance areas, the Check stage is where staff performance is being reviewed in line with key performance indicators and performance targets, and

lastly, the Act stage is where performance re-contracting takes place, based on the satisfactory performance by an employee from the previous cycle.

Kaplan and Norton (2001) proposed that company performance should be measured with a balanced scorecard of both financial and non-financial measures, accounting scholars envisioned its role only in formulaic compensation contracts. Balanced scorecards help management and stakeholders to focus their efforts on strategic issues of the organisation and the management of the implementation (Hough et al., 2011). The only downfall of the balanced scorecard is that it assists management in conducting quantitative assessment and tends to be inadequate for the qualitative assessments.

### **2.7.2. Personal Development Plan**

As an organisation is an integrated system, the attributes of individuals, groups and organisations are combined to take shape of the employee's service performance (Li, 2007). At an individual employee level, it is prudent to link personal development plans to the organisational needs.

The personal development planning process has the following phases according to Hough et al. (2011), assessing the current position, setting goals, plan action, implementation of the agreed action plans, and securing the learning gains.

Employees working in an environment where management tries to act in a way that is consistent with the mission statement and provides sufficient support to employees in terms of caring, approval, and respect can be motivated to meet formal role expectations (Karatepe and Aga, 2016).

### **2.7.3. The Link between Cost Cutting and Staff Performance**

The evidence indicates that there is a relationship between staff well-being and service outcomes (Karatepe and Ngeche, 2012). If cost cutting measures are implemented to an extent that demotivates some of the employees, it will yield unpleasant results. Weakliem and Frenkel (2006) posited that a positive mental state about the organisation and its management results in higher productivity by employees. The results from that study were in support of the argument by Bewley (1999) which found that managers mostly held that employee morale had a crucial consequence on employees' productivity, though the consequence might be difficult to measure.

When implementing cost cutting measures, management become stricter in assessing performance and it is only the chosen few staff members who receive performance bonuses. Anik, Aknin, Norton, Dunn and Quoidbach (2013) find that when employees are rewarded individually, it could have major negative effects for the organisation. The effectiveness of an organisation is determined by the performance of its front-line service employees, who are tasked with delivering value to clients (Stanleigh, 2017).

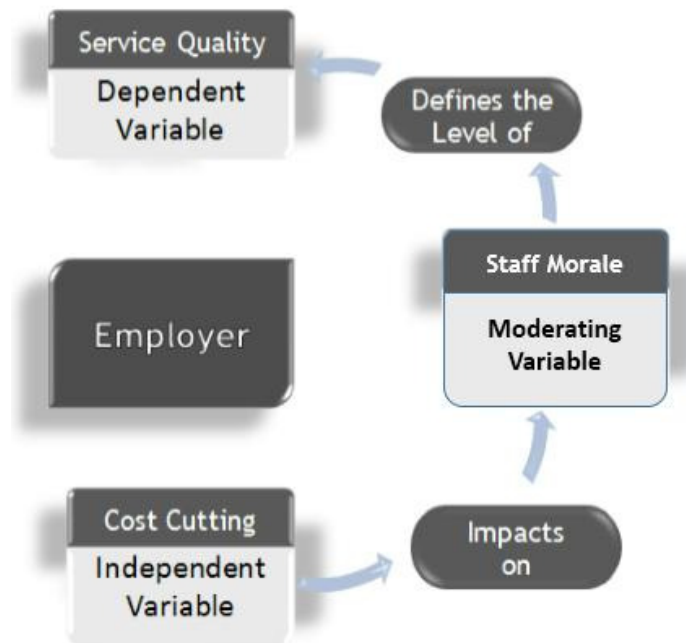
Inadequate communication of the cost cutting measures to all line managers leads to inconsistent implementation which in turn demoralises some staff members. Management is faced with a tough challenges of introducing some ways improving staff performance.

#### **2.7.4. Ways to Improve Staff Performance**

Bothma (2015) asserts that according to Lawler and Porter's expectancy theory, employee performance leads to satisfaction and not the other way around. Performance can produce intrinsic or extrinsic rewards. Extrinsic rewards are mostly employer dependent such as pay, promotion, status and security, would be imperfectly related to performance and usually only satisfy lower level needs. Intrinsic rewards are more directly related to good performance and an example is the inner peace one gets when achieving something valuable (Maharjan, 2017).

Mavor, Broderick and Council (1991) state that job performance is made up of a complex set of relating factors, some of them attributable to the job, some to the worker, and some to the environment; to improve job performance, requires management to take into account a number factors. In a nutshell, there is no one size fits all approach which can be effective for all employees and all organisations. Leadership style needs to be reviewed prior to the implementation of cost cutting measures. This is consistent with what was found by LePine, Zhang, Crawford and Rich (2016) that charismatic leaders not only influence followers' reactions to challenge and hindrance appraisals, but they also influence the appraisal of challenging stressors as challenging. In agreement with this statement, Wong and Laschinger (2013) are of the opinion that leaders who lay emphasis on transparency, self-awareness, and high ethical standards effectively increase employees' perceptions of workplace empowerment, which in turn improves their performance and job satisfaction.

At any cost cutting level, there is a perceived effect to staff morale which in turn affects service delivery. Cost cutting has an adverse relationship on staff morale. Raudla, Savi and Randma-Liiv (2015) claim that the higher the cost cutting levels, the lower the service quality level.



**Figure 2.5: Cost Cutting Measures**

**Source:** Berry Lilly M. (1997) Psychology at Work. San Francisco: McGraw Hill Company Inc

## 2.8. Conclusion

This chapter comprised of the analyses of the existing literature on the effects of cost cutting. Furthermore, the chapter covered the concept of cost cutting, strategies of cost cutting and the effects of cost cutting to service quality, job satisfaction and staff performance. The literature review revealed some consensus regarding the effects which cost cutting has on employee morale and job performance. Based on the literature review, there is a strong view that cost containment measures may have different outcomes to an organisation which require management to perform ongoing monitoring and evaluation of these outcomes. The research methodology which provides the research design, the research paradigm, sampling process, as well as the ethical issues is discussed in Chapter 3.

## **CHAPTER 3 : RESEARCH METHODOLOGY**

### **3.1 Introduction**

This study is a quantitative research study which utilised the deductive approach and focused on using data to explore the effects of cost cutting measures implemented by the KwaZulu-Natal Provincial Treasury to staff performance. The research design followed was a cross sectional survey design wherein the quantitative research approach was used supported by a researcher developed questionnaire.

This chapter discusses the various research paradigms, stages and phases which were followed in executing the research study. It covers the research design, research paradigm, the study location, sampling procedure which describes the target population and technique. It further sets out the blueprint of research instruments, data collection techniques, data analysis, and lastly the ethical issues.

### **3.2 Research Design**

According to Saunders and Lewis (2016) quantitative research studies the relationships between variables which are measured numerically and analysed through the utilisation of a range of statistical and graphical methods. The research design of this study was quantitative in nature and focused on objective measurements and the statistical, mathematical, and numerical analysis of data collected through questionnaires from respondents. In this case the research problem was the effects of cost cutting to staff performance in the KwaZulu-Natal Provincial Treasury Department. The researcher's intention is to gather information through close-ended questions and was useful for assessing variables to meet the study's objectives.

### **3.3 Research Paradigm**

Saunders and Lewis (2016) describe a paradigm as a set of fundamental norms which underpin the frame of referencing, theorising and ways of working in which a group operates. There are five key philosophies used in management research, namely, positivism, critical realism, interpretivism, postmodernism and pragmatism (Saunders and Lewis, 2016). The positivist paradigm of exploring social reality is based on the philosophical ideas emphasizing observation and reason as means of understanding human behaviour; it further suggests that true knowledge is founded by experience of

senses and is obtained by observations and experiments (Dash, 2005). This study used the positivism philosophy which is a standpoint of the natural sciences involving working with a recognisable social reality to produce law-like generalisations (Saunders and Lewis, 2016). This study used the quantitative research design which is a mono-method quantitative study as it makes use of one data collection technique which is a questionnaire.

### **3.4 Research methods**

Creswell (2013) states that research methods are systematic means of data collection, administration and data analysis. This study used a quantitative research method and used questionnaires which were close-ended questions, statistical and text analysis. The questionnaires were designed for the respondents to respond by indicating their extent of agreement or disagreement in a form of a Likert Scale.

### **3.5 Sampling process**

According to Creswell (2013) sampling is defined as the process of selecting units (e.g., people, organisations) from a population of interest so that by studying the sample we may be able to fairly generalize our results back to the population from which they were chosen. Having adequate numbers of employees is one consideration, but the method of obtaining the sample is even more critical (Draugalis and Plaza, 2009; Saunders and Lewis, 2016).

#### **3.5.1 Target Population**

Saunders and Lewis (2016) defines a target population as the real focus or target of the research study. The total population of the KZN Provincial Treasury department is 490 employees. The total number of employees of 490 includes newly appointed staff, staff members who are office based and not in the service delivery forefront. Our target population was 120 employees. The primary reason why these 120 employees were selected is that they were employed on or before the 2013/14 financial year and are in the forefront of service delivery, meaning that they are the ones who are mostly affected by the cost cutting measures. The year 2013/14 is the financial year in which cost cutting measures were introduced. These employees have a capability to make a comparison between pre and post cost cutting implementation era. The source of information was the payroll register for the KZN Provincial Treasury as at June 2017

which contains all the employees, section names, appointment dates and the employees' titles.

### 3.5.2 Sampling techniques

Saunders and Lewis (2016) states that stratifying random sampling is a modified random sampling in which a target population is divided into two or more strata based on a number of attributes. The department has five components, namely, administration, internal audit, financial management, intergovernmental relations management and fiscal resource management divisions. Only three (3) of the components are at the forefront of service delivery, namely, the Internal Audit Unit, the Financial Management Unit and the Fiscal Resource Unit. To conduct a study which could cover all three units without bias, stratified sampling was chosen. Therefore, the technique used was a stratified random sampling technique to ensure that all the three (3) relevant units within the department are included were the sample.

Stratified sampling increases a sample's statistical efficiency, provides adequate data for analysing various sub-populations and enables different research methods and procedures to be used in different strata. Stratified samples produce statistics which have a smaller sampling error Cooper, Schindler and Sun (2006). The population was divided into the following strata, namely, senior manager, manager, junior and senior workers. This stratification technique was guided by the characteristics of the targeted population which was stratified further into sub-departments, gender, age, education, position and length of service in organisation

The total population of the KZN Provincial Treasury was 490 employees, out of this population; our target population was 120 employees. The projected sample size was 100; this was derived from the 95% confidence level with a 5% ( $p=0,05$ ) margin of error. Table 1 below indicates the number and positions held by targeted population.

**Table 3.1: Profile of Respondents**

Description of Respondent Type	Population (Staff per Payroll Register)	Target Population
Senior Managers	36	17
Managers (Specialists)	78	61
Junior and Senior Workers	376	42

It was crucial to further stratify the respondents as they may hold different views which might influence the objectives of the study. For example, senior management may strongly feel that the cost cutting measures are well implemented and are yielding the intended results, whilst junior staff members may have different opinions.

### **3.6 Research Instruments and Procedure**

This section discusses the questionnaires and questionnaire administration process. A research instrument is a term referring to the data collection techniques wherein each respondent is asked questions in a predetermined order (Saunders and Lewis, 2016). The research instrument consisted of close-ended questions which were composed as follows: The first part gathered the demographic data. This data was matched with responses on other sections and from other respondents, to evaluate differences that might be related to gender, age, work experience and academic qualification. The second and the third part of the questionnaire gathered data in line with the following subheadings; quality of service, performance, morale and job satisfaction.

This study used self-administered questionnaires which were completed without the researcher present. These were suitable as the questions being asked had to be standard and be in a predetermined form. This enabled the researcher to reach uniform conclusions based on the information emanating from the responses. These responses were easy to analyse numerically in a statistical programme.

#### **3.6.1 Questionnaires**

Behr, Lesh, and Post (1983) define a questionnaire as a document typically disseminated through the mail to be completed by the respondent himself in his own time. In some instances the respondent completed the questionnaire whilst the investigator was present and doing some supervision. In this case, questionnaires were utilised as resources for gathering data in this study and they comprised of closed-ended questions.

The respondents were contacted through telephone and email, advising them that they are part of the sample selected for the study. They were given a choice of whether they wanted to participate in the study or not. The researcher then explained and clarified the nature and purpose of the research to the respondents. The respondents

were afforded a chance to ask questions and be assured that in case they do not want their names to be made public, they were guaranteed anonymity. Anonymity was guaranteed by excluding names and ID numbers in the data provided by respondents and each research questionnaire contained the anonymity clause.

### **3.6.2 Questionnaire Administration and Data Collection**

Questionnaires are well known for mitigating 'middle-man' bias. The questionnaire was relatively simple for the researcher to analyse, it limited the apprehensiveness of respondents when self-administered and avoids the elements of researcher intrusiveness of the respondents (Wacks, 2009).

The researcher issued and administered the questionnaires to respondents in a form of 'drop-and-pick later' approach. The researcher maintained control of the issued questionnaires by keeping the register documenting the sent and returned forms. The questionnaire distribution per each strata was as follows, Internal Audit Unit, 83 questionnaires were distributed and 83 (100%) were returned; Financial Management Unit, 7 questionnaires were distributed and 5 (71.4%) were returned; and for Fiscal Resource Management Unit, 10 questionnaires were distributed and 7 (70%) were returned. In total, 95 (95%) questionnaires were returned out of the 100 which were distributed.

### **3.7 Piloting of Questionnaires**

Piloting of the questionnaire was performed with the aim of minimising the risk of respondents' misunderstanding of question and this consequently, results in the questions validity and reliability being assessed (Saunders and Lewis, 2016). The survey questionnaires were tested and piloted on ten (10) colleagues who were excluded from participating in the actual study. These respondents were from Internal Audit Unit (5 respondents); Financial Management Unit (2 respondents); and for Fiscal Resource Management Unit (3 respondents). These were carefully assessed to test if they produced the desired results which should address the problem of the study. This was performed to improve the validity and accuracy of data collected in addressing the study objectives.

### **3.8 Validity and Reliability**

Validity is defined as the degree to which a data collection instrument precisely, and accurately measures what it was meant to measure (Creswell, 2013). The research

questions, research objectives and the problem statement were measured against the results of the study with the main purpose of finding out whether or not we measure what is intended to be measured and efficiency of the measurement.

Reliability is the degree to which instrument will produce consistent results to reach similar conclusions which may have been reached by different researchers using similar raw data (Creswell, 2013).

The instruments used were assessed on the validity (verification of accuracy of an instrument) and reliability (consistency over a period of time). Types of measures to be used were survey research (numerical measures). Dane (2011) describes five different methods available to assess the reliability of a measure as follows:

Alternate-forms reliability – comparing of two different but equivalent versions of the same measure; Inter-rater reliability – the consistency with which respondents or raters provide similar judgements; Split-half reliability – involves dividing the measure into two equal halves and correlating the halves creating two scores for each respondent; Item-total reliability – is an estimate of the consistency of one item with respect to other items on a measure; and Test-retest reliability.

According to Saunders and Lewis (2016), test re-test reliability uses correlating data obtained from the same questionnaire which is deliberately delivered and filled twice by respondents. The researcher used Statistical Package for Social Sciences (SPSS) version 25 to determine coefficients to test the internal consistency of the questionnaires. The statistical reliability benchmark of  $\geq 0.7$  was deemed acceptable for each construct (Field, 2013).

### **3.9 Data Analysis and Presentation**

Dillman, Smyth and Christian (2014) distinguished between three types of data variables that can be collected through questionnaire which is factual or demographic, attitudes & opinions and behaviours & events. Frequencies and tables were used to analyse data manually. The researcher collected data from the respondents and tabulated it by compiling the frequency table in accordance with Summated Rating Scales (Likert-type). The table included five scale positions labelled per table below.

**Table 3.2: Rating Scales**

Rating Scales	Abbreviations	Number Assigned
Strongly Disagree	SD	1
Disagree	D	2
Neutral	N	3
Agree	A	4
Strongly Agree	SA	5

According to Barrow (2009), the main purpose of descriptive statistical techniques is to present data in a precise and accurate manner. The raw data was analysed using descriptive statistics wherein data was converted into frequencies, percentages, means, standard deviations, mode, skewness and kurtosis. Inferential statistics describe the features of data and the definition of correlations among variables using predictions through inferences emanating from the raw data analysed (Walliman, 2005). The responses were further analysed and determined the variations by interpreting the data according to the study objectives. Graphical presentations were used for ease of understanding of the data results. The researcher used Microsoft Excel Software 2013 to perform both the descriptive statistical formulae and graphical presentation of data and Statistical Package for Social Sciences (SPSS) version 25 for inferential statistics.

### **3.10 Ethical Considerations**

Research ethics are defined as the standards of a researcher's behaviour guiding their conduct in relation to the rights of the respondents and those who are directly and indirectly affected by the research (Saunders and Lewis, 2016). According to Saunders and Lewis (2016), ethical considerations should involve ethical scrutiny and approval, gaining access to the organisation and protection of the respondents' identity.

#### **3.10.1 Ethical Clearance and Access to the Organisation**

The researcher applied for the ethical clearance through the University's Research Ethics Committee and obtained full approval for the proposed research presented in the form of an Ethical Clearance Certificate (Appendix B). The researcher obtained

the gatekeepers letter which was approved by the KwaZulu-Natal Treasury's Head of Department. This enabled the researcher to gain access to the department and start communicating and engaging with staff members.

### **3.10.2 Anonymity and Confidentiality**

Respondents were not forced to provide sensitive information such as names and ID numbers, instead the respondents and the information provided by them were kept anonymously. Each questionnaire returned was assigned sequential numbers instead of names. The questionnaire contained an indemnity clause relating to anonymity thus ensuring respondents that the information was only used for the purpose it was intended for and that they can withdraw from the study at any time should they so wish to. Each participant who agreed to participate signed a consent form acknowledging their agreement to participate.

### **3.11 Conclusion**

This chapter outlined the research design followed in executing the study, the research paradigm, sampling process, as well as the ethical issues. Data analysis and presentation of results emanating from the research data which is in line with each research objective is presented in Chapter 4.

## **CHAPTER 4 : DATA ANALYSIS AND PRESENTATION OF RESULTS**

### **4.1 Introduction**

This chapter discusses, analyses and interprets the information based on the results of the study. This chapter has two subsections where the first subsection covers the demographic information of the research respondents and the second subsection covers the data analysis, interpretation and presentation. The information was analysed using Microsoft Excel 2013 formulae and Statistical Package for Social Sciences (SPSS) version 25 for inferential statistics. This was suitable as the data being analysed came from the close-ended questions.

### **4.2 Response Rate**

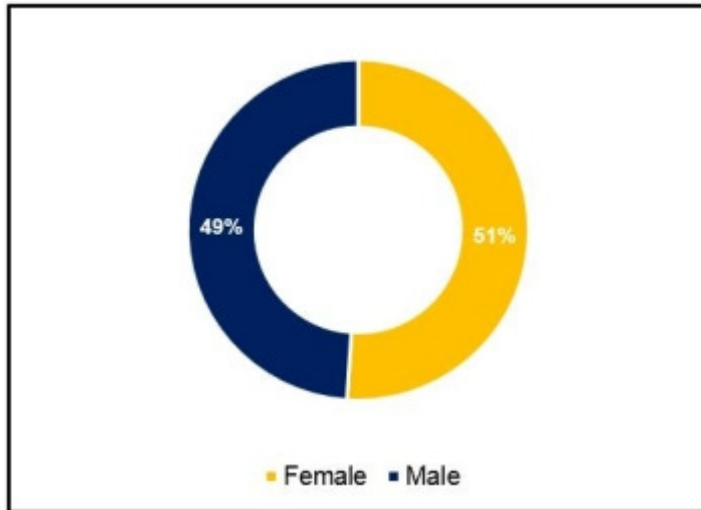
The targeted population size was 120 employees who are employed by the KwaZulu-Natal Provincial Treasury Department. The projected sample size was 100 derived from the 95% confidence level with a 5% margin of error. Out of the 100 questionnaires issued to respondents, 95 questionnaires were filled and returned which constituted 95% response rate. This response rate is considered very good for 'drop-and-pick later' approaches (Neuman and Robson, 2014).

### **4.3 Demographic Information of Respondents**

In the process of data collection, the respondents being studied had to supply data relating to their gender, highest level of education, number of years of work experience, post levels in the organisation, sections and the previous industry that each responded worked for prior to joining the current organisation.

#### **4.3.1 Gender**

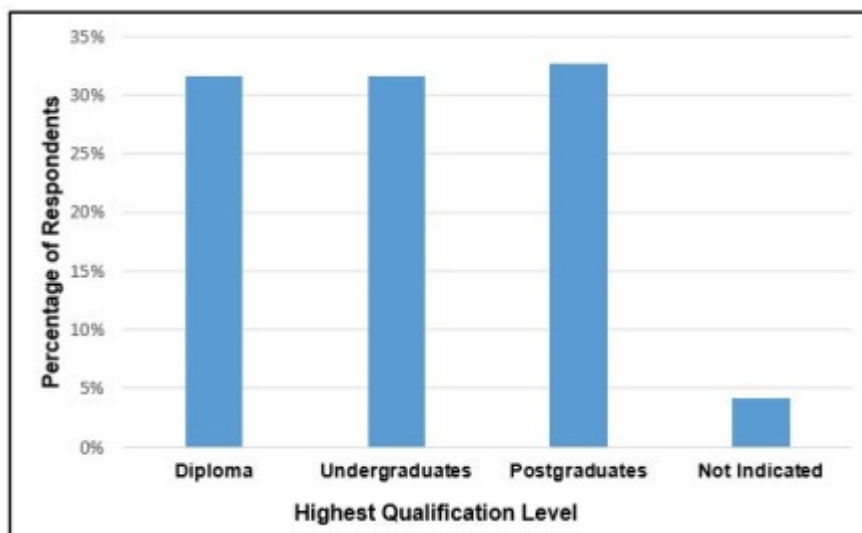
It was of critical importance to understand the gender of the respondents for the purposes of the study. This would be significant in managing the sample bias relating to gender. The study revealed that the majority of the respondents were females which were represented by 51% and 49% of the respondents were male. This is further depicted graphically in Figure 4.1.



**Figure 4.1: Respondents by Gender**

#### **4.3.2 Highest Level of Qualification**

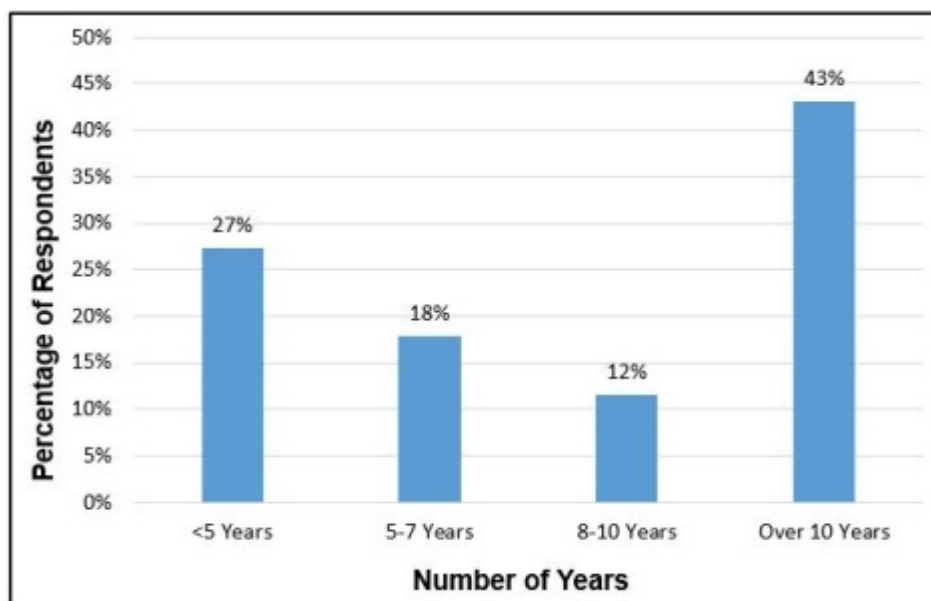
The study further sought to understand the level of qualification of the respondents, this was considered critical as this would ensure that the analysis of data may be interpreted based on the education level of each respondent. The study revealed that 32% had national diplomas, 32% had bachelor's degrees, 33% had postgraduate degrees whilst 4% did not indicate. This indicates that the most of respondents possessed post graduate degrees. This is further depicted by the bar graph in Figure 4.2.



**Figure 4.2: Respondents by Educational Qualifications**

### 4.3.3 The Number of Years of Work Experience

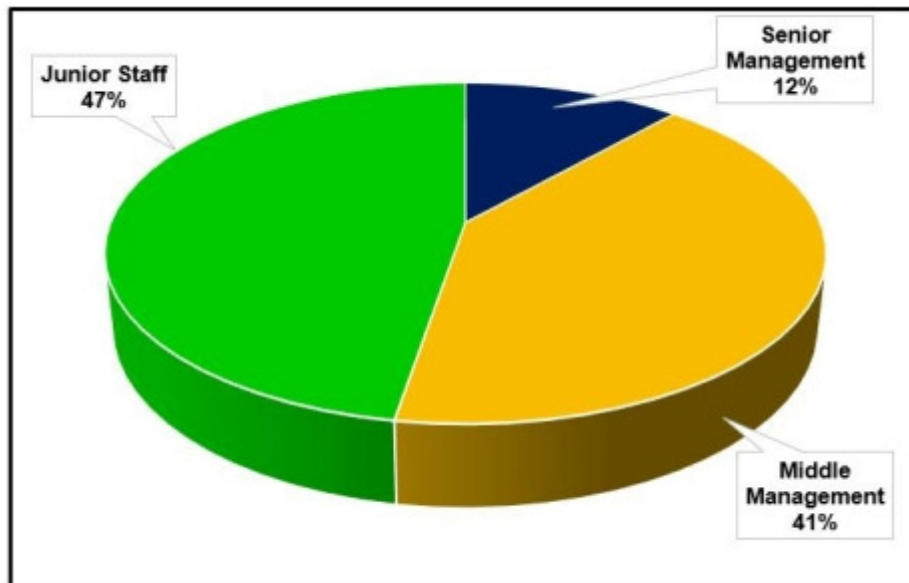
The study explored the effects of cost cutting measures implemented by the KwaZulu-Natal Treasury Department which intensified in the past three years. It was therefore important to understand and differentiate findings in terms of the number of years worked by the respondents in the department. The findings per Figure 4.3 revealed that 27% had less than 5 years of work experience, 18% had between 5 and 7 years of work experience, 12% had between 8 and 10 years of experience, and the most of the respondents had more than 10 years of work experience representing 43% of the total respondents.



**Figure 4.3: Respondents by Work Experience**

### 4.3.4 Post Levels in the Organisation

Of the positions held by the respondents, the findings revealed that 47% were junior staff members below the middle management level, 41% were middle management level and the balance of 12% were in senior management levels. The staff positions were of critical importance in analysing the results of the study as the effects of cost cutting may differ depending on the positions held in the organisation. This was further depicted on the graph on Figure 4.4.



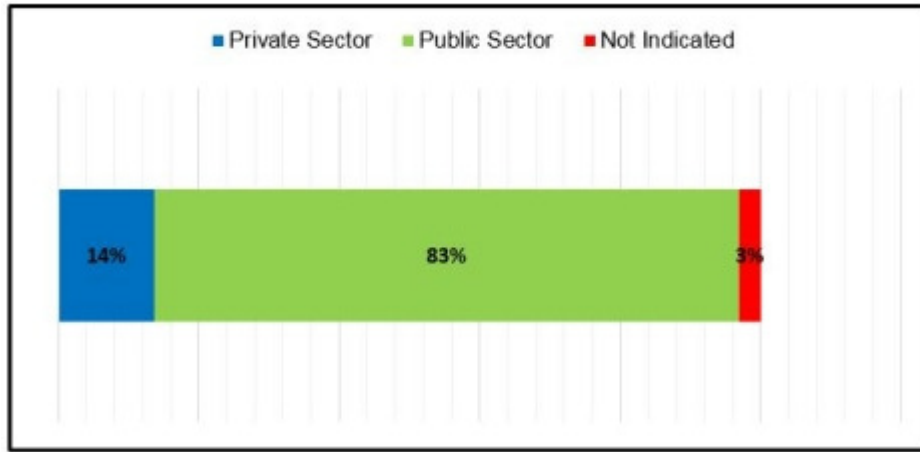
**Figure 4.4: Respondents by Post Levels**

#### **4.3.5 Sections / Divisions**

The majority of respondents were from the Internal Audit section of 88% who were either from Assurance Services, Risk Management Services or Forensic Investigation subsections whilst the Financial Management section had 5% and Fiscal Resource Management section had 7% who participated in the survey.

#### **4.3.6 The Previous Industry**

The respondents who are from the private sector may have different perceptions from what the respondents who had never worked in the private sector perceive in relation to the concept of cost cutting. This is why it was crucial to understand the previous work industry of the respondents as per Figure 4.5. The findings revealed that the 14% worked in the private sector on their previous jobs, 3% did not indicate their previous sector/industry whilst the majority of the respondents (83%) had only worked in the public sector.



**Figure 4.5: Previous Respondents' Industry of Employment**

#### **4.4 Exploratory Factor Analysis**

This section intended to determine the fundamental factors causing the variability in the dependent variable (the effects of cost cutting measures on staff performance). Exploratory Factor Analysis (EFA) was used to identify patterns in the variations of the variables. The method also tested whether the items measured substantive constructs which correlate highly with the variables and also if they are independent of one another (Clark and Watson, 1995).

The EFA was carried out by means of Principal Component Analysis (PCA), and rotated using Direct Oblimin option with Kaiser's normalisation. This generated a solution which sought the lowest number of factors that can be identifiable for the common variance in a set of variables. Thirty two statements on the effects of cost cutting measures on staff performance were rated on five point Likert type items where 1 = strongly disagreeing with the statement and a 5 = strong agreement with the statement. After three rounds of PCA, thirteen items that had factor loadings lower than 0.35 or cross-loaded were removed (refer to Table 4.1).

**Table 4.1: Items Removed from the Questionnaire**

Item Removed	Removed in
My clients are unhappy with the quality of work we provide since the implementation of cost cutting	Round One
Cost cutting measures negatively affect staff morale in my section	

Item Removed	Removed in
Cost cutting measures have promoted creativity in a manner in which service is delivered	
I am forced to review my yearly targets because of the cost cutting measures	
Cost cutting measures have no effect on the staff morale	
Cost cutting measures should have been implemented differently	
I am able to achieve my yearly targets regardless of the cost cutting measures	
My clients are still happy with the quality of work that I provide since the implementation of cost cutting measures	Round Two
New platforms for creativity and innovation are there in my organisation in the midst of cost cutting	
Cancellation of some of the work related trips due to cost cutting has led to a low morale on staff	
I am not satisfied with my work under the implementation of cost cutting measures.	
I dislike cost cutting and I believe that they should not be implemented in our organization	

A total of nineteen items were retained and were subjected to a final round of EFA using the Direct Oblimin rotation. The questionnaire used was developed by the researcher and had to undergo some diagnostic tests. This was achieved through the application of the Kaiser-Meyer-Olkin (KMO) criterion.

**Table 4.2: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.838
Bartlett's Test of Sphericity	Approx. Chi-Square	725.921
	df	171
	Sig.	.000

Based on the Table 4.2 above, the KMO was 0.838 which is above a threshold of 0.700 and the Bartlett's Test of Sphericity – significance (sig) value is 0.000 which is

below 0.01 (Field, 2013). This allowed the researcher to conclude that the properties of the correlation matrix of the item scores were appropriate for factor analysis.

#### 4.4.1 Total Variance Explained (Eigenvalues and the Number of Factors Problem)

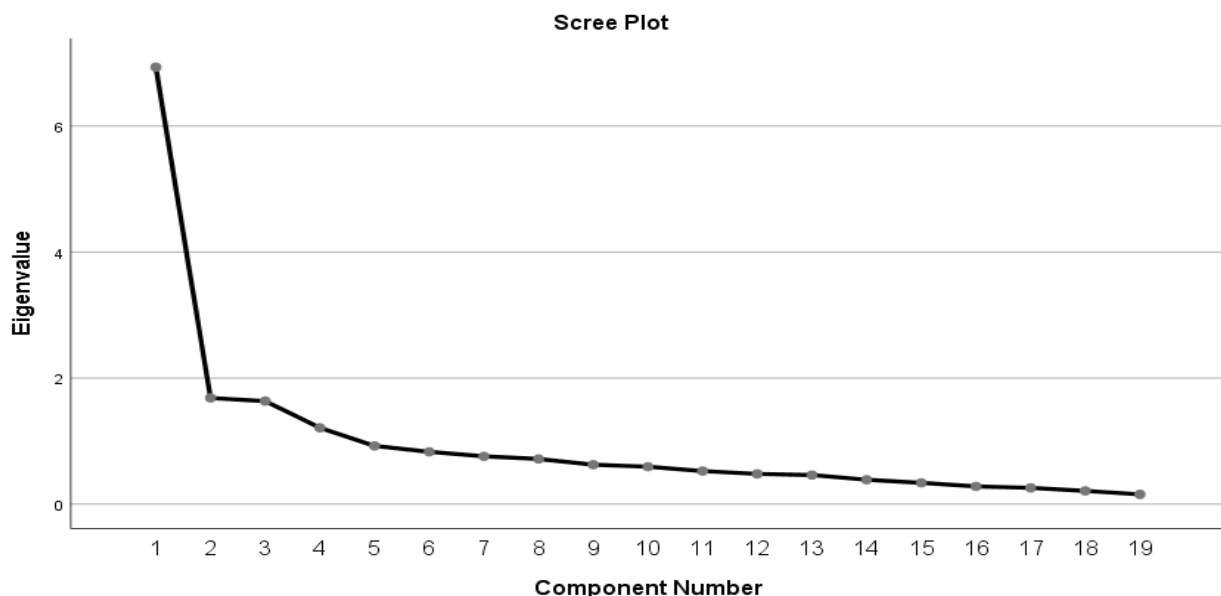
The purpose of the researcher was to retain only the main components for analysis. In this study this was achieved through the application of The Kaiser-Meyer-Olkin (KMO) criterion. The researcher had to determine how many factors to retain for subsequent analyses. This criterion was suggested by Kaiser (1960), the idea was to retain only factors with eigenvalues larger than 1.000. In principle this means that, unless a factor extracts at least as much as the equivalent of one original variable, then it can be released. Table 4.3 below shows the factor loadings of the retained factors.

**Table 4.3: Total Variance Explained**

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	6.934	36.494	36.494	6.934	36.494	36.494	5.496
2	1.685	8.866	45.360	1.685	8.866	45.360	3.658
3	1.634	8.603	53.962	1.634	8.603	53.962	3.977
4	1.211	6.373	60.335	1.211	6.373	<b>60.335</b>	1.492
5	.923	4.860	65.196				
6	.829	4.365	69.560				
7	.758	3.990	73.550				
8	.716	3.770	77.320				
9	.625	3.292	80.611				
10	.593	3.123	83.735				
11	.524	2.758	86.492				
12	.479	2.522	89.015				
13	.461	2.428	91.443				
14	.387	2.035	93.478				
15	.337	1.775	95.253				
16	.280	1.476	96.729				
17	.258	1.357	98.087				

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings <sup>a</sup>
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
18	.209	1.101	99.188				
19	.154	.812	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							

Any component with a total above 1.000 in the table above was retained. The first four factors above have total values over 1.000 and cumulatively explain 60.335 percent of data which is the majority. Since the above table alone provides limited data, the use of Scree Plot graph below was considered. The Scree Plot below shows the first break after the first component meaning that it explains a lot more variance than the rest of the components. After the fourth component there, however, is another break which suggests that 4 components may be appropriate (refer to Figure 4.6).



**Figure 4.6: Scree Plot**

After the above assessment criteria and based on the strongest loading items, the four factors were then labelled as: Cost cutting relationship to service quality, Cost cutting relationship to staff morale, Cost cutting relationship to job satisfaction and Consistency in cost cutting implementation.

#### 4.4.2 Communalities

The communalities table assists to demonstrate the relationship between the variances (factor aspects) such as the correlation between one cost cutting measure aspect to other aspects. Extraction communalities are estimates of the variance in each variable accounted for by all factors in the factor solution. This is accomplished through undertaking Kaiser Normalization criteria using SPSS technique. It produces extraction with respect to each facet. Small values below 0.300 indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis. Based on the Table 4.4 below all values indicate extraction values above the 0.300 threshold. High values indicate variables that fit well with the factor solution.

**Table 4.4: Communalities**

Communalities		
Item	Initial	Extraction
Cost cutting measures reduce quality of services provided to clients	1.000	.579
Cost cutting measures have minor to no effect on the quality of work delivered to clients	1.000	.518
I am able to achieve my yearly targets regardless of the cost cutting measures	1.000	.609
My colleagues and I have resorted to pooling resources to achieve our yearly targets	1.000	.692
I do the bare minimum since the implementation of the cost cutting measures towards my duties	1.000	.698
My clients are still happy with the quality of work that I provide since the implementation of cost cutting measures	1.000	.488
Cost cutting measure provides no room for creativity as we have to avoid costly actions in our organisation	1.000	.476
Creativity manifests from cost cutting measures thus improves the staff morale	1.000	.531
Cost cutting measures frustrate me	1.000	.637

Communalities		
Item	Initial	Extraction
I look forward to coming to work since the implementation of cost cutting measures	1.000	.527
The cost cutting model implemented has improved the way we look at government spending	1.000	.460
I am satisfied with my work under the implementation of cost cutting measures	1.000	.694
I would recommend my department/ unit to external parties regardless of the cost cutting measures	1.000	.626
I like cost cutting and I believe that all organization should implement them	1.000	.650
Cost cutting measures are implemented across the department consistently	1.000	.717
Communication relating to the cost cutting is adequate	1.000	.616
I understand why it is important for the organization to implement cost cutting measures	1.000	.676
I encourage my colleagues to comply with cost cutting measures	1.000	.664
I have noted significant improvements since the introduction of cost cutting measures in government spending	1.000	.605
Extraction Method: Principal Component Analysis.		

Item “Cost cutting measures are implemented across the department consistently” has the highest (71.7%) communality or shared relationship with other variables as compared to “The cost cutting model implemented has improved the way we look at government spending” item which has the lowest (46.0%) communality.

#### 4.5 Factorial Reliability Analysis

The factors of the main constructs were tested for reliability (effects of cost cutting measures on staff performance) as per Field’s (2013) recommendation that Cronbach’s Alpha greater than 0.7 is an indication of good internal consistency (reliability) of the instrument. Table 4.5 below shows each constructs’ Cronbach Alpha as well as an assessment per item in the construct.

**Table 4.5: Summary and Reliability Coefficients**

<b>Construct</b>	<b>Items</b>	<b>Cronbach's Alpha</b>	<b>Cronbach's Alpha per Construct</b>
Cost Cutting in Relation to Service Quality	Cost cutting measures reduce quality of services provided to clients	.659	.726
	Cost cutting measures have minor to no effect on the quality of work delivered to clients	.691	
	I am able to achieve my yearly targets regardless of the cost cutting measures	.644	
	My colleagues and I have resorted to pooling resources to achieve our yearly targets	.775	
	I do the bare minimum since the implementation of the cost cutting measures towards my duties	.719	
	My clients are still happy with the quality of work that I provide since the implementation of cost cutting measures	.673	
	Cost cutting measure provides no room for creativity as we have to avoid costly actions in our organisation	.671	
Cost Cutting in Relation to Staff Morale	Creativity manifests from cost cutting measures thus improves the staff morale	.754	.700
	Cost cutting measures frustrate me	.531	
	I look forward to coming to work since the implementation of cost cutting measures	.643	
	The cost cutting model implemented has improved the way we look at government spending	.695	
Cost Cutting in Relation to Job Satisfaction	I am satisfied with my work under the implementation of cost cutting measures	.615	.754
	I would recommend my department/ unit to external parties regardless of the cost cutting measures	.762	
	I like cost cutting and I believe that all organization should implement them	.623	
Consistency in Cost Cutting	Cost cutting measures are implemented across the department consistently	.763	.773
	Communication relating to the cost cutting is adequate	.708	
	I understand why it is important for the organization to implement cost cutting measures	.736	

Construct	Items	Cronbach's Alpha	Cronbach's Alpha per Construct
	I encourage my colleagues to comply with cost cutting measures	.739	
	I have noted significant improvements since the introduction of cost cutting measures in government spending	.704	

In relation to Field's (2013) internal consistency benchmark of  $\geq 0.7$  for Cronbach's Alpha, the alpha values for the above constructs are considered acceptable. The above justifies a conclusion that each construct was reliably measured as intended.

#### 4.6 Cost Cutting in Relation to Service Quality

In this section the respondents were required to express their perceptions on the effects of cost cutting to the quality of service they provide to clients (which is either provincial departments, municipalities, public entities or municipal entities). The results reflected in Table 4.6 were taken from a 5 point Likert scale used wherein 1 indicated 'Strongly Disagree' and 5 indicated 'Strongly Agree'.

**Table 4.6: Frequency Distribution of Cost Cutting Effects to Service Quality**

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
2.1. Cost cutting measures reduce quality of services provided to clients	11%	24%	6%	38%	21%
2.2. Cost cutting measures have promoted creativity in a manner in which service is delivered	2%	28%	27%	34%	9%
2.3. Cost cutting measures have minor or no effect on the	18%	42%	9%	25%	6%

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
quality of work delivered to clients					
2.4. I am able to achieve my yearly targets regardless of the cost cutting measures	7%	34%	11%	40%	8%
2.7. My colleagues and I have resorted to pooling resources to achieve our yearly targets	2%	24%	22%	45%	8%
2.8. I do the bare minimum since the implementation of the cost cutting measures towards my duties	15%	44%	12%	27%	2%
2.9. My clients are still happy with the quality of work that I provide since the implementation of cost cutting measures	5%	25%	26%	32%	12%

**Table 4.7: Mean, Standard Deviation, Mode, Skewness and Kurtosis**

Item	N	Mean	Standard Deviation	Mode	Skewness	Kurtosis
2.1. Cost cutting measures reduce quality of services provided to clients	95	3.362	1.328	4	-0.3846	-1.1876
2.2. Cost cutting measures have promoted creativity in	93	3.185	1.010	4	-0.0163	-0.9257

Item	N	Mean	Standard Deviation	Mode	Skewness	Kurtosis
a manner in which service is delivered						
2.3. Cost cutting measures have minor to no effect on the quality of work delivered to clients	93	2.576	1.218	2	0.4266	-1.0185
2.4. I am able to achieve my yearly targets regardless of the cost cutting measures	95	3.074	1.169	4	-0.1241	-1.2363
2.7. My colleagues and I have resorted to pooling resources to achieve our yearly targets	92	3.330	0.984	4	-0.3249	-0.8274
2.8. I do the bare minimum since the implementation of the cost cutting measures towards my duties	93	2.576	1.106	2	0.3296	-1.0623
2.9. My clients are still happy with the quality of work that I provide since the implementation of cost cutting measures	95	3.181	1.101	4	-0.0936	-0.8538

The data presented in Table 4.6 which contain frequency distributions is discussed together with the data from Table 4.7 which descriptive statistics for similar data. Table 4.7 presents sample mean which indicates average scores, standard deviation which describes how spread out the responses were, mode which shows responses with the

highest frequency and kurtosis which describes trends as the mean would not be able to show outliers.

Based on the information reflected in Table 4.6, most of the respondents (59%) agreed that cost cutting measures reduce the quality of services provided to clients. This is further supported by the mean (3.362) and the mode (4) as displayed in Table 4.7. The views of the respondents were further subdivided into management and junior staff as per Table 4.8 to find out whether management and junior staff have differing perceptions about the service quality. The results show that most management and junior staff members agree that cost cutting measures reduce the quality of service rendered to the clients.

**Table 4.8: Mean, Standard Deviation and Mode - Management and Junior Staff Comparisons on Cost Cutting Effects to the Service Quality**

Item	N	Mean	Variance	Standard Deviation	Mode
Management	50	3.440	1.686	1.299	4
Junior Staff	45	3.244	1.829	1.352	4

Whilst the results relating to creativity and cost cutting were evenly distributed shown by the skewness of (-0.0163), most respondents (60%) disagreed with a view that cost cutting measures have minor to no effect on the quality of work delivered to clients. A moderate mean score of 3.074 relating to the achievement of yearly targets in the midst of cost cutting measures was recorded for all staff members which meant that there is generally no significant impact on the annual performance plans of the department. This is effected by the mean score of 3.330 relating to the pooling of organisational resources by staff when planning and executing their yearly targets.

In assessing the degree of effort put in by staff in performing their duties under cost cutting measures, most staff members (59%) disagreed with the concept of doing the bare minimum due to cost cutting. This is also reflected in Table 4.7 with a kurtosis of -1.0623 which indicates a 'light tailed' distribution in support this disagreement. Light tailed distribution means that there is more data in distribution tails and less data in distribution peak (around the mean which is represented by neutral) which in this case is more responses either strongly disagreeing or agreeing (DeCarlo, 1997).

The study further sought to establish the extent of clients' satisfaction regarding the quality of work that the KwaZulu-Natal Treasury staff members provide since the implementation of cost cutting measures. The study revealed that most (44%) staff members perceive that they provide a satisfactory quality of work to clients. A moderate mean per Table 4.9 below of 3.160 and 3.222 (both neutral and agreeing with satisfactory service quality) for management and junior staff members respectively, with a mode of 4 (which is assigned to agree per Likert Scale) indicated that most staff members feel that their clients are still satisfied with the service delivered.

**Table 4.9: Mean, Standard Deviation and Mode - Management and Junior Staff Comparisons on Extent of Clients' Satisfaction**

Item	N	Mean	Variance	Standard Deviation	Mode
Management	50	3.160	1.334	1.155	4
Junior Staff	45	3.222	1.062	1.030	4

#### 4.7 Cost Cutting in Relation to Staff Morale

The study sought to assess the second variable in relation to cost cutting which was staff morale. The 5 point Likert scale was used wherein 1 indicated 'Strongly Disagree' and 5 indicated 'Strongly Agree'.

**Table 4.10: Frequency Distribution of Cost Cutting Effects to Staff Morale**

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
3.1. Cost cutting measures negatively affect staff morale in my section	5%	14%	8%	52%	21%

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
3.3. Creativity manifests from cost cutting measures and thus improves the staff morale	8%	47%	26%	17%	1%
3.4. Cancellation of some of the work related trips due to cost cutting has led to a low morale on staff	2%	14%	11%	49%	24%
3.5. Cost cutting measures frustrate me	6%	16%	20%	40%	17%
3.6. I look forward to coming to work since the implementation of cost cutting measures	14%	29%	43%	12%	2%
3.7. Cost cutting measures should have been implemented differently	0%	8%	22%	43%	26%
3.8. The cost cutting model implemented has improved the way we look at government spending	11%	23%	19%	38%	9%

**Table 4.11: Mean, Standard Deviation, Mode, Skewness and Kurtosis**

Item	N	Mean	Standard Deviation	Mode	Skewness	Kurtosis
3.1. Cost cutting measures negatively affect staff morale in my section	95	3.713	1.098	4	-0.9183	0.1048

Item	N	Mean	Standard Deviation	Mode	Skewness	Kurtosis
3.3. Creativity manifests from cost cutting measures thus improves the staff morale	95	2.532	0.896	2	0.4154	-0.4586
3.4. Cancellation of some of the work-related trips due to cost cutting has led to a low morale on staff	94	3.457	1.136	4	-0.5260	-0.5304
3.5. Cost cutting measures frustrate me	94	3.457	1.136	4	-0.5260	-0.5304
3.6. I look forward to coming to work since the implementation of cost cutting measures	95	2.585	0.939	3	0.0487	-0.2090
3.7. Cost cutting measures should have been implemented differently	95	3.894	0.881	4	-0.4492	-0.5105
3.8. The cost cutting model implemented has improved the way we look at government spending	95	3.117	1.184	4	-0.2838	-0.9762

The study sought to find out if cost cutting measures implemented by the department contributed to low staff morale. About 73% of the respondents (per Table 4.10) agreed with the fact that cost cutting measures negatively affected staff morale in their sections. In Table 4.11, the extent of the negative effects on staff morale is supported by a mean of 3.713 and a mode of 4 (which is assigned to agree in the Likert Scale). This was further analysed to find out if the junior staff has different views from management. According to what is shown in Table 4.12 below, there is a larger

standard deviation (1.229) in the views of management compared to junior staff members (0.946) to the extent which they view the effects cost cutting measures have on staff morale. The findings noted here are in line with what Palese et al. (2014) said is perceived by staff members as cost cutting measures increase the anxiety levels of the staff.

**Table 4.12: Mean, Standard Deviation and Mode - Management and Junior Staff Comparisons on Cost Cutting and Staff Morale**

Item	N	Mean	Variance	Standard Deviation	Mode
Management	50	3.640	1.510	1.229	4
Junior Staff	45	3.756	0.896	0.946	4

The element of creativity in relation to staff morale during cost cutting measures was brushed away as a factor as most staff members (55%) disagreed with the view that creativity may lead to improved morale with a mean score of 2.532. This was further confirmed by the mean score of 3.457 suggesting that 57% of the staff members are frustrated by the implementation of the cost cutting measures.

The study tried to find out if there would be any other model that may have been used to implement cost cutting measures in the department. 69% of staff members were of the view that cost cutting measures should have been implemented differently. A mean score of 3.894 was recorded reiterating the agreement to that a different approach should have been used in the introduction and the implementation of the cost cutting measures.

When staff members were asked about some of the business trips that are being cancelled due to cost cutting measures, a mean score of 3.457 was recorded affirming that cancellation of some of the work related trips due to cost cutting measures has led to a low morale of staff. The mean score of 2.585 and the approximately symmetric skewness score of 0.0487 revealed a moderately positive view of staff members regarding looking forward to coming to work since the implementation of cost cutting measures.

Lastly from our findings, there was a moderately skewed outcome associated with the staff views regarding the cost cutting measures model implemented to improve the way staff look at government spending. A mean score of 3.117 and a mode of 4 (assigned as agree) suggested that staff members have realised some changes in government spending patterns since the implementation of cost cutting measures.

#### 4.8 Cost Cutting in Relation to Job Satisfaction

The study sought to determine the relationship between cost cutting and job satisfaction. Job satisfaction was a dependent variable that the study wanted to analyse against the independent variable which was the cost cutting measures. The 5 point Likert scale was used wherein 1 indicated 'Strongly Disagree' and 5 indicated 'Strongly Agree'.

**Table 4.13: Frequency Distribution of Cost Cutting Effects to Job Satisfaction**

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
4.1. I am satisfied with my work under the implementation of cost cutting measures	9%	27%	28%	29%	9%
4.2. I would recommend my department/ unit to external parties regardless of the cost cutting measures	5%	17%	23%	43%	12%

**Table 4.14: Mean, Standard Deviation, Mode, Skewness and Kurtosis**

Item	N	Mean	Standard Deviation	Mode	Skewness	Kurtosis
4.1. I am satisfied with my work under the implementation of cost cutting measures	94	3.011	1.112	4	-0.0419	-0.8259
4.2. I would recommend my department/ unit to external parties regardless of the cost cutting measures	94	3.387	1.068	4	-0.4899	-0.4504

Table 4.13 illustrates the frequency distribution of responses relating to effects cost cutting have to job satisfaction in percentage form, whilst Table 4.14 summarises the results in terms of the mean, standard deviation, mode, skewness and the kurtosis.

The study tried to find out the extent of job satisfaction of staff members after the implementation of the cost cutting measures. The mean score of 3.011 and the approximately symmetric skewness score of -0.0419 indicated a neutral effect engendered by cost cutting to job satisfaction. Based on the results, it was noted that about 35% of staff members disagreed with the fact that cost cutting measures affected their job satisfaction, about 37% on the opposite end agreed that cost cutting negatively affected their level of job satisfaction, whilst about 28% of staff felt no effects as they rated neutral. This is further illustrated by Table 4.15 where the views of the management is contrasted with the views of the junior staff.

**Table 4.15: Mean, Standard Deviation and Mode - Management and Junior Staff Comparisons on Cost Cutting and Job Satisfaction**

Item	N	Mean	Variance	Standard Deviation	Mode
Management	50	3.020	1.340	1.157	2
Junior Staff	44	3.023	1.113	1.055	3

The respondents were subdivided into two categories namely, management and junior staff members to assess whether they maintained the similar views regarding the effects of cost cutting to job satisfaction. The results showed similar means with 3.020 for management and 3.023 for junior staff, the difference though was with the modes which were 2 (assigned to disagree in a Likert Scale) for management and 3 (assigned to neutral in a Likert Scale) for junior staff members. Taking this a step further, the results were further analysed according to the number of years worked by staff members. The results in Table 4.16 showed a marginal difference whereby staff members who have worked less than 10 years had a mode score of 2 which indicated that they are not satisfied with their jobs under cost cutting measures as compared to a mode score of 3 which is neutral for staff with over 10 years of experience.

**Table 4.16: Mean, Standard Deviation and Mode – Staff Analysis per Work Experience**

Experience	N	Mean	Variance	Standard Deviation	Mode
Over 10 Years	40	3.037	0.999	0.999	3
Less than 10 Years	54	2.949	1.485	1.218	2

Table 4.17 below sought to determine the relationship between the perceived job dissatisfaction under cost cutting measures and qualifications of each respondent. Again the results shown a marginal difference whereby staff members who possess undergraduate degrees had a mode score of 2 which indicates that they were not

satisfied with their jobs under cost cutting when compared to a mode score of 3 which is neutral for staff possessing postgraduate degrees. This implies that the staff with post graduate degrees are more accepted of cost cutting measures as they are more qualified or educated to understand the reasons for.

**Table 4.17: Mean, Standard Deviation and Mode – Staff Analysis per Educational Qualifications**

Highest Qualification	N	Mean	Variance	Standard Deviation	Mode
Postgraduate Degrees	31	3.032	1.515	1.231	3
Undergraduate Degrees	59	2.966	1.137	1.066	2

Table 4.18 below tried to establish the relationship between the perceived job dissatisfaction under cost cutting measures and the previous job industry of each respondent. The results showed a mean score of 3.385 which indicated that staff members who worked in the private sector in their previous employment were satisfied with their work under the implementation of cost cutting measures and a mean score of 2.937 for staff who worked for the public sector in their previous employment.

**Table 4.18: Mean, Standard Deviation and Mode – Staff Analysis per Previous Job Industry**

Previous Industry	N	Mean	Variance	Standard Deviation	Mode
Private Sector	13	3.385	1.314	1.146	2
Public Sector	79	2.937	1.199	1.095	3

The study sought to determine if existing staff members for the KZN Provincial Treasury Department would like to recommend the department or their respective units to external parties who are keen to join the organisation. The results indicated

that the majority (55% of respondents) would recommend the department to other prospective candidates willing to join the department. This was confirmed by a mean score of 3.387 as per Table 4.14 above.

**Table 4.19: Frequency Distribution of General Cost Cutting Implementation Model**

Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
5.1. Cost cutting measures are implemented across the department consistently	13%	39%	18%	23%	8%
5.2. Communication relating to the cost cutting is adequate	6%	33%	16%	38%	6%
5.3. I understand why it is important for the organisation to implement cost cutting measures	3%	9%	20%	53%	15%
5.4. I encourage my colleagues to comply with cost cutting measures	3%	5%	29%	49%	13%
5.5. I have noted significant improvements since the introduction of cost cutting measures in government spending	10%	43%	20%	17%	10%

**Table 4.20: Mean, Standard Deviation, Mode, Skewness and Kurtosis General Implementation Model**

Item	N	Mean	Standard Deviation	Mode	Skewness	Kurtosis
5.1. Cost cutting measures are implemented across the department consistently	93	2.728	1.171	2	0.3306	-0.8953
5.2. Communication relating to the cost cutting is adequate	93	3.033	1.108	4	-0.0849	-1.1406
5.3. I understand why it is important for the organisation to implement cost cutting measures	92	3.681	0.948	4	-0.8898	0.7667
5.4. I encourage my colleagues to comply with cost cutting measures	93	3.630	0.893	4	-0.7758	1.0200
5.5. I have noted significant improvements since the introduction of cost cutting measures in government spending	93	2.728	1.143	2	0.5158	-0.6572

The study sought to ascertain the views of the respondents regarding the general approach implemented in introducing cost cutting measures. The 5 point Likert scale was used wherein 1 indicated 'Strongly Disagree' and 5 indicated 'Strongly Agree'.

In an effort to ascertain if cost cutting measures were implemented across the department consistently, the results revealed that 52% of the staff members felt that these were not implemented consistently throughout the department. A mean score of 2.728, a mode of 2 (assigned to disagree) was recorded and a leptokurtic distribution was less than 0. Table 4.21 below categorised the views of management to those of

junior staff, the results showed that both management and junior staff felt that cost cutting measures were not consistently implemented across the department.

**Table 4.21: Mean, Standard Deviation and Mode – Consistency of Cost Cutting Implementation**

Item	N	Mean	Variance	Standard Deviation	Mode
Management	50	2.680	1.298	1.139	2
Junior Staff	43	2.791	1.421	1.192	2

In establishing if cost cutting measures had been adequately communicated, the results indicated that generally neutral view that was informed by the mean score of 3.033 and supported by the skewness score of -0.0849 which is approximately symmetric.

The majority of respondents (68%) indicated that they understand the importance of cost cutting measures and this was affirmed by a mean score of 3.681. In relation to this, 62% of the respondents agreed that they encourage fellow colleagues to comply with cost cutting measures with a mode score of 4 (assigned to agree in a Likert Scale) was recorded.

A moderately skewed distribution was noted in assessing the extent of improvements since the introduction of cost cutting measures in government spending. This was revealed by a mean score of 2.728, mode of 2 (disagreeing with improvements in government spending) and skewness score of 0.5158. This implies that there has neither been any meaningful improvements since the implementation of cost cutting nor management has not shared the successes of cost cutting measures with the rest of the staff members.

## 4.9 Conclusion

This chapter provided an in-depth analysis of the research data wherein data was analysed into themes. The following sections were discussed, response rate, demographic information of respondents and factorial and reliability analysis. This chapter analysed and interpreted data where the primary purpose was to assess whether or not cost cutting measures have effects on staff performance with a specific focus on the KZN Provincial Treasury.

## **CHAPTER 5 : DISCUSSION OF FINDINGS**

### **5.1 Introduction**

This chapter discusses findings based on the information presented in Chapter 4. The purpose of the study is to analyse and evaluate the effects of cost cutting measures to staff performance since its implementation by the KwaZulu-Natal Provincial Treasury. The study intends to achieve the following four objectives, namely, (1) To investigate the impact of cost cutting measures on the quality of service delivery; (2) To establish the relationship between cost cutting measures and employee performance; (3) To evaluate the effects of cost cutting measures on job satisfaction; and (4) To determine if employee creativity is encouraged in the midst of cost cutting measures to improve and maintain service delivery quality.

### **5.2 Discussion of Findings per Objective**

The data analysis performed in Chapter 4 showed various trends and patterns for different objectives. The findings are discussed in line with research objectives and categorised as follows: cost cutting relationship to service quality, cost cutting relationship to staff morale, and cost cutting relationship to job satisfaction.

#### **5.2.1 Objective 1: Cost Cutting's Relationship to Service Quality**

*To investigate the impact of cost cutting measures on the quality of service delivery.*

Findings under this objective supported the notion that cost cutting measures reduce the quality of services provided to clients. This assertion was reflected by 59% of the staff members in the organisation who either agreed or strongly agreed that service quality is reduced by the model implemented in cost cutting measures. This supports the findings by Kilonzo (2012) which concludes that the cost containment measures negatively affect numerous facets of service quality provided to clients. The same question was asked to participants in a different way, which was assessing if cost cutting measures had minor to no effects on the quality of work delivered to clients and 60% of the respondents disagreed with this question. This is also in line with what Venter (2011) found, stating that cost cutting affects quality and often impacts negatively on product quality in an organisation.

The views of the respondents were further subdivided into management and junior staff members to find out whether management and junior staff have differing

perceptions about the service quality provided to clients. The study revealed that both management and junior staff members agree that cost cutting measures reduce the quality of service rendered to the clients during cost cutting measures in the department. This supports the study conducted by Marivate (2011) which found that cost control strategies have a negative impact on quality of service provided to the community.

### **5.2.2 Objective 2: Cost Cutting's Relationship to Staff Morale**

*To establish the relationship between cost cutting measures and employee morale.*

Findings noted under this objective supported the notion that cost cutting measures negatively affect staff morale. This finding was supported by 73% of staff either agreeing or strongly agreeing to the notion that cost cutting measures affected staff morale in a negative way. The same question was asked to respondents in a different way, asking if cost cutting measures had no effect on the staff morale. In response to this question, the study found that 78% of staff felt that cost cutting measures have negative effects on staff morale. This is in line with the findings by Palesa et al., (2014) who found that the effects of these cost containment measures are perceived by staff members to increase stress levels and increase workloads especially if fewer resources are devoted to the staff members (Palese et al., 2014).

Another revelation from this objective was that more than two thirds (73%) of respondents suggested that the unprecedented cancellation of some of the work-related trips due to cost cutting had caused low staff morale. Just over two thirds (69%) of the respondents either agreed or strongly agreed that cost cutting measures should have been implemented differently.

The majority of respondents are frustrated by cost cutting as this belief was supported by 57% of respondents who recorded that they are frustrated. On the other hand, 43% gave a neutral rating in response to the question asking whether staff members look forward to coming to work since the implementation of cost cutting measures.

### **5.2.3 Objective 3: Cost Cutting's Relationship to Job Satisfaction and Performance**

*To evaluate the effects of cost cutting measures on job satisfaction and performance.*

There was a strong balance reflected by 41% of respondents disagreeing and 48% agreeing with the question relating to the ability to achieve yearly targets in the midst

of the cost cutting measures. On the contrary, more than half (56%) of the respondents felt that they had to review their planned yearly targets in order to achieve their annual performance plans.

About 45% of respondents stated that their clients are still happy with the quality of work that they provide since the implementation of cost cutting measures. More than half of the respondents (54%) felt that they would recommend the department to external parties willing to join the organisation regardless of the cost cutting measures. This finding is in opposition with what other authors had found that competent employees may leave in reaction to a lower morale or potential applicants turn elsewhere due to cost cutting measures resulting in the shrinkage of the available talent pool (Raudla, Savi and Randma-Liiv, 2015).

A split view of 37% agreeing and 35% disagreeing with the view that they are satisfied with their performance under the implementation of cost cutting measures whilst the rest had a neutral view.

The study further established the relationship between the perceived job dissatisfaction under cost cutting measures and the previous job industry of each respondent. The results showed that staff members who worked in the private sector in their previous employment were satisfied with their work under the implementation of cost cutting measures compared to those who worked for the public sector in their previous employment.

#### **5.2.4 Objective 4: Creativity Platforms to Improve Service Delivery**

*To determine if employee creativity is encouraged in the midst of cost cutting measures to improve service delivery.*

There was a balanced view given by respondents regarding the creativity platforms presented by cost cutting measures. This was reflected by 30% of the respondents disagreeing and 33% agreeing with the view that there are creativity platforms to improve service delivery during the cost cutting measures. About a third of respondents responded with a neutral rating regarding creativity platforms.

About half of the respondents suggested that cost cutting measures provide no room for creativity as they have to avoid costly actions in the organisation, whilst on the opposite end, about a third of the respondents disagreed with this assertion. The

above assertion is in line with the conclusion by Cascio (1993) that cost containment survivors tend to avoid risks and fail to apply their minds holistically.

### **5.3 Conclusion**

Substantial cost cutting strategies implemented in the recent past do not precisely prove that costs have been contained as they conceivably should have. Reduction of remuneration incentives and surprise cancellation plans of work related initiatives due to cost containment contribute largely to job dissatisfaction. This study confirmed the widely held view that cost cutting measures reduce quality of services provided to clients and has an influence on the quality of work delivered to clients.

The study further supports the notion that cost cutting measures negatively affect staff morale and the resultant factor is that cost containment measures are perceived by staff members to increase stress levels and increase workloads especially, if fewer resources are devoted to the staff members. This has been noted to frustrate staff members in their line of work. The government departments are forced to review and reduce yearly targets to be achievable within the cost containment constraints. Cost containment challenges government departments to find creative ways to control costs whilst providing quality service to communities in accordance with the Batho Pele principles. Based on the findings from this study, it is clear that the effects of cost containment have multiplier effects ranging from low staff morale to limited service provision, which in turn, delays government transformation programs and community unrest.

These cost containment measures have, however, not swayed staff members from looking forward to coming to work. Concluding from the views of the staff that clients are still happy with their quality of work, government departments should conduct self-introspections in an effort to strike a balance between cost containment strategies, service quality and employee behaviour. The results of this study disputed the generally held view that competent employees leave organisations in response to lower morale or potential applicants turn elsewhere as a result of cost cutting measures. The department has not experienced a staff exodus emanating due to cost cutting and existing staff maintain that they still would recommended KZN Provincial Treasury to external parties willing to join the organisation.

Inconclusive findings about staff performance under the implementation of cost cutting measures were noted in the study. Employees who previously worked in the private

sector suggested that their job satisfaction levels are not affected by cost containment as opposed to staff who have never worked for the private sector in the past. In the same vein, the study shows that there is no adequate room afforded to staff members to implement creative ideas as risky and costly actions are avoided at all times.

The data was analysed in line with research objectives as per Chapter One and was categorised as a cost cutting relationship to service quality, a cost cutting relationship to staff morale and a cost cutting relationship to job performance by staff members. Final conclusions, limitations and recommendations are contained in Chapter 6.

## **CHAPTER 6 : CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS**

### **6.1 Introduction**

The aim of this study is to investigate the effects of cost cutting measures implemented by the KZN Provincial Treasury to staff performance. This chapter presents the research conclusion which ties up the objectives as stated in Chapter One with the findings of the study, the research implications, the limitations of the study, the main recommendations to solve the research problem and recommendations for future studies.

### **6.2 Conclusions - Cost Cutting Research Results**

The research objectives were achieved. The study revealed the following in relation to the cost cutting measures implemented by KZN Provincial Treasury:

- The majority (59%) of respondents perceived cost cutting measures as reducing the quality of services provided to clients
- More than two thirds of respondents in the forefront of service delivery perceived cost cutting measures as having negative effects on staff morale.
- More than two thirds of respondents in the forefront of service delivery suggested that the unprecedented cancellation of some of the work-related trips due to cost cutting had affected service quality and job performance.
- The majority (57%) of respondents in the forefront of service delivery are frustrated by cost cutting.
- Cost cutting measures have not influenced the willingness of staff members to come to work.
- Most respondents in the forefront of service delivery are still able to achieve yearly targets in the midst of the cost cutting measures (48%).
- More than half (56%) of respondents in the forefront of service delivery had to review their planned yearly targets in order to achieve their annual performance plans to ensure service quality. This is supported by 45% of the respondents who asserted that their clients are still happy with the quality of work.
- More than half of staff members (54%) felt that they would still recommend the department to external parties willing to join the organisation.

- A split in contrasting views of 37% agreeing and 35% disagreeing with the view that they are satisfied with their performance under the implementation of cost cutting measures.
- Respondents who worked in the private sector in their previous employment were satisfied with their work under the implementation of cost cutting measures compared to those who worked for the public sector in their previous employment.
- About half of the respondents asserted that there is no room for creativity during cost cutting as they have to avoid costly actions and most of them are not sure if there are creativity platforms to improve service delivery during the cost cutting measures.
- More than half of the respondents suggested that cost cutting measures were not implemented consistently across the department.
- Close to half of the respondents felt that communication relating to cost cutting measures was inadequate (44%).
- A third of staff members understood why it was crucial for the department to implement cost cutting measures.
- Most staff (53%) have noticed no significant improvements in the department's systems since the introduction of cost cutting measures and the reduction in government spending.

This study concludes that departments have to review cost containment strategies to minimise the negative effects experienced by staff members such as low staff morale and substandard job performance. It is therefore imperative to strike a balance between cost cutting measures and service quality to clients.

### **6.3 Implications of this Research**

This research was the first ground-breaking step in evaluating the cost cutting model were implemented by government departments in an endeavour to achieve the goal of cutting government spending. Likewise, senior management in the KwaZulu-Natal Provincial Administration were identified as beneficiaries.

The senior management in all departments within the KwaZulu-Natal Provincial Administration will be aware of cost containment consequences which may relate to service delivery inefficiencies. The following were consequences identified through

this research:

- Cost cutting measures to reduce quality of services provided to clients and job performance;
- Inconsistent implementation of cost cutting measures have negative effects on staff morale;
- Limited communication of cost cutting measures' bigger picture frustrates staff;
- Planned yearly targets are reduced to achieve annual performance plans to ensure service quality which in turn limits the service delivery coverage; and
- Cost cutting reduces creativity and innovation as costly actions have to be avoided in the department.

#### **6.4 Limitations of the Study**

Several short-comings were noted during the study. There is limited research work relating to cost cutting, cost containment and austerity measures in the public-sector context in South Africa. This research could not cover all the government departments as the resources (financial and time) were limited. This means that the opinions, views and conclusions emanating from this study were informed by limited coverage. Therefore, generalisation in some other circumstances may be limited as the sample size was not too large.

Administering of questionnaires contributed to the failure to achieve the set research milestones as some respondents took longer to return the questionnaires to the researcher. The researcher had to continuously persuade respondents through follow-up emails and telephone calls in ensuring that the return rate was improved.

#### **6.5 Main Recommendations to Solve the Research Problem**

This study recommends that KZN Provincial Treasury departments should review cost containment strategies to minimise the negative effects experienced by staff members such as low staff morale and substandard job performance. It is also vital to strike a balance between cost cutting measures and service quality to clients.

##### **6.5.1 Client Service Quality**

Client satisfaction surveys should be conducted in all client departments to assess the effects cost cutting initiatives have in relation to service delivery. Extensive training and awareness should be conducted on staff to obtain their buy-in and impart knowledge of the concept of service quality.

### **6.5.2 Staff Morale**

Optimal points of cost cutting should be set by the department and be communicated to all staff members for them to understand the bigger picture. Optimal points of cutting government spending should not only be set using monetary aspects instead variables such as service quality, staff ability and lastly monetary values should be used.

### **6.5.3 Job Performance**

Regular employee satisfaction surveys should be conducted by the department and administered to staff. The department's management needs to realise that government departments exist to provide service delivery, and to provide efficient service to clients and employees are the vehicle to achieve this. Hence, it is pivotal to regularly assess the actual performance against the expected levels.

### **6.5.4 Incentives to Motivate Compliance**

Incentive systems should be implemented to encourage and reward all staff members complying with cost cutting measures accordingly. Likewise, there should be adequate measures to deal with employees who deliberately fail to comply with cost cutting measures in the department. This will be in line with transformational leadership features as it will be concerned with stimulating, inspiring, motivating, recognizing and rewarding staff for good work.

### **6.5.5 Consistent Implementation**

KZN Provincial Treasury should ensure that all senior managers are continually reminded of consistent implementation of cost cutting measures. This will ensure that there is a limited grey area left for senior management in implementing cost cutting and these measures will send a strong message to staff that everyone is included and no preferential treatment is afforded to others.

### **6.5.6 Communication of Initiatives**

The study recommends that all new cost cutting initiatives should be communicated to staff, thus ensuring that there is necessary buy-in from both employer and employee prior to full implementation. This will ensure that employees' resistance to change is mitigated. Significant improvements since the commencement of cost cutting measures should be communicated to staff members to stimulate and improve staff cooperation. This will be in line with the findings by Macdonald (2016) which revealed

that during cost cutting measures engaged employees are able to drive innovation and maintain higher productivity levels.

### **6.5.7 Creativity Platforms**

As much as developing the cost cutting initiatives involve a lot of creativity and innovation, it is however critical to create a balance between cost cutting and service delivery. The study recommends that the KZN Provincial Treasury management should provide staff members with innovative and creativity platforms wherein staff can assist in improving government systems in the midst of cost cutting measures. Shared services strategies should be encouraged as it helps to reduce costs and improved organisational efficiency (Mbugua and Kinoti, 2011).

## **6.6 Recommendations for Future Studies**

Research studies in cost cutting measures conducted in the public sector are predominantly focused on the health sector and are outside South Africa. This study sought to focus on the holistic government spending model, and as such it could only provide a marginal contribution to the body of knowledge. Further research studies which can be conducted are as follows:

An analysis of financial data on cost cutting across provincial departments may be required where the primary objective would be to perform a comparative analysis of financial data prior to and after cost cutting initiatives.

There is a need to research the views of community members or other stakeholders (who are not employees) on the effects of cost cutting measures to service delivery (wherein the focus being made to quality and adequacy). A lot of work has been conducted on hospitals and patients in the private sector but not on services provided by other South African government departments.

Further research is needed to evaluate existing cost cutting models available to government departments to implement with the objective of improving government spending.

## **6.7 Summary**

Cost containment initiatives are imperative in ensuring that government spending is well contained. Cost cutting is also a useful tool in supporting the country's fiscal and monetary policy requirements. The tricky part of cost containment measures is that it

is largely influenced by the elements of the term 'tragedy of the commons'. If one department complies whilst the rest of the 14 departments in the province are not then its significance is not realised.

The study was able to contribute towards solving the research problem. As such, KZN Provincial Treasury has a role to play in influencing both its staff and its clients (other provincial departments) in effectively implementing and monitoring cost cutting measures.

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## Appendix A: Questionnaire

### SURVEY ON THE EFFECTS OF COST CUTTING IN THE KZN PROVINCIAL TREASURY TO STAFF PERFORMANCE

I **Mondli Makhunga**, a Master's in Business and Administration degree student at the Graduate School of Business and Leadership, College of Law and Management Studies, University of KwaZulu-Natal, invite you to participate in my research dissertation. Your responsibility is to sign and return the consent form if you would like to participate in the study. The participation in this survey is voluntary, exit is possible at any stage and no damage or losses are incurred. There is no direct personal benefit for your participation in this research. Your participation will, however, make a useful contribution. I would like to assure you that the information you are about to provide will be treated with utmost confidentiality. Your name will not be mentioned in the report. Thank you for participating in this research.

#### 1. Personal Data

1.1. Name (not compulsory)				
1.2. Gender	MALE		FEMALE	
1.3. Highest level of Education	Grade 12	Diploma	Undergraduate Degree	Postgraduate Degree
1.4. Years of Experience	< 5 Years	5 - 7	8 - 10	> 10 Years
1.5. Post Level	Senior Management	Middle Management	Junior Staff	
1.6. Previous Job Industry / Sector before my current position (where applicable)	Public Sector	Private Sector	N/A	
1.7. Unit/ Division/ Section	Internal Audit	Fiscal Resource Management	Financial Management	Inter-Governmental Relations

#### 2. Quality of Service

2.1. Cost cutting measures reduce quality of services provided to clients	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.2. Cost cutting measures have promoted creativity in a manner in which service is delivered	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.3. Cost cutting measures have minor to no effect on the quality of work delivered to clients	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.4. I am able to achieve my yearly targets regardless of the cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

2.5. I am forced to review my yearly targets because of the cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.6. My clients are unhappy with the quality of work we provide since the implementation of cost cutting	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.7. My colleagues and I have resorted to pooling resources to achieve our yearly targets	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.8. I do the bare minimum since the implementation of the cost cutting measures towards my duties	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.9. My clients are still happy with the quality of work that I provide since the implementation of cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.10 Cost cutting measure provides no room for creativity as we have to avoid costly actions in our organisation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

### 3. Staff Morale

3.1. Cost cutting measures negatively affect staff morale in my section	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.2. Cost cutting measures have no effect on the staff morale	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.3. Creativity manifests from cost cutting measures thus improves the staff morale	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.4. Cancellation of some of the work related trips due to cost cutting has led to a low morale on staff.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.5. Cost cutting measures frustrate me	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.6. I look forward to coming to work since the implementation of cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.7. Cost cutting measures should have been implemented differently	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.8. The cost cutting model implemented has improved the way we look at government spending	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.9. I am not frustrated by the cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

### 4. Job Satisfaction

4.1. I am satisfied with my work under the implementation of cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.2. I would recommend my department/ unit to external parties regardless of the cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

4.3. I like cost cutting and I believe that all organization should implement them	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.4. I am able to achieve my yearly targets regardless of the cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.5. My clients are still happy with the quality of work that I provide since the implementation of cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.6. I am not satisfied with my work under the implementation of cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.7. I dislike cost cutting and I believe that they should not be implemented in our organization	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
4.8. New platforms for creativity and innovation are there in my organisation in the midst of cost cutting	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

### 5. General

5.1. Cost cutting measures are implemented across the department consistently	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5.2. Communication relating to the cost cutting is adequate	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5.3. I understand why it is important for the organization to implement cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5.4. I encourage my colleagues to comply with cost cutting measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5.5. I have noted significant improvements since the introduction of cost cutting measures in government spending	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

## Appendix B: Gatekeepers

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14 March 2017

The Head of Department  
KZN Provincial Treasury  
P.O. Box 3613  
PIETERMARITZBURG  
3201

### REQUEST FOR PERMISSION TO CONDUCT RESEARCH IN THE DEPARTMENT

Dear Mr Magagula

My name is Mondli Makhunga, and I am a Masters of Business Administration (MBA) student at the University of KwaZulu Natal in Westville. The research I wish to conduct for my dissertation involves the exploration of the effects of cost cutting measures to staff performance in the KwaZulu Natal Provincial Treasury. This project will be conducted under the supervision of Dr Mbuyiseni Goodlife Ntuli (UKZN, South Africa).

I am hereby seeking your consent to approach a number of KwaZulu Natal Provincial Treasury staff members to participate in my research. I have provided you with a copy of my research proposal to be used in the research process.

Upon completion of the study, I undertake to provide the KwaZulu Natal Provincial Treasury with a bound copy of the full research report. If you require any further information, please do not hesitate to contact me on 033 897 4273, 083 261 3298, mondli.makhunga@kzntreasury.gov.za. Thank you for your time and consideration in this matter.

Yours sincerely,

Mondli Makhunga

I hereby grant the candidate permission to conduct his research study. Comments/ Conditions (where applicable):

Mr S.L. Magagula  
KZN Provincial Treasury: Head of Department

15/03/2017  
Date

## Appendix C: Ethical Clearance - Original



24 May 2017

Mr Vincent Mondli Makhunga (207522716)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Makhunga,

Protocol reference number: HSS/0272/017M

Project title: The effects of Cost Cutting Measures to Staff Performance in the KwaZulu Natal Provincial Treasury Department

### Full Approval – Expedited Application

In response to your application received on 29 March 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and FULL APPROVAL for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Dr Mbuyiseni Goodlife Ntuli  
Cc Academic Leader Research: Dr Muhammad Hoque  
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

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## Appendix C: Ethical Clearance – Supervisor Change Amendment



28 November 2017

Mr Vincent Mondli Makhunga (207522716)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Makhunga,

**Protocol reference number:** HSS/0272/017M

**Project title:** The effects of Cost Cutting Measures to Staff Performance In the KwaZulu-Natal Provincial Treasury Department

### Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 18 October 2017 has now been approved as follows:

- Change In Supervisor

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for period of 3 years from the date of original issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

Dr Shamila Moidoo (Deputy Chair)

/ms

Cc Supervisor: Dr Mbuyiseni Goodlife Ntuli  
Cc Academic Leader Research: Dr Muhammad Hoque  
Cc School Administrator: Ms Zarina Bullyra

### Humanities & Social Sciences Research Ethics Committee

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## Appendix D: Turnitin Report

### Third Draft - Dissertation: Mondli Makhunga

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