FACTORS AFFECTING PROFITABILITY OF SMALL TO MEDIUM ENTERPRISES IN A GROWING INDUSTRY: A CASE OF NOVATEK ANIMAL FEEDS (PRIVATE) LIMITED

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This dissertation is submitted in partial fulfillment of the requirements of the Bachelor of Commerce (Honors) Degree in Accounting in the Department of Accounting at Midlands State University.

Gweru: Zimbabwe, 2018
APPROVAL FORM

The undersigned certify that they have supervised the student Takudzwa Svova’s dissertation entitled, a study on the factors affecting profitability of small to medium enterprises in a growing industry: the case of Novatek Animal Feeds (Private) Limited submitted in partial fulfilment of the requirements of the Bachelor of Commerce Accounting (Honours) Degree at Midlands State University.

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DEDICATIONS

This research is dedicated to my very supportive mother Monica Busisiwe Maluleke, my family, my loving aunt Benhilda Siyawadyara and my A’ level Accounting teacher Mr Batanai Mateyesanwa.
ACKNOWLEDGEMENTS

Isaiah 46:10 ~ “Declaring the end from the beginning, and from the ancient times the things that are not yet done, saying, My counsel shall stand and I will do all my pleasure”

I would like to thank the Almighty God for allowing me and watching over my steps throughout this dissertation and even throughout my degree. Only His abundant mercies and love have brought me this far.

I am dearly grateful to the entire MSU accounting department for equipping me with the right knowledge needed to become a professional accountant. I would also like to acknowledge my Supervisor Mr Kazembe for all his efforts and help in making sure that this research is a success. I am grateful for his precious time he sacrificed and for being a father who wants to see nothing short of excellency from his children.

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Abstract

The research was aimed at studying the factors affecting profitability of small to medium enterprises. It sought to establish these factors affect profitability levels of Novatek (Pvt) Ltd as it was experiencing a decline in profitability. The research further sought to determine the ways that could be employed to improve profitability. The mixed research method, descriptive research design and a case study of Novatek Animal Feeds (Pvt) Ltd was used in the research. Interviews and questionnaires were used in the collection of data. The presentation and analysis of data was carried out in line with the research objective of the study. Pie charts, bar graphs and tables were used in the analysis and presentation of data. The major findings showed that inadequate distribution channels, increased costs, shrinking market share and increased competition result in the fall of profitability. It was recommended that Novatek should manage its cost, improve distribution channels and improve its product quality.
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CHAPTER 1

1.0 INTRODUCTION

This introductory chapter provides a general background to the research. It also presents the general objectives of the study and the research questions are also formulated under this chapter with the view to make the research focused on specific relevant issues. In what follows, definitions are given for major concepts frequently used in the study. The significance of the research is also discussed and finally, a highlight on the delimitation and limitations of the research paper is provided. To conclude the chapter is a summary, summing up the contents of the chapter.

1.1 BACKGROUND OF THE STUDY

An organisation’s profits are mostly used as the measure of financial success for companies (Keramidou et al, 2013). Zimbabwe’s poultry business has been growing significantly since 2009 due to the surging demand for chicken meat and eggs (Zimbabwe Poultry Association report, 2015). The consumption of white meat has grown tremendously replacing beef which used to be the preferred relish in Zimbabwe (Kachembere, 2013). Poultry business is big business in Zimbabwe as it is a source of high quality cheap protein to families (Zimbabwe Poultry Association report, 2017).

Novatek is a significant player in this high demand industry and has to position itself for growth through meeting customer demand, continuously offering quality products to its customers on time, improve its market share, effective cost management and managing its inventory more efficiently. However despite huge growth potential, Novatek’s profits have shrunked over the years. The sales of the company were declining as indicated in the company’s meeting minutes (Novatek management meeting, October 2016). The director’s report (December, 2016) highlighted the issue as shown below.
Table 1.1: Profit statement extract

NOVATEK ANIMAL FEEDS (PRIVATE) LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year 2016, 2015 and 2014

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Revenue</td>
<td>23 729 771</td>
<td>19 750 963</td>
<td>17 876 228</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(20 423 030)</td>
<td>(17 064 382)</td>
<td>(17 189 232)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>3 306 741</td>
<td>2 686 581</td>
<td>686 996</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(1 273 142)</td>
<td>(997 092)</td>
<td>(550 990)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>2 033 599</td>
<td>1 689 489</td>
<td>136 006</td>
</tr>
</tbody>
</table>

Source: Novatek Profit statements,(2014, 2015 and 2016)

The above table shows a continuous decrease in the revenue for the company which is leading to a fall in profits. The revenue fell from $23 729 771 in 2014 to $18 750 963 in 2015 which is a 21% drop. In 2016 it improved by a meagre 1.3% to $17 876 228 which is not in line with the demand in the poultry industry. In short there has been a revenue slump since 2014. On the other hand operating costs were falling, between 2014 and 2016 they fell 43% which is a good sign.

Since its inception Novatek has been operating its retail shops in Harare or in places within a 40km radius of Harare and hence it is not tapping into its potential customers around the country. In 2015 Harare City Council banned rearing of chickens in backyards (Butaumocho, 2015). Such a move greatly impacted on Novatek’s revenue since it operates in and around Harare.

Despite huge demand for feed and chicks, there is also incessant product stock-outs which are costly to the organisation in view of the reputational risk and potential loss of customers which negatively impacts on the business performance (Catalin, Bogdan & Dimitrie, 2014).
Product stock-outs cause customer walk-outs meaning to say that product unavailability leads to loss of customers and hence loss of revenue which leads to loss of potential profits (Corsten and Gruen, 2015).

1.2 STATEMENT OF THE PROBLEM

In 2016 the company had set targets of $21 600 000 revenue and $1 950 000 operating profit but the actual results were far from convincing. The ban on backyard chick rearing in Harare did the company no favours but left the company with no option other than to expand to places out of Harare. The sales manager pointed out that 80% of all enquiries made during 2016 were from farmers outside Harare (Management meeting, December 2016).

Novatek has failed to increase its profits and revenue since 2014. It has also missed its profit and revenue targets for three consecutive years. The company’s market share is not improving in any way and its competitors are covering ground by improving their distribution channels. This research aims to investigate why Novatek continues to have such negative financial results in a high demand and growing industry.

1.3 MAIN RESEARCH OBJECTIVES

To investigate the causes of the decline in profit and sales as this is affecting the operations of the business and also to look at strategies that can be put in place so as to boost profits and gain market share.

1.3.1 SUB-RESEARCH OBJECTIVES

- Overview of profitability and its importance to Novatek
- To identify the causes of a profit decline
- To identify the effects of a decline in profitability.
- To identify strategies that can be used to improve the overall performance of the business
• To assess the effects of market share on profitability.

1.4 RESEARCH QUESTIONS

• How important is profitability in the running of the business?
• What causes a decline in profit?
• What are the effects of a decline in profitability?
• Which strategies can be put in place to improve the overall performance of the business?
• Of what importance is the market share in determining profitability?

1.5 SIGNIFICANCE OF THE STUDY

1.5.1 To the researcher

The study was carried out in partial fulfillment of the requirements of the Bachelor of Commerce Accounting (Honours) Degree. The study will allow the student to get a first-hand experience on how a research is carried out and the process involved. The study will also give the student a better understanding and enhance knowledge on the area of study.

1.5.2 To Midlands State University

The study will enhance the university’s literature and use such material when carrying out similar projects in future and for future referencing.

1.5.3 To Novatek

Hopefully, the findings of this research will assist the management on the best practices to increase profits.

1.6 DELIMITATIONS OF THE STUDY

• The study is confined mainly to the Novatek Headquarters in Bluffhill, Harare
• The period of study stretched from 2014, 2015 and 2016.
• The respondents to the research are management and employees of Novatek.

1.7 LIMITATIONS OF THE STUDY

Novatek being a private company, some of the data needed in the research is fairly difficult to get since the company is reluctant to divulge information about its operations. Therefore one would have to clearly state that the information will be used only for research purposes.

1.8 DEFINITION OF TERMS AND ACRONYMS

**Sales**- in accounting sales allude to the incomes earned when an organization offers its merchandise, items, etc. (Averkamp, 2004).

**Profit**- a monetary return or reward that business people expect to get to mirror the risk that they take. (Riley, 2012).

**Distribution channel**- this is a strategy that organisations use to enter the customer market with their product. (Vitez, 2014)

**Market share**- a measure of the total level of business a firm has compared to its rival firms in a particular market. (Christ, 2017).

1.9 SUMMARY

This chapter serves as an introduction to the research study, giving an outline of the entire study. Objectives of the study have been clearly outlined, research questions, background to the study, significance of the study, delimitations and limitations. Meanings of key terms were likewise outlined. Chapter Two will be on literature review.
CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

Chapter Two provides a review of literature all in all with respect to opinions of experts in the field and explore what different authors have looked into and suggested relating to the factors that lead to a decline in profitability. Literature review is done in order to get a deep understanding and knowledge of the topic under study. Hence citing related literature published is imperative as it gives direction and makes research work fairly simple.

2.1 PROFITABILITY AND ITS IMPORTANCE IN BUSINESSES

According to Hofstrand(2015), being profitable is the core objective of getting into a business. With no profits, a company cannot continue operating in the long run. So measuring past and present profitability and forecasting future profitability is an essential part of every business. Any business’ success hinged on its profit generating ability. Being profitable is an important factor to any business as profits may be a determining factor for a company to secure debt finance from financial institutions as well as luring investors to finance the business growth and operations. (Johnson, 2018)

2.1.1 Business Expansion

For a business to expand its operations, it is essential for it to be making a profit. Making a profit allows the business to enter new markets in other geographical locations, acquire other businesses and even introduce its products in foreign countries. The main aim for a business to expand is to further increase its sales and profits. However getting profits is not the sole factor that determines the decision on expanding the business operations. If the company desires to expand its operations, then its employees and management must be able to shoulder additional responsibilities which come along with expanding the business. (Johnson, 2018)
2.1.2 Ability to Borrow Money

For a business making a loss, its chances of securing debt finance are fairly slim (Harbour, 2018). Many businesses especially small businesses depend on debt financing to have a healthy liquidity. Debt finance obligates the business to reimburse the borrowed money from the debt financier with a premium. A company’s profitability plays an important role in securing the debt finance from the financial institutions. In addition to profitability, a company’s assets (collateral security) and the business’ credit score/worthiness are also important elements when it comes to debt financing decisions. An organisation that cannot make profits is usually regarded as having a high default risk. (Johnson, 2018)

2.1.3 Attract Investors

Profit is what most people are in business for, it is an easy measure of success, and without it, it is fairly impossible to attract investors (Coombes, 2016). Some businesses especially small businesses, chose private funders in an effort to get money to support their operations. According to (Johnson, 2018), a company that makes a profit continually is deemed as a good business to invest in as the investor sees it as having a good chance of earning an attractive rate of return on the investor’s funds. Getting investors is influenced mainly by the company’s capability in showing the benefits in monetary terms of investing in it. The company should convince its potential investors on its capacity to generate profits through increasing profits in yester-years and its vision on being more profitable in coming years.

2.1.4 Reserves to meet future contingencies

Retained profits can be used to cover future contingencies. The organisation is vulnerable to a number of potential risks and uncertainties for instance, changes in customers’ preferences, growing competition, changes in government policies and so forth. In such instances, profit is used to dilute the impact of such negative business challenges (Kumar, 2018). When an organisation earns a profit, a part of it is held as a reserve to meet future possibilities. Reserves fortify the position of the organisation financially and is of use in different purposes e.g. expanding the business, payment of dividends etc.
2.2 CAUSES OF PROFIT DECLINE

2.2.1 Inadequate distribution Channels

Distribution channel is a strategy that organisations use to enter the customer market with their product (Vitez, 2014). Inadequate distribution channels are tantamount to a decline in profitability because of failure to fully satisfy consumer demand. If a company conducts business in a single market for instance if it only operates in a single city, it will be foregoing potential revenue in other regions. Hence a company’s products must be available to a wider market. (Handelsman , 2014)

2.2.2 Increased Cost of Production

According to Morgan(2014), production costs will directly affect the gross income of a company. The reason being the value of the expenditure incurred in the production of goods is subtracted from the total amount realised from sales. The production costs usually make up the biggest part of total operational costs and hence largely affects the profit level. Production inefficiencies also impact the level of profit by increasing the overall costs unnecessarily. Increased production costs and production inefficiencies end up eating into the profit level of the business which further weaken it financially (Authur, 2014).

2.2.3 Shrinking Market Share

In the time of intense competition businesses make efforts to maximise their profits by diverting their energy to managing factors which can impact on their revenue. Market share is a huge factor that greatly influences the business’ profitability. When market share increases, the profitability of the company is also poised to increase and vice-versa. A company with high market share has good odds of generating more sales and enjoy more profits. (Aqil et al , 2014). Decreasing market share reflects falling sales and profits.

Kortler and Brow(2013) had a contrasting view on the issue of market share, they shared the view that a higher market share does not mean that it will be obvious the business will make higher profits. Increase in market share does not guarantee increase in profits for the company. In trying to increase market share , a business may incur expenditure that outweigh the resulting income. This will rather lead to a decrease in profit level. However, the authors also expressed that increase in market share may cause an increase in profitability when the total unit cost falls
as a result of the increase in market share, this can be attained when a company produce high quality products and having a price which is more than the costs of coming up with the particular level of product quality.

An overally huge market share does not necessarily bring about high profitability. An organisation may be having a small market share but may still be profitable and competitive. Market share growth does not actually mean that the industry is more profitable, in addition high share of the market is not always an assurance that cost per unit will fall like what other studies say. (Furrer, 2016).

2.2.4 Increased Competition

There can be either positive or negative relationship between competition and profitability. A relationship that is positive can be found between profitability and competition. This is evidenced when a firm improves the quality of its products and be more competitive. The profits of the company will be improved whilst the customers’ satisfaction is improved through the better product quality. However because of negative effects of competition the company may have less profits and productivity may fall as a response to an unfavourable relationship created between profitability and competition. (Odhiambo et al, 2015)

Wang et al (2014) found that there may be a negative relationship between a company’s profitability and competition. On the other hand they also noted that a relationship that is positive could exist between profitability and competition. Competition pushes organisations to improve the quality of their products and also encourages management to be more effective and productive. This therefore improves the company’s profitability. Where company competition is strong firms battle for sales and the ones which are more effective are guaranteed with better chances of survival.

Asikhia and Binuyo (2012) also suggested that there may be a negative or positive relationship between between profitability and competition. They hypothesised that the relationship between profit and competition is positive. On the other hand the relationship between the two were also found to be negative. They suggested that more efficient firms have power and assume control from less efficient companies and they profit from the efficiency that comes about through competitive advantage.
2.3 THE EFFECTS OF A DECLINE IN PROFITABILITY

2.3.1 Inability to pay off debts

As profitability declines, the risk of a business’ losses eating into its ability to meet its short-term and long-term obligations increases. The company’s creditors may pay attention to the company’s quarterly and annual financial statements and could become less willing to provide additional credit lines later on as a result of the declining profits and accessible cash and cash equivalents. Credit rating agencies could likewise bring down the organization's credit rating because of declining profits since it will have less liquid assets in relation to its short-term and long-term liabilities, which is an indication that the business is going through harsh financial waters. (Harbor, 2017)

As uncertainty increases and sales diminish, organizations make less profits. The effect is greater for organizations that sale on credit, as collecting its receivables from debtors may turn out to be difficult if a customer shuts down or if a big customer who normally buys on credit puts a stop or moderates on making payments on its account. This additionally affects and influences other firms as it turns out to be more hard for the company to meet its own obligations. (Lohrey, 2014).

Declining profits can impact on the organisation's capacity to service its debts. Not settling loans in time would affect the organisation’s credit worthiness, making any future obtaining of debt funding more difficult. If the decline in profits persist, employees may find out and the company will risk losing best employees to other better performing companies. At the point when there are opportunities to become more profitable, lack of profits may actually rob the organisation of this opportunity as they it will not be able to fund it. The organization likewise will face troubles in finding new investors (Pirraglia, 2014).

2.3.2 Decline in Company’s operations

Diminish in profitability negatively affects the business’ smooth running or operations. Organisations facing a decrease in market share as a result of lower demand by consumers or a downturn in the business cycle might be compelled to decrease operational yield. This decrease may incorporate laying off workers, selling equipment or resources and shutting down underperforming business departments. Organizations may need to take extra measures
depending upon the consistency of business losses and whether their underlying reduction strategies have decreased the effect of operational losses. (Lister, 2018)

As the profits and income keep on declining, the firm cuts on hiring new employees and may even retrench the existing workforce. The producer may cut down on acquiring new equipment, reduce innovative work with an end goal to cut expenses. Marketing expenditure may likewise be reduced. These cost cutting endeavours will likewise influence different organizations which supply services and materials used by the manufacturer. (Davis, 2014).

### 2.3.3 Possible Bankruptcy

Perennial business losses may lead the firm into bankruptcy. Although various firms attempt to maintain a strategic distance from getting bankrupt through selling the company to competitors and or other interested parties or getting funding to go on with operations, insolvency usually is the last option. Business insolvency can be a very long and burdensome process, contingent upon how big the organisation is, and other aspects relating to the business’ operations. Declaring insolvency may also make financial damages to different organisations in the business environment (Vitez, 2014)

As indicated by Ingram (2014), Organisations that make profit consistently can utilise their cash to support development procedures, for example, entrance in new markets. Firms that incur a loss are well on the way to depend on investors and debt financiers to support their growth. Depending on outside financing is all the more costly when contrasted with utilising retained profits, as the firm will pay premiums, charges and profits for advances and investments which will eventually lead to bankruptcy.

### 2.4 STRATEGIES FOR IMPROVING PROFITABILITY

#### 2.4.1 Market expansion

Expanding to other markets enables the firm to profit by economies of scale which come by a decrease in unit cost of products and thereby improving profitability (Handelsman, 2014). Ashe-Edmunds (2014) depicts that increasing distribution channels improves profitability. Penetrating other markets can greatly help increase sales and profit with no changes to pricing.
and marketing strategies. A new distribution channel improves the consumer market, increase revenue in the process which then boost profits. At the point when the firm’s market share is high the profits of the organization improve. A company that has large share of the market has a good opportunity of getting improved sales which in turn lead to improved profitability (Aql et al, 2014).

2.4.2 Setting the right price

The fastest and best route for a business to realise its maximum level of profitability is through getting its pricing right. The correct pricing improves profitability far more than an other initiative, wrong pricing may decay profits similarly as fast. It is easy for a business to shun strategies on improving pricing because of fear of being alienated or of losing customers, however the effect of avoiding to manage pricing are far more detrimental. (McCormick, 2017)

King(2018) is of the notion that pricing is the right way to expanding profits. He states that if the business values its products well it will overrun its competitors without decreasing its perceived brand quality. For most businesses, on decisions to do with pricing, it turns out that it will be to a greater extent a reflection of their expenses, or rivals' prices than an element of how to deliberately increase the company’s own profitability.

2.4.3 Managing Costs

Decreasing the business’ direct expenses will significantly impact its gross profit. One strategy to reduce the company’s costs is negotiating lower prices or a price discount on every procurement that the company makes (Morgan, 2014). If the products’ quality is the same, getting the best price may mean looking for another supplier. A different approach for diminishing the business’ expenses is through getting rid all unnecessary purchases. A careful look at the business’ direct expenses should highlight any areas where overspending happens.

A decrease in net profit could be a pointer that the organisation is not operating at highest cost-efficiency level. Correcting this issue could include the cutback of employees to lessen the company’s payroll costs or and changes in operational methods to decrease operating expenses and shorten the time it takes to produce products. Failing to streamline the production process and increase efficiency can prompt a further decrease in net profits. (Lister, 2018)
2.4.4 Improving Customer Service

As indicated by Bartolome (2017), the business can manage itself by giving extraordinary customer service. Excellent customer service enables the business to increase its revenue and accordingly profitability. By keeping its customers happy and satisfied, the business can retain them and therefore produce repeat sales.

In support of the role and significance of quality customer service, Tracy (2018) is of the opinion that the most important piece of a business is its reputation with its customers. The business' reputation in the market determines the quantity of products it can sell and the price it can charge. The friendliness of the business' staff and the simplicity of working with it is likewise a key piece of the business’ reputation. The business' credibility with the customers, how much it is considered to be reliable and dependable is what will keep customers returning thereby maintaining and enhancing profitability.

2.5 THE EFFECT OF MARKET SHARE ON BUSINESS PROFITABILITY

Market share refers to a measure of the total level of business a firm has compared to its rival firms in a particular market, (Christ, 2017). Due to a direct association between market share and revenue, expanding market share is the goal for all firms no matter their industry or their size.

Putting aside the fact that the link between a company’s performance and its market share may move in opposite directions. Odunlami and Ogunsji (2013), are confident that there is high and significant impact on profits resulting from market share. In support of this view, Preko (2015) used Chi-squared test and proved that market share can be of great importance in generating profits. The research case was based on TV Africa and it was concluded that give-aways, discounts, warranties, guarantees and other promotional tools impact greatly on the firm’s market share as well as profitability.

The most accepted explanations on why market share unlocks improved profits are market power, experience and economies of scale, (Etale et al). Big companies enjoy cost advantages from economies of scale. Most studies have shown that economies of scale only spread to a small level of the market. Higher efficiency is the cause of differences in profitability among
the firms. The companies that are highly efficient usually become more profitable and gain more market share thus inspire a connecting relationship between profitability and size. Companies that produce quality high value products are the ones that would enjoy market share gains. Companies which are better managed, having superior skills have a competitive advantage and they grow much faster.

The motive behind seeking market share is the achievement of improved profitability, aiding the introduction of new products, improve product loyalty, increase product consumption, reduce the impact of market share, resuscitating the brand image and improve product awareness among customers (Mullin, 2016). In support of the idea, Aqil et al (2014) alluded that when the market share of a company increases, its profitability level is poised to increase because it has good chances of generating more sales.

Olusola (2016), is of the opinion that market share result in high sales to an organisation. He mentioned that one of Nigeria’s biggest companies (MTN) doubled its revenue because of an increase in market share which was brought about by a long period of advertisement. He went on to say that other big companies like Cadbury and Nestle are in accordance with this market share’s resultant force.

2.6 SUMMARY

This chapter aimed at gathering evidence or information from various authors to clarify matters that are pertinent to business profitability. It also looked at the importance of profit to a business, causes of the decline in profits and also the strategies that can be put in place in order to curb profit decline. The chapter had a special focus on the effect of market share on profitability. An in depth understanding of the above attributes was obtained. The next chapter will focus on the research methodology.
CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

Rajasekar et al (2013) outlined methodology as simply a working framework in which facts are put so that their meanings are seen a lot clearly. The chapter highlighted the research methodology that was employed in assembling the data, organising, processing, analysing and presenting it for the purpose of the research on the factors affecting profitability of small to medium enterprises using a case of Novatek Animal Feeds (Pvt) Ltd. The chapter shows how the research was done.

3.1 Research methods

Rodson (2011) outlined that a research design is a plan that is to be employed in a research study that so helps the one carrying out the research on resource allocation. Teo et al (2014) further defined research design as the overall plan that provides a glue intended to consolidate theoretical research problems to related empirical research. They further assert that when selecting the appropriate research design, the objective and nature of the area under study must be taken into account. The researcher opted for the descriptive mixed approach.

3.1.1 Mixed approach

The researcher employed the mixed approach in which qualitative and quantitative research methods are used. A quantitative approach is connected to deductive method of testing theories whereas qualitative approach is associated with inductive testing (Saunders, 2013). Denzin (2015) explained that quantitative approach involves collection of numerical data with the intent to explain, predict and control events of interest whereas qualitative approach give data as words and understanding how the society see the problem. The researcher noted that making use of diverse approaches collectively helps in avoiding overlooking other factors in assessing the ways used independently therefore making it more suitable in analysing factors that affect profitability.
3.1.2 Descriptive research

Burns and Groove (2013) postulated that descriptive research enables the researcher to provide a picture of a situation as it naturally happens and allows the research to simplify the results of the research to a bigger population. Descriptive research strategy is of use in acquiring data with regards to the current state of things to explain what exists with regards to variables in a situation. The approach permits the writer to describe the factors affecting profitability of small to medium firms. The approach was of great help to the researcher in comprehending the problem’s nature as well as describing the problem.

3.2 Case study

Hammand and Wellington (2013) alluded that a case study gives an example of a certain area of study, it is an examination of a unit. They went on to say that it suits studies of a small size where the researcher has certain contextual knowledge and easy access to data that is of great relevance. The researcher used Novatek’s headquarters situated in Bluffhill, Harare. Using a case study was time efficient and convenient, the study focused solely on Novatek’s main branch and headquarters.

3.3 Target population

Witanson (2014) defines target population as the entire well defined group of persons that the research will use to note inferences on the study. The targeted population for this study encompassed departments at Novatek such as the Finance department, Sales department, Production and Logistics department. The total staff aggregated to 35 employees. The table below is showing the population targeted and the population the researcher managed to access.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>TARGET POPULATION</th>
<th>ACCESSIBLE POPULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Questionnaires</td>
</tr>
<tr>
<td>Management</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Accounts staff</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Sales staff</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Production</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>30</td>
</tr>
</tbody>
</table>
3.4 Census

According to Hassan (2013), census can be described as periodic data gathered from the target population as a whole. It is the analysis of a particular population in order to collect data on a the population in a comprehensive way (Hellar, 2014). Furthermore Rani (2012) was in support of the idea that using census in data collection gives an assurance that all item in the population are taken into account in the research. Census was used by the researcher because the targeted population at Novatek was small and closely related.

3.5 Sources of Data

According to Smith (2013) data is factual information in raw or unorganised form used to calculate, analyse or plan something. The researcher used both primary and secondary sources to collect data. In gathering data the researcher made use of primary data through questionnaires in conjunction with interviews and secondary data was gathered through the internet and management reports.

3.5.1 Primary Data

Hassan (2013) stressed the importance of primary data to the study because it is acquired from the target population and therefore it is raw and manipulation free. According to Geru(2015), the researcher has greater control over the study as he has freedom to select his desired location and sample size for the research.

Scotes (2013) defined primary data as data collected directly from first-hand experience without fabrication and is current and raw obtained from the original source. Alwin (2013), defines primary data as records created by someone who contributed at the time when the event in question occurred. Hamilton (2015) goes on to say that they represent a more reliable source of data when compared to secondary sources as the data gathering process is done with the interference from eye witnesses and knowledgeable parties. He further gives examples of primary sources as trials, interviews, questionnaires, open hearings, eye witness records and individual perception. The researcher used questionnaires and interviews to gather essential data from the respondents.
3.5.1.1 Limitations of primary data

Rani(2012), mentioned that secondary data is cheaper as compared to primary data and that primary data consumes a lot of time when collecting it and it may yield false results if conducted improperly. Primary data is prone to the risk of getting false feedback because of a respondent may not give accurate information but will rather give the researcher answers deemed to be more acceptable (Sukumar et al, 2014). Primary data is simply raw data and it is not useful unless it is processed (Greener, 2015).

3.5.2 Secondary Data

Sources of secondary data include databases, archives and company records and they have both processed and raw data. Greener (2015), mentioned that the make up of secondary data include data gathered for primary purposes by other people which is not for the current research. Sources of secondary data include previous studies done by different academics but for their own motives and such data would compliment the current research (Moss, 2016). In this study, the researcher referenced Novatek Animal Feeds’ financial statements and meetings minutes.

3.5.2.1 Merits of Secondary Data

Secondary data sources have an advantage in terms convenience and they have a lower costs overall because the data is easily attainable (Sukumar et al, 2014). Furthermore, Greener (2015) alluded that secondary data sources allows the research to be carried out on large samples and hence improves validity of the results. Secondary sources are way of obtaining data that may not be available through questionnaires and interviews (Moss, 2016).

3.5.2.2 Demerits of secondary data

Secondary data gathered for other purposes may be inappropriate for the current research under study and usually its correctness can be questionable (Hellar, 2014). Geru (2015) secondary data has no control over the quality of its sources. In addition, he alluded that the way secondary data is classified and presented may not meet the needs of the researcher and may leave research questions unanswered.
3.6 Research instruments

Mligo (2016), alluded that research instruments include all ways that allow the researcher to gather data from the field or other place of study. Collecting and analysing data requires the use of different appropriate tools. In this study, the researcher made use of Novatek’s records, questionnaires and lastly interviews as a data gathering tool from the company’s employees and management.

3.6.1 Questionnaires

According to McLeod (2014), questionnaires are a form of an interview in writing. Use of questionnaires was highlighted by Sincero (2012) as a data gathering method about the respondents’ feelings, beliefs, attitudes and knowledge. He went on to say that a questionnaire is an organised compilation of directly related questions towards a sample population from where the data is required. The researcher came up with a number of research study related questions and created the questionnaire in a way that would ensure the obtaining of responses. The researcher made use of closed questions and the Likert scale in questionnaires.

3.6.1.1 Merits of using Questionnaires

Questionnaires are a cheap technique which is easy to administer as they accommodate comparisons because respondents are are given the same questionnaire at the same time and data is collected from a wide population (Hassan, 2013). Adding on, the author alluded that questionnaires provide respondents with anonymity and the room to reconsider their answers and therefore questionnaires reduce bias and errors experienced in an interview.

3.6.2 Interviews

According to Blair (2013), a purposeful discussion among two or more people is what is termed as an interview. He further alluded that an interview is also a verbal communication between a researcher and the participant, with a purpose of gathering relevant data for a study. The interviewer (the researcher) pre-planned the interview questions and therefore, same questions were asked to the respondents. The right and knowledgeable people were interviewed and this was important in obtaining responses which were valuable and useful to the study.
3.6.2.1 Advantages of using Interviews

Interviews allow for flexibility on the part of the interviewer and personal creativity can be put into play to convince management to bear open more on their attitudes and ideas (Cresswell, 2014). According to Geru(2015), interviews consume less time and they allow for more data analysis time. The use of non-verbal skills is possible during interviews, for instance, monitoring the body language of the respondent especially when discussing topics which are sensitive in nature, helps to understand more the answers they give.

3.6.2.2 Disadvantages of using interviews

According to Maruna (2013), interviewing someone requires having a skill to interview the participant while taking down notes quickly and being a good and attentive listener who is always ready to move to the next question immediately. Sukumar et al (2014), also weighed in by alluding that it is expensive to hold an interview since the researcher will have to travel or phone the desired respondents.

3.7 Likert scale

According to Huettner (2015), the Likert scale is a psychometric rating scale questions and the respondents rate a question with respect with how they oppose or concur with the idea. It gives easy choices to respondents who may not have much information about the research topic under consideration. As outlined by Tullis and Albert (2012), the Likert scale permits people filling the questionnaire indicate their level of agreement, disagreement and uncertainty by pointing out where their perceptions, beliefs and attitudes range. The researcher made use of the Likert scale in his questionnaires and the respondents indicated their preferred answer by putting a tick on their preferred answer. The scale was of great help as there were no or yes answers rather it showed the level of feeling of the respondents and this made data analysis easy. The diagram below shows a Likert scale.
Table 3.2 Likert Scale rating

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral/Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Source; Bertram (2015:107)

3.7.1 Merits of using the Likert Scale

According to Guerrero (2012), a Likert scale is an easy technique used in data collection between different participants. In support, Neuman (2013) mentioned that the technique is uncomplicated and its responses are provided in tables.

3.8 Data Validity and Reliability

Data validity and reliability are quantifying instruments which are adopted by a researcher (Heffner, 2014). In support of this view, Noble (2015) alluded that the two are measurement units for assessing different instruments adopted by the researcher so as to restrict error and bias to lowest level possible.

3.8.1 Validity

According to Heffner (2014), the extent a research instrument collects data in accordance with the plan is referred to as validity. In support Noble (2015) views validity as the integrity of the used research model. Validity shows the real aspects that the data has and what the target population perceive of the research subject.

3.8.2 Reliability

Reliability is the reasonableness of the ideas of the research method. It is the characteristic that makes the research model come up with the same results if applied to a similar scenario (Noble, 2015). In this research, the researcher used reliable techniques which were once used by different researchers in similar research topics.
3.9 Data Analysis and Presentation

Data presentation forms a crucial part for a meaningful research that is illustrative, Merriam (2014). The data was collected using questionnaires, interviews and secondary data sources. The researcher made use of qualitative and quantitative methods to present and analyse data. The collected data was presented using tables, graphs and pie-charts had to be analysed and presented.

3.10 Ethical considerations

When conducting research, confidentiality and anonymity are important ethical considerations that need to be upheld. Participants need to be assured that data collected will be treated with confidentiality and all their identities to remain anonymous. For this research to be approved, necessary ethical considerations had to be prioritized. Cooper and Schindler (2014) mentioned that ethics are behavioural standards and norms shaping moral choices on a person’s behaviour and his/her interaction with others. The objective of ethics in a research is to make sure that no harm is suffered by anyone as a result of the research activity.

3.11 Summary

The chapter focused on the research techniques employed by the researcher and the research instruments that were used were highlighted. Data collection methods’ merits and demerits were discussed as well. Chapter Four will deal with the analysis and presentation of collected data.
CHAPTER 4
DATA PRESENTATION AND ANALYSIS

4.0 Introduction
In this chapter the focus is on the presentation and analysis of data gathered from Novatek Animal Feeds (Pvt) Ltd through the use of questionnaires, interviews and secondary data sources. The chapter focused on meeting research objectives and answering research questions. Raw data was presented with the use of graphs, tables and pie charts for easy understanding.

4.1 Questionnaire response rate
The researcher administered thirty questionnaires in total. Of the thirty, twenty-four were responded to with the remaining six questionnaires failing.

Table 4.1 Questionnaire response rate

<table>
<thead>
<tr>
<th>Participants</th>
<th>Disseminated</th>
<th>Responded to</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>6</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>2</td>
<td>1</td>
<td>50%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>10</td>
<td>8</td>
<td>80%</td>
</tr>
<tr>
<td>Production</td>
<td>12</td>
<td>9</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>24</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: Primary Data

Table 4.1 above shows that, out of the administered thirty questionnaires only twenty-four had been responded when and the researcher collected them. The majority of the questionnaires were responded to and the response rate was 80%. The response rate was possibly this successful because of the suitable sampling technique applied and the promise of anonymity that was strongly guaranteed to the respondents. The participants who failed to respond to the questionnaires clearly explained unavailability of time due to busy schedules. According to Fincham (2015) for research findings to be reliable a questionnaire has to reach or exceed 60% response rate. Therefore with a response rate of 80% the research findings can be regarded as reliable.
4.2 Findings from the questionnaires

Question 1 : Position at Novatek

Table 4.2 Showing responses for question 1

<table>
<thead>
<tr>
<th>Position /Department</th>
<th>Respondent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Manager</td>
<td>1</td>
<td>4.2%</td>
</tr>
<tr>
<td>Accounts</td>
<td>6</td>
<td>25%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>8</td>
<td>33.3%</td>
</tr>
<tr>
<td>Human Resource Manager</td>
<td>1</td>
<td>4.2%</td>
</tr>
<tr>
<td>Production Manager</td>
<td>1</td>
<td>4.2%</td>
</tr>
<tr>
<td>Production staff</td>
<td>8</td>
<td>33.3%</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.2 shows that the highest number of respondents as per department were production staff which made up 35%. Accounts department had 25%, Sales department had 15% followed by Operations department which had 10% . Finance Manager , Human Resources department and production manager had one respondent each and thereby contributing 5% apiece .In aggregate 65% of the respondents have managerial or accounting positions which means that they are better placed to know more about the ongoings of the company as a whole.

Question 2 : Duration at Novatek

Table 4.3 Showing responses for question 2

<table>
<thead>
<tr>
<th>Number of years</th>
<th>0 &lt; 1year</th>
<th>1 &lt; 3years</th>
<th>4 &lt; 6years</th>
<th>6years&lt;</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>4</td>
<td>4</td>
<td>10</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>Percentage</td>
<td>16.7%</td>
<td>16.7%</td>
<td>41.7%</td>
<td>25%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

Table 4.3 portrays that the greatest number of respondents which is 41.7% (10/24) have been with Novatek for 4 to 6 years and they are better placed to know more since they are the ones to have witnessed growth and deline of the company. Four of the twenty-four have been at the
firm for less than a year, and another four have been there for between a year to three years. Of the respondents 25% have been with the company since its year of inception.

The mode of the respondents lies between 4 to 6 years. In this case the responses given by the participants is likely to be reliable because the highest number of the respondents experienced the bigger part of the company’s life, i.e. from its inception. (Kothari, 2014)

Question 3: Highest Level of Education of Respondents

Table 4.4 Showing responses for question 3

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>High school level</th>
<th>Certificate level</th>
<th>Diploma Level</th>
<th>Undergraduate degree level</th>
<th>Master’s degree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>10</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>Percentage</td>
<td>20.8%</td>
<td>16.7%</td>
<td>12.5%</td>
<td>41.7%</td>
<td>8.3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.4 portrays that the highest number of respondents which is 41.7% has a university degree, 8.3% have master’s degree and 12.5% hold a diploma. Four respondents hold a certificate and five respondents only had a high school education. Since the 62.5% of respondents have a diploma or better, it means that they should have at least a reasonable understanding of business and profitability.

Question 4: Level of knowledge in terms of Profitability

Table 4.5 Showing responses for question 4

<table>
<thead>
<tr>
<th>Level of Knowledge</th>
<th>Moderate</th>
<th>Good</th>
<th>Very Good</th>
<th>Excellent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>24</td>
</tr>
<tr>
<td>Percentage</td>
<td>25%</td>
<td>16.7%</td>
<td>25%</td>
<td>33.3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary Source
The above table shows that all the respondents have a certain level of business profitability, though it varies from being moderate to excellent. The respondents who indicated that they have an excellent knowledge on profitability were 33.3% and this figure signifies the mode for the respondents. Another 16.7% of the respondents (4/24) have a good knowledge of business profitability. 25% of the respondents have either moderate or very good knowledge on business profitability.

Having all respondents with business profitability knowledge made the research findings more reliable since all participants are expected to fully understand the questions on profitability.

Question 5: The importance of profitability

Table 4.6 Showing responses for question 5A

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For expansion</td>
<td>9</td>
<td>10</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Percentage</td>
<td>37.5%</td>
<td>41.7%</td>
<td>20.8%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.6 portrays that 37.5% strongly agree that profitability is important for Novatek’s expansion. Majority of the respondents which was 41.7% also support the notion of profitability being a factor important in business expansion and 20.8% are neutral. None of the respondents are disagreed that profitability is important for business expansion.

Overall, 79.2% of the respondents are in agreement with the idea that profitability is important for expansion. All of the interviewees also supported the idea of business expansion. This view is in line with Johnson (2018), who says making a profit is essential for business expansion.
Table 4.7 Showing responses for question 5B

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. To attract investors</td>
<td>12</td>
<td>9</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Percentage</td>
<td>50%</td>
<td>37.5%</td>
<td>12.5%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.7 illustrates that half of the respondents (50%) strongly agree that profitability is essential in attracting investors. The respondents who indicated that they agree to the notion that profitability is important in attracting investors made up 37.5%. However, 12.5% of the respondents were uncertain if profitability attract investors.

Coombes(2016), alluded that without profits it is fairly impossible to attract investors because investors are attracted to profits. This view is supported by 87.5% of the respondents were in favour of.

Table 4.8 Showing responses for question 5C

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. To secure debt financing</td>
<td>14</td>
<td>9</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Percentage</td>
<td>58.3%</td>
<td>37.5%</td>
<td>4.2%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.8 depicts that 58.3% (14/24) of the respondents strongly agree that profitability is important in securing debt financing and 37.5% (9/24) agree that profits are important in securing debt finance. Only one respondent (4.2%) was neutral on whether profits are important in securing debt finance.

Overall, 95.8% (23/24) of the respondents are in support of the view that profits are important for securing debt finance. Harbour(2017) is in support of this view, he mentions that it is
difficult for a business not making a profit to secure debt finance. Providers of debt finance normally see businesses that are not making a profit as having a risk for defaulting.

Question 6: What may be the causes of a decline in profitability at Novatek?

*Table 4. 9 Showing responses for question 6A*

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Inadequate distribution</td>
<td>8</td>
<td>11</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Channels</td>
<td>33.3%</td>
<td>45.8%</td>
<td>12.5%</td>
<td>8.3%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.9 shows that 33.3% of the respondents strongly agree and 45.8% agree that inadequate distribution channels cause a decline in profitability at Novatek. On the other hand, 12.5% of the respondents are uncertain, 8.3% disagree and no respondent strongly disagree that inadequate distribution channels cause a decline in profitability.

Majority of the respondents which is 79.1% (19/24) of the respondents are of the view that inadequate distribution channels are a cause of profit decline. Handelsmann(2014), purports that products must be available to a larger geographical audience and inability to fulfil the demand on the market would gradually eat into profits.

*Table 4.10 Showing responses for question 6B*

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Increased Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>12</td>
<td>9</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>50%</td>
<td>37.5%</td>
<td>0%</td>
<td>12.5%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Table 4.10 illustrates that 50% (12/24) of the respondents strongly agree and 37.5% (9/24) agree to the suggestion that increased production costs cause profit decline. However, 12.5% (3/24) of the respondents disagree that increased production cost cause a decline in profits.

Morgan (2014) is of the view that production costs directly affect profits and their increase means more is taken from profits. This view is in line with what 87.5% of the respondents were in agreement to increased production costs cause a profit decline. Majority of the interviewed respondents also pointed out increased production costs as a factor affecting profitability.

Table 4. 11 Showing responses for question 6

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Shrinking Market</td>
<td>7</td>
<td>10</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Share</td>
<td>29.2%</td>
<td>41.7%</td>
<td>16.7%</td>
<td>12.5%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.11 illustrates that 29.2% (7/24) and 41.7% (10/24) strongly agree and agree respectively that shrinking market is a cause of decline in profits at Novatek. On the other hand 16.7% (4/24) of the respondents are uncertain and 12.5% (3/24) disagree.

Majority of the respondents 70.9% (17/24) were in support of the view that a shrinking market share may lead to a decline in profitability. This view is supported by Aqil et al (2014) who purports that a high market share is a major factor that has a great influence on profitability and hence its decline leads to a decline in profits. One interviewee also mentioned shrinking market share as a factor causing decline in profitability.
Table 4. 12 Showing responses for question 6D

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Increased Competition</td>
<td>5</td>
<td>8</td>
<td>6</td>
<td>1</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>20.8%</td>
<td>33.3%</td>
<td>25%</td>
<td>4.2%</td>
<td>16.7%</td>
<td>100%</td>
</tr>
</tbody>
</table>

As shown by table 4.12, all of the respondents had a different opinion on increased competition being a cause for decline in profitability. The respondents who strongly agreed were 20.8% (5/24), 33.3% (8/24) agreed and 25% (6/24) of the respondents were uncertain. On the other side 4.2% (1/24) of the respondents’ position was that they disagree and another 16.7% (4/24) strongly disagreed.

Odhiambo et al(2015) is of the view that increased competition may reduce profitability and profucivity of the firm. This is in line with what 54.1% of the respondents were in favour of by indicating being in agreement with the view in mention.

Question 7 : What are the effects of a decline in Profitability ?

Figure 4. 1 Showing responses for question 7A
Figure 4.1 illustrates that all of the respondents were in agreement with the suggestion that a decline in profitability leads to the company’s inability to pay off debts. 50% (12/24) of the respondents strongly agree and 50% agree to the statement. No single respondent was against the aforementioned statement.

Harbour(2017) states that as profits decline, the harder it will be for the firm to pay off its debts. The mentioned author is in support of the notion that decline in profitability leads to inability to pay off debts and all employees indicated the same. Pirraglia (2014) also shared a similar view when he mentioned that declining profit impacts on the company’s ability to meet debt obligations. The author’s views were supported by the majority of the interviewees who also went on to say that even access to debt finance will be difficult.

Table 4.13 Showing responses for question 7B

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Decline in the</td>
<td>14</td>
<td>9</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>company’s operations</td>
<td>58.3%</td>
<td>37.5%</td>
<td>4.2%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.13 shows that 58.3% of the respondents strongly agree that a decline in profitability leads to a decline in the firm’s operations. 37.5% agree and 4.2% are neutral on this purported effect of a decline in profitability. All in all 95.8% of the respondents were in agreement.

To support the view shared by the respondents, Lister(2018) alluded that a decline in profitability would affect operations negatively e.g. reduction of operational output and downsizing the workforce.
Table 4.14 Showing responses for question 7C

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Possible Bankruptcy</td>
<td>7</td>
<td>9</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>29.2%</td>
<td>37.5%</td>
<td>25%</td>
<td>8.3%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.14 above shows that a total of 66.7% (16/24) were in agreement with the idea that a decline in profitability leads to possible bankruptcy of the company, 29.2% (7/24) strongly agree and 37.5% (9/24) agree. The respondents are neutral on disagreeing and agreeing make up 25% (6/24) and 8.3% of the respondents disagree.

Vitez (2014), stated that consistent business losses lead to bankruptcy as the business may try to sustain itself through outside funding rather than retained profits.

**Question 8 : What strategies may be used to improve profitability?**

Figure 4.2 Showing responses for question 8A

A. Market expansion
Figure 4.2 shows that all respondents were divided on having market expansion as a strategy on improving profitability. 41.7% (10/24) of the respondents strongly agree and another 41.7% (10/24) agree to the notion that market expansion improves profitability. 12.5% of the respondents agree and the remaining 4.2% (1/24) strongly disagree.

Handelsman (2014), mentioned that expanding into new markets leads to economies of scale which will in turn provide added profit improvement. The author has the same view as the 83.4% of the respondents. Half of the interviewees also suggested market expansion as a strategy for improving profitability.

Table 4.15 Showing responses for question 8B

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Setting the right</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Price</td>
<td>29.2%</td>
<td>41.7%</td>
<td>29.2%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.15 illustrates that 29.2% strongly agree and 41.7% agree that setting the right price will improve profitability. Of the respondents 29.2% (7/24) were uncertain on whether setting the right price would improve profitability.

McCormick (2017) stated the fastest and most effective way for a company to realise its maximum profitability is to get its pricing right. King (2018) is also of the notion that right pricing improves profitability. The two authors are in agreement with what 70.9% of the respondents indicated.
Table 4.16 Showing responses for question 8C

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Managing Costs</td>
<td>11</td>
<td>10</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>45.8%</td>
<td>41.7%</td>
<td>12.5%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.16 shows that a total of 87.5% are in support of managing costs as a strategy of improving profitability, 45.8% strongly agree and 41.7% agree. The remaining 12.5% were uncertain on whether cost management would improve profitability.

Lister (2018), stated that decreasing profits is a sign that costs are not efficiently managed and managing cost effectively may improve the company’s profits. In support, one interviewee suggested cost management as a way of safeguarding profitability.

Table 4.17 Showing responses for question 8D

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Improving</td>
<td>12</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>customer Service</td>
<td>50%</td>
<td>25%</td>
<td>25%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.17 shows that no respondent disagreed to the idea that improving customer service would improve profitability. 50% strongly agree, 25% agree and 25% were neutral or uncertain on the impact of the strategy in discussion.

A total of 75% of the respondents are in favour of improving the customer service at the firm. Their view is supported by Bartolome (2017), who mentioned that excellent customer service helps the business increase its revenues and therefore profits.
Question 9: How does market share affect profitability?

Table 4.18 Showing responses for question 9A

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. High market share leads to increased sales</td>
<td>4</td>
<td>8</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>24</td>
</tr>
</tbody>
</table>

Figure 4.3 Showing responses for question 9A

Figure 4.3 illustrates that only a total of 50% support the idea that high market share lead to increased sales and it is made up of 16.7% who strongly agree and 33.3% who agree. 20.8% of the respondents were neutral, 16.7% disagree and 12.5% strongly disagree.
Christ(2017) was of the idea that increased market share means increase in sales and increasing market share is a common goal for many businesses.

Table 4. 19 Showing responses for question 9B

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. High market share will</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>lead to economies of scale</td>
<td>33.3%</td>
<td>33.3%</td>
<td>0%</td>
<td>16.7%</td>
<td>16.7%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.19 shows that 33.3% strongly agree that high market share will lead to economies of scale, 33.3% agree with the idea. 16.7% of the respondents strongly disagree and 16.7% disagree. In aggregate 70% of the respondents were in favour of the idea and 30% were not in support it.

Etale et al(2016), mentioned that high market share leads to high economies of scale for the firm. The view of the mentioned author is in agreement with what 66.6% of the respondents indicated.

Table 4. 20 Showing responses for question 9C

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. High market share does</td>
<td>13</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>not always lead to high</td>
<td>54.2%</td>
<td>45.8%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>profits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.20 above shows that all respondents are in support OF the notion that high market share does not always lead to high profits. 54.2% strongly agree and 45.8% agree to the idea.
All the respondents were in agreement with the statement that high market share does not always lead to high profits. In support of the aforementioned statement, Kotler and Brow (2013) were of the opinion that higher market share does not give an assurance of getting high profits. In an effort to gain market share the company may experience costs that are above the returns, this will not result in an increase in profits.

4.3 INTERVIEW QUESTIONS RESPONSE

Interview Response rate

The researcher planned to conduct five interviews but managed to hold four. The Finance Manager, Human Resources manager, Sales Manager and Production Manager were the individuals interviewed. The Managing Director was not available.

Table 4.21: Response rate

<table>
<thead>
<tr>
<th>Participants</th>
<th>Arranged</th>
<th>Conducted</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing director</td>
<td>1</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Finance Manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Sales Manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Production Manager</td>
<td>1</td>
<td>1</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>4</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: Primary data

On interviews, the researcher focused mainly on those in management. The overall response rate was 80%. The researcher could not get hold of the Managing director and the assistant sales manager who were busy with other commitments elsewhere.
4.3.1 In your opinion what are the factors that are affecting profitability at your company?

This question seeks to establish different factors that the interviewees view as affecting Novatek’s profitability. The interviewees stated different factors which they deem to impact on the company’s profit. Half of the respondents stated that sales, costs of sales, production costs, labour costs and finance costs. The mentioned factors were also supported by different authors including Morgan (2014) who alluded that the cost of goods sold directly affects the gross profit.

However, the other half of the respondents pointed out other factors other costs and revenue to be influencers of profits. They pointed out distribution channels, market share and customer service to be major influencers of profitability at a company. This confirms the indications made in questionnaires i.e. question 6, 8 and 9. The respondents had indicated the importance of distribution channels, market share in improving profits. This was further supported by Aqil eta al (2014) who stated that a firm that has a high market share stands a chance to generate more sales and receive huge profits.

4.3.2 What can you say are the causes of the decline in profitability at your company?

The objective of this question is for the interviewees to mention the perceived factors that cause the company’s profits to fall. The responses from the respondents are summarised from the following paragraph.

Majority of the respondents emphasised on the ever-increasing costs of doing business prevailing in the country as the main reason for falling profits. They pointed out higher costs of acquiring inputs especially the ones which are not available locally. The raw materials which are imported are now even harder to get into the country as the local banks are finding it difficult to make payments on time. This is further supported by the Zimbabwe Poultry Report (2017) which mentioned that poultry companies are having a difficult time servicing foreign bills.

Minority of the respondents dwell on different factors such as falling revenue and dwindling market share as factors leading to a profit decline. They blamed chick diseases such as avian influenza for the fall in feed sales. On the falling market share, they pointed the spiralling new entrants into the industry which then increase the level of competition and take a share of the
market. In support of the reasons stated above, Odhiambo et al (2015) is of the opinion that due to competition companies may face a decrease in profits and in productivity as a result a negative relationship between competition and profitability is created.

4.3.2 What are the effects of this decline on the overall performance of the business?

On this question the respondents were expected to outline the effects being experienced due to decreasing level of profitability. There were different effects named by the respondents and they are summarised as below.

One interviewee pointed out budget cuts, late debt payments and difficulties in securing debt finance as some of the unavoidable effects of falling profitability of a company. The respondent mentioned that banks and other financial institutions often look at you financial performance and its trends first before deciding on giving a loan. These views are echoed by Harbour (2017) who alludes that as profitability declines, the likelihood of a business's losses eating into its ability to pay its short-term and long-term obligations increases.

Another pointed out a stop in hiring new employees even when necessary and the fall in employees’ morale once they know that the company’s profits are declining consistently. She said that the fall in employees’ morale will also impact on their productivity which will in turn affect production. The interviewee’s view are supported by Pirraglia (2014) who states that if the declining net profit continues, employees will find out and this often hurts the morale and motivates valuable personnel to find new employment. Davis (2014) alluded that as the profits and revenue continue to decline, the firm cuts on hiring new employees and may even retrench the existing workers.

Half of the interviewees (50%) pointed out cost cutting as one of the effects of declining profitability. Costs cuts resulted in reduced marketing budget and no new investments in production equipment. These measures meant that the company would lag behind in terms of production efficiency and in promoting new products. In support of the above views, Davis (2014) expressed that the manufacturer may cut on purchasing new equipment, curtail research and development in an effort to cut costs.
4.3.3 What strategies can be used to improve the overall performance of your business?

On this question the interviewees are expected to give suggestions on ways they think may improve Novatek’s profit levels. The responses of the interviewees are given form the paragraph below.

Half of the interviewees suggested that the company should work on expanding its market share by increasing the distribution channels having sales promotions. One interviewee mentioned that customers are being taken by competitors who are setting up agents and shops closer to the customer base. “Other competitors are promoting their feed sales by making feed a prerequisite purchase before one buys day old chicks”, said another respondent. The sentiments of the respondents are echoed by Ashe-Edmunds (2014) who alluded that expanding the distribution channels increases profits and new distribution channel increases the consumer market thereby increasing sales, which in turn boosts profits.

Another half of the respondents emphasised on cost management as a strategy to improve profitability. One respondent said a company cannot control the revenue it gets but it surely has a say on the level of cost they get at the end of each period. Another respondent even pinpointed that costs are not only reduced or controlled for things in the organisation but the company can always reduce their purchasing cost through price negotiations with suppliers. In support of the mentioned suggestion, Lister(2018) alluded that failing to manage production cost and being cost efficient leads to a further decline in profits.

4.3.4 What is your view on expanding to new markets?

The aim of this question was to get the interviewees position on the idea of the company expanding to new markets. All the respondents were in support of the idea of market expansion as they all believe that there is still untapped potential market especially with new products such as Boschveld roadrunner chicks gaining much public attention. They also mentioned the importance being as close as possible to their existing and potential customers which in turn increase revenue for Novatek and lower transport costs for the customer. In support of the view of the respondents, Handelsman(2014) alluded that market expansion leads to economies of scale which in turn leads to improved profitability.
4.3.6 What, in your own opinion, should be done by the organization to manage profit more effectively?

The question aims at getting the views of the respondents regarding ways they think are best suitable for the effective management of company profits. The responses from the interviewees are as follows:

Majority of the respondents think that focusing on improving revenue is the best way to go. They suggested that revenue may be improved by expanding the market, sales promotions and introduction of new products. Market expansion has a potential of increasing revenue which in turn would increase profits. “Sales promotions and introduction of new products are meant to attract new customers to the firm as well as keeping the ones we already have, hence increasing our revenue figures in the process,” said one respondent.

Minority of the interviewees emphasised on safeguarding the revenue the company gets by having an effective costs management system. They mentioned that since the country’s business environment is harsh, it is wise for Novatek to make good of the revenue they get by spending it carefully on things that grow the company.

4.4 Summary

The chapter focused on data analysis, presentation and the interpretation of data collected. It analysed the responses from questionnaires and interviews. The data collected was presented on graphs, tables and charts. Chapter 5 will summarise the research, give conclusions and recommendations.
CHAPTER 5
MAJOR RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter will deal with the summary of chapters, conclusions and recommendations based on the research objectives and questions as well as the major research findings in relation to literature by various authors. The researcher will also propose areas of further study.

5.1 Chapter Summaries
Chapter One presented the background of the study, statement of the problem and the research topic as the study of factors affecting profitability of Novatek Animal Feeds (Pvt) Ltd in a growing industry. Furthermore, chapter one revealed the research questions, research objectives and the significance of the study to various parties. Delimitations and limitations of the study were also revealed in this chapter.

Chapter Two identified literature related to this study which has already been published by various authors. The chapter highlighted what the experts say are the causes of profit decline, the effects of a decline in profitability, the importance of profitability to a business, the importance of market share on profitability, the strategies that can be used to curb profit decline. The chapter also looked at what can be done to manage profits more effectively. The major authors included Aqil et al (2014), Johnson (2018) and Vitez (2014).

Chapter Three displayed the research methodology that was used by the researcher. The researcher used the case study approach. This is because this approach focuses on one or few instances of a particular phenomenon with a view of providing an in-depth account of events taking place in that particular instance. Data collection instruments such as questionnaires and interviews were used to get results from respondents ince they are more reliable. The researcher held interviews only with the management personnel.

Chapter Four presented data and analysed the data gathered. Both questionnaire response rate and interview response rate were 80%. Data was presented using tables, charts and graphs.
Conclusions were made basing on the mode of the responses given. Interview responses were also summarised in this chapter.

5.1 Major Findings

5.1.1 Importance of Profitability

It was noted that being profitable provides a platform for making more future profits. For profitable companies, working capital is easily accessible through financial institutions unlike for unprofitable organisations. The researcher found out that profitability is important for business expansion, acquiring debt finance and attracting investments.

5.1.2 Causes of a profit decline

A number of causes of a decline in profitability were cited by the respondents. They included inadequate distribution channels, increased cost of production, shrinking market share and increased competition. The large number of respondents pointed out the decline in market share as the major cause of the decline in profitability as it also leads to a fall in revenue.

5.1.3 Effects of a decline in profitability

The respondents cited a number of effects which came about due to a decline profitability. These effects included the company’s inability to pay debts, a decline in the company’s operations e.g. cutting down on workforce, inability to purchase much needed production equipment and low employee morale.

5.1.4 Strategies that may be used to improve profitability

The researcher found out that most suggestions had to do with the expanding the market share and managing costs more effectively. It was suggested that the company should move to other places around the country so as to tap into the potential market there. By expanding the market the company is poised to earn more revenue.
5.1.5 What should be done to manage profits effectively?

The researcher found out that to manage profits more effectively the company must find ways to make more revenue e.g. through sales promotions. It was pointed out that the company has to manage its costs more efficiently.

5.2 CONCLUSION

The research focused on the factors affecting profitability of small to medium enterprises using Novatek Animal Feeds (Pvt) Ltd. All the research objectives were attended to, leading to the success of the research.

5.3 Recommendations

- The company should work on expanding its market. Handelsman (2014), alluded that expanding to new markets allows the business to benefit from economies of scale that were formerly unobtainable, thereby providing added profit improvement. Targeting a new market significantly boost sales and revenue without any alterations to pricing and marketing strategy (Ashe-Edmunds, 2014).

- The company must train its staff about cost minimisation measures. A constant review on whether these measures are still effective must be done and implement or teach the employees on the better and perceived effective measures. Lister (2018), supported cost management initiatives citing that, without controlling costs the profits would continue to fall.

- The company must improve the quality of its products and services so as to fight off growing competition. Majority of the participants indicated that increased competition is a factor that leads to a decrease in profitability. Wang et al (2014) indicated that a company's profits can have a positive relationship with competition if the company produces quality products.

- The company must create adequate distribution channels. According to Vitez (2014), inadequate distribution channels affect profitability negatively because the company will not be able to fully meet the customer demand in the market.
5.4 SUGGESTED AREAS OF FURTHER STUDY

Profitability is a universal goal for every company doing business, small or big. Factors that affect profitability do not only affect Small to Medium Enterprises in the production and retail industry, they also affect large firms in different industries. The suggested further area of study is on the factors affecting profitability of firms in the service industry, for example in the telecommunications industry.
REFERENCE LIST

JOURNALS


Mligo, E.S. (2016) Introduction to research methods and report writing a practical guide for students and research in social sciences and Humanities, Eugene: Resource Publication.


BOOKS


ONLINE SOURCES


Bruce Coombes, (2016). *Why cashflow can be more important than profit* Available at https://www.accountantsdaily.com.au/columns/9285-why-cash-flow-can-be-more-important-than-profit (accessed 14/03/2018 at 1148hrs)


APPENDICES

APPENDIX 1: Seeking permission to carry out a Research

Midlands State University
P Bag 9055
Gweru
19/04/2018
Novatek Animal Feeds
27 Kenmark Crescent ,Bluffhill Industrial Park
Harare
Dear Sir/Madam

RE: Request to carry out an academic research in your organisation.

My name is Takudzwa Svova, a fourth year student studying a Bachelor of Commerce Accounting (Honours) degree at the Midlands State University. In partial fulfilment of the requirements of the above stated degree, I am carrying out a study on factors affecting profitability of small to medium enterprises in a growing industry using Novatek as a case study. As a result, I am seeking permission to carry out a research at your organisation.

Kindly note that you have my assurance that the data obtained in the research shall be used for academic purposes only. Confidentiality shall be maintained.

Yours sincerely

Takudzwa Svova
R146754B
Appendix 2: Letter of request

Midlands State University

P O Box 9055

Gweru

Novatek Animal Feeds (Pvt)

27 Kenmark Crescent , Bluffhill Industrial Park

Harare

19/04/18

Dear: Respondent

REF: REQUEST TO RESPOND TO QUESTIONNAIRES

My name is Takudzwa Svova, a fourth year student at Midlands State University (MSU). I am currently undertaking a study on the factors affecting profitability of small to medium enterprises in a growing industry. This is being done in partial fulfilment of the Bachelor of Commerce Accounting (Honours) degree.

I kindly request you to assist by responding to questions in the questionnaires attached and any data provided will be treated as confidential and used for academic purposes only.

Your effort in answering this questionnaire is greatly appreciated.

Yours faithfully

Takudzwa Svova(R146754B)
APPENDIX 3
Section A

Instructions for completion
Tick where appropriate and use ticks only in each given box

1. What is your position at Novatek Animal Feeds Pvt Ltd

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
</table>
a. Managing Director |   |
b. Finance Manager |   |
c. Senior Bookkeeper |   |
d. Accounts Clerk |   |
e. Sales Manager |   |
f. Operations Manager |   |
g. Logistics Manager |   |
h. Human Resource Manager |   |
i. Production Manager |   |
k. General staff |   |
2. For how long have you been working at Novatek?

Less than one year

1-3 years

4-6 years

More than 6 years

3. Of the following qualification what is your highest level of education:

a. High school education

b. Certificate level

c. Diploma level

d. Undergraduate degree level

e. Master’s degree level

f. Others specify……………………………

4. How is your level of knowledge in terms of business profitability?

Moderate
1 **What is the importance of profitability?**

<table>
<thead>
<tr>
<th>Answer</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Making a profit essential for Novatek’s expansion</td>
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<tr>
<td>b)</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>c) Securing debt finance</td>
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<td></td>
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<tr>
<td>d) Attract investors</td>
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</tbody>
</table>
2 What are the causes of profit decline at Novatek?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Inadequate distribution channels</td>
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<td>b) Increased in cost of production</td>
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<td>c) Shrinking market share</td>
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<tr>
<td>d) Increased Competition</td>
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</tbody>
</table>

3 What are the effects of a decline in Profitability?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Inability to pay off debts</td>
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<td>b) Decline in the company’s operations</td>
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<tr>
<td>d) Possible Bankruptcy</td>
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</tbody>
</table>
### 4 What strategies may be used to improve profitability?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Market expansion</td>
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<td>b) Setting the right price</td>
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<td>c) Managing costs</td>
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<tr>
<td>d) Improving customer service</td>
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</tbody>
</table>

### 5 How does market share affect profitability?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) High market share will lead to increased sales</td>
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<tr>
<td>b) High market share will lead to economies of scale for Novatek which will in turn increase profitability</td>
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</tr>
</tbody>
</table>
d) High market share does not always lead to high profits

Any other comment

Thank you
APPENDIX 4: INTERVIEW GUIDE

1. In your opinion what are the factors that are affecting profitability in your company?

2. What can you say are the causes of the decline in profitability at your company?

3. What are the effects of this decline on the overall performance of the business?

4. What strategies can be used to improve the overall performance of your business?

5. What is your view on expanding to new markets?

6. What, in your own opinion, should be done by the organization to manage profit more effectively?