



Research Article

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Assessing the Effectiveness of Human Resource Management in Creating Organisational Competitiveness in a South African State-Owned Enterprise

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Abstract

South African state-owned enterprises (SOEs) have been underperforming for the past decade riddled with poor service delivery, employee retrenchments, lack of employee motivation and inability to embrace innovative approaches in management of business. There has been a call from the South African government for SOEs to self-renew and become effective in service delivery. As a result the role of human resource management (HRM) assist organisations to become effective through the use of innovative human resource practices. This paper is an investigation carried out at a selected South African SOE to determine the effectiveness of HRM in creating organisational competitiveness. A qualitative research approach was adopted where interviews were used to gather data from the company's human resource practitioners and departmental heads. Non-probability sampling was used and 24 participants were purposively selected. The study revealed that HR practitioners do not participate in policy reviews whereas their skills are underutilised, they lack latest technology and it was noted that there is excessive control from high authorities.

Keywords: Human Resource, state-owned enterprise, labour turnover, policy review, e-HRM

1. Introduction

State Owned Enterprises (SOEs) in South Africa have become a subject of concern today as they have drawn criticism around the country due to poor performance leading to financial losses. On the 20th of January 2020, the South African President Cyril Ramaphosa stated that, "we must examine the institutional design that should continue to support SOEs and their developmental mandates and there

should be greater and more effective attention of operational efficiency, integrity and functionality of our SOEs, and ensuring that people who are fit for purpose are appointed to various positions,” (Erasmus 2020). Ogunyomi and Bruning (2016) indicated that human resource management positively affects organisational performance. This implies that HRM plays a vital role in creating organisational competitiveness. Mkhabela (2019) provided that the strategic importance of the South African SOEs has been overshadowed by inefficiency. Similarly, (Omarjee 2019) stated that there is need to reform, reposition and revitalise SOEs to fulfil their role in driving economic growth and development. Employees and how they are being managed in organisations are becoming a vital source of organisational competitiveness (Al-rfou and Trawneh 2010). Thus Human Resource Management can be an important source of competitive advantage as they ensure that employees are properly trained, skilled employees are hired and employee retention strategies are implemented for organisational competitiveness. The South African Broadcasting Corporation (SABC) had a net loss of R622m for the 2017/ 2018 financial year and the Group CEO reported that one of the biggest cost drivers is the salary bill which is not sustainable. This has caused the enterprise to consider retrenchment in year the 2018 as a cost-cutting measure (Ngqakamba 2018). Similarly, Eybers (2017) reported that PetroSA began a process of laying-off 15% of its employees in trying to maintain the operations of the struggling state oil company. Due to poor organisational performance, the entity’s revenue was 34% lower in the year 2016 and 2017 than in the previous financial year, while sales decreased by R3.4billion compared to the 2015 and 2016 financial year (Peyper 2017). Despite this poor performance, PetroSA in its cost-cutting measures, wants to get rid of engineers which are critical skills in the organisation (Eybers 2017). South African Airways (SAA) has been cutting operating costs in order to stay in business which worries the company trade unions as expressed by Congress of South African Trade Unions (COSATU) that the cost-cutting measures at national carrier SAA could lead to job losses (Peyper 2017). This suggests that SAA is struggling to make profit for its survival for competitive advantage. Mintek 2014 Annual Report stated that the category that had the highest number of resignations was that of skilled technical, academically qualified, junior management and supervisors. The most cited reasons given in exit interviews were the quest for innovation, pursuit of further studies and a lack of career growth. Labour turnover for the year 2014 amounted to 8.9% in the skilled technical, academically qualified, junior management and supervisors. (Mintek Annual Report 2014:31).

2. Research Problem

South African state-owned enterprises are experiencing problems such as unequal opportunity, unskilled labour, worker motivation, brain drain, unemployment and human development index which affect their competitiveness (Omarjee, 2018). This is supported by Bloomberg (2017) when reported that key state organisations that are playing an important role in driving the economy of South Africa are performing poorly due to high staff turnover which threatens their financial viability. Thus Erasmus, Strydom and Rudansky-Kloppers (2017:330) reiterated that, in the South African context, one of the crucial roles of the human resource manager is to improve the skills base of employees and to contribute to profitability of the organisation. It is therefore imperative to examine the effectiveness of Human Resource Management in obtaining organisational competitiveness in a South African state-owned enterprise.

3. Literature Review

Marler and Parry (2016) asserted that in this strategic HRM conception, the term ‘making HR more strategic’ is derived from Ulrich’s model of strategic HRM which suggests that in order for HR function to participate effectively in the strategic process, there is need for HR function to move away from an administrative expert to become a business partner which support the business strategic process. Ulrich (1997) in his book *Employee Champions: Next Agenda for Adding Value* and

Delivering Results postulated that to create value and deliver results, human resource professionals should not start by focusing on their activities or work of human resources but should first define the deliverables of their work. According to Barney (1991), a firm obtains competitiveness when implementing a strategy which is not currently used and duplicated by competitors. To obtain organisational competitiveness and sustain it, the firm's strategy and resources must be able to exploit new opportunities, and must not be easily imitated (Barney 1991). Thus it is only human resources that enable firms to sustain competitive advantage as it is not easy to imitate and duplicate employee behaviour and attitude. The traditional belief was that the physical assets of the business contribute to the success of the economy. However, Becker (1964) asserted that physical resources of the business only contribute a fraction of the growth of income in most countries. Furthermore, it is human resources that have a huge impact in success of the business as Fisher (1989) stated the behavioural perspective as a contributing factor to the growth and success of organisations. Fisher's (1989) behavioural perspective has its roots in contingency theory as it focuses on employee behaviour as the mediator between strategy and firm performance. Contingency theory assumes that the aim of employment practices is to control the attitude of employees that is specific to the achievement of organisational strategy. Thus in strategic human resource management context, the role behaviours that support organisation's strategy calls for various human resource management practices to reinforce those required behaviours (Wright and McMahan 1992).

HRM practitioners, in a strategic context, collectively add value to the enterprise when their work helps and supports key stakeholders to achieve objectives (Amarakoon, Weerawardena and Verreyne (2016). This aligns with the views of Al-rfou and Trawneh (2010) that HRM's focus is on cost reduction through improvement of expense control systems, quality and productivity improvement and improvement of employee skills, which affects the speed, quality and cost of work and reduces absenteeism and staff turnover. Human Resource Management according to Kramar, (2014) provides organisational competitiveness through development of mediating factors such as reduction of staff turnover and improvement of productivity. However, this contribute a positive impact on organisation's financial outcomes (Kramar 2014). Jackson, Renwick, Jabbour and Muller-Camen (2011) provided that good HRM practices have a greater influence in attracting talent and external customers to the organisation. However factors such as productivity improvement, cost reductions, return on investment and better employee communications shows a great value of HRM through the use of electronic human resource management which aims at improving efficiency in an organisation. This benefits the organisation by reducing HR staff and eliminating manual administrative burden thereby saving company costs of operation (Poisat and Mel 2017). The balanced Scorecard has necessitated the development of Human Resources Scorecard which emphasises on how best to integrate the Human Resource roles in the company measurement of business performance. The HR Scorecard offers benefits to the organisation in controlling costs and encouraging flexibility and change for competitive advantage (Grobler et al 2012). However, the findings by Ding, Kam, Zhang and Jie (2015) indicated that it is not all human resource management practices that are effective in creating competencies in an organisation. Therefore, having human resources management function in an organisation does not automatically lead to success as poor HRM practices negatively affect employee satisfaction and organisational commitment (Ding et al 2015).

4. Research Methodology

The study adopted a qualitative research approach. A qualitative research according to Du Plooy-Cilliers, Davis and Bezuidenhout (2014:173), deals with the underlying qualities of subjective experiences and meanings that are associated with phenomena. This study made use of both primary which was obtained through interviews that was conducted with HRM practitioners and departmental heads and supervisors.

Bryman and Bell (2011:176) defined population as the universe of units from which the sample is

to be selected. The target population is HRM practitioners and departmental heads and supervisors at a South African state-owned enterprises called Mintek, situated in Johannesburg. Non-probability sampling was used in this study. Non-probability sampling was essential for this study as it is suitable for a qualitative research study where the aim is not necessarily to generalise the research findings, but rather to gain a deeper understanding of a certain variable or situation (Coetzee and Schreuder 2016:35). However, this enabled the study to select participants who are knowledgeable about the organisation. The study used purposive sampling technique. Quinlan, Babin, Carr, Griffin and Zikmund (2015:181) described purposive sampling as a technique where the researcher makes a judgement about who to include in the sample. Purposive sampling was applied to both HRM practitioners and departmental managers in the selected South African state-owned enterprise.

Information was obtained from the sample using the in-depth interview technique. Du Plooy-Cilliers et al (2014:188) provided that in-depth interviews are part of qualitative methods that allow questions which calls for participant's views, and beliefs about a phenomenon under study. The study used thematic analysis method as it assist in describing the data set in rich detail as described by Aguinaldo (2012) that thematic analysis helps in reducing the sheer bulk of qualitative data obtained from interviews into categories that represent the dataset or some aspect of it. Furthermore, the data was coded using nVivo. NVivo permitted the researchers to code the data and to develop themes or categories (Sotiriadou, Brouwers and Le 2014). In ensuring that this study meets the ethical consideration, approval to conduct research was obtained from Mintek, informed consent was sought from participants and confidentiality was maintained.

5. Results and Discussion

The researchers interviewed 24 individuals who were willing to participate in this study. The duration of each interview session was between 25 to 30 minutes. The interviews were conducted in the company premises on appointments.

Substantial responses indicate that HR is not well effective in obtaining organisational competitiveness as there is evidence of lack of skills, lack of communication, unavailability of technology, and lack of business partnering role were the themes that emerged. These sub-themes are represented below:

5.1 Knowledge but no practical skills

HR seems to have knowledge but lack practical skills on how to apply that knowledge when it comes to certain tasks such as trainings. They also seem to lack certain people-related skills. This entails that human resource professional at Mintek may lack much experience of how the whole organisation operates and its people. This may be caused by staff turnover in the HR department as indicated by many respondents in the coming themes that HR department always have new people in a short period of time.

A respondent noted that:

"We have the knowledge but not enough skills. We don't know how to action or implement training programs such as mentorship"

Another stated that:

"I would have to say maybe we have the knowledge not the skills"

Ding, Kam, Zhang and Jie (2015) argued that having human resources does not necessarily lead to organisational success as poor human resource management can negatively affect employee's job satisfaction.

5.2 Lack of communication

Furthermore, communication is lacking from HR especially in relation to changes that occur in the organisation. Data narratives revealed that HR authorities do not communicate and properly implement some change initiatives that comes from management. The change initiative in this case was largely referred to restructuring that was taking place at the time of the study. However, this may be also due to none and little involvement of the entire HR professionals in change initiatives as indicated in the previous themes.

A respondent noted that:

“Our current HR system is not equipped to provide us with understandable and adequate information. Especially when change is taking place, they don’t manage it very well, and they don’t communicate very well.”

5.3 Lack of technology

Technology and systems are also deficient causing more delays in service delivery. Two HR respondents highlighted that currently, the HR department does not have proper technology to service the organisation efficiently and effectively. This entails that Mintek as a state-owned enterprise is very slow in responding to technological changes. This is common in most state-owned enterprise as there is too much bureaucracy and rigidity in responding to the external changes. This has effect of slow response rate and occurrence of errors in the HR department as indicated in the subthemes below.

One respondent stated that:

“At Mintek, the staff members don’t have the adequate technology and also lack the capacity to use current technology. It might look like we are coping, as much as we are coping on a face value which is the observation, behind the scenes the work we are expected to do, I feel like I we are suffocating.. This is because it’s just too many people to service which I feel if we had certain technological systems in place which depends on company to purchase those systems we might function a lot better and quicker and we will be less exhausted.”

Another respondent noted that:

“There are many things that I am doing manually. In doing reports there are things that I should do in 30 minutes but I end up taking 4 hours. For me the system is ineffective because if I put one wrong number, it messes up the whole report.”

Grobler et al (2012) argued that electronic HRM does not only lead to improved services and cost reduction, but also to the goal of achieving organisational competitiveness.

5.4 Fear and control by higher power

HR seems to be controlled by the executive management and hence do as they are told without having decision-making ability. Data narratives highlighted that HR professionals seem to know what needs to be done, but due to fear, they do not challenge the executive management. This leads to the inability of the HR professionals to providing advice and guidance to the organisation on different people related matters.

A respondent noted that:

“Sometimes we know what is supposed to be done but we have developed fear over the years. Due to fear we remain quiet on certain things and sometimes the company is taken to court because certain things have gone wrong.”

5.5 Currently reviewing policies

Due to ever-changing environment, the management of Mintek was reviewing HR structure of the company during the period the study was being undertaken. HR practitioners were required to suggest the removal or amendment of policies that hinders effective implementation of HR competitive strategies in the organisation. However participants feared that this was just procedural and their concerns will not be taken into consideration.

A respondent stated that:

“We are being required to state issues that can be addressed to bring about improvements in the HR department. This is a good initiative but we have been complaining of the same things for a while now and we fear that this exercise is just to tick boxes”.

6. Conclusion and Recommendations

The research established that HRM at Mintek is effective at a certain extent in improving organisational performance. It was revealed that HR professionals have fear for management hence cannot advice the executive on strategies that can be implemented to foster competitive advantage. The study also established that HR professionals are not entirely involved in major changes such as restructuring. It was revealed that, during the time of research, Mintek was in a process of restructuring which HR professionals did not entirely participate in. However, it was revealed that there were more complaints about lack of information about what has been happening regarding restructuring. This resulted in other employees resigning from their duties and caused more stress on remaining employees.

HR professionals had nothing to communicate to their subordinates as they were also not aware of what is happening in this change process. Information obtained revealed that response time to queries relating employee records and personal challenges was poor as senior management takes time to respond to queries. This frustrated employees thereby reducing their satisfaction levels. Furthermore, lack of technology resulted in inefficiencies in the carrying out their daily activities since the company is still using manual systems which takes time to finalise capture all HR activities. The manual processes become too long thereby causing Mintek to lose its employees.

The business environment is fast-changing and calls for new strategies in a short period of time. The following strategies are therefore recommended for Mintek:

- There is need for Mintek to consider human resource department as business partner rather than treating it as an administrative function. This allows the organisation to have HR systems and strategies that effectively support business decisions.
- Empowerment of human resource department in making people related decisions should always be considered by the executives. HR practitioners are custodian of change and employee relations, hence there is need to rely on their input in employee matters.
- Lastly, Mintek need to start making use of e-HRM as an innovative approach. Introducing technology in service department such as HR will help Mintek to quickly finalise recruitment and selection process and effective maintenance of employee records.

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