

# TOWARDS ACHIEVING ORGANISATIONAL COMPETITIVENESS; THE ROLE OF HUMAN RESOURCE MANAGEMENT IN STATE-OWNED ENTERPRISES.

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## Abstract

This study examined the role of Human Resource Management (HRM) in achieving organisational competitiveness in a selected South African State-Owned Enterprise (SOE) in Gauteng province. A qualitative research approach was used with data obtained using structured interviews from the company's human resource practitioners and departmental heads. Purposive non-probability sampling was applied in recruiting 24 participants and data was analysed using thematic analysis. The study revealed that, HRM department provided opportunities for employees to upskill themselves through short courses and university degrees such as honours, masters and PhDs. However, employees reported that their remuneration packages are not commensurate with their skill sets and capabilities leading to low morale. It was therefore recommended for the organisation to conduct an industrial survey to decipher the going remuneration rates in order to offer competitive packages to their employees.

**Keywords:** Human Resource Management, state-owned enterprise, competitive advantage, training and development, salary, bonus, low morale.

## INTRODUCTION AND BACKGROUND

Several studies (Bondarouk and Ruel 2013; Cristiani and Peiró 2015; Donate, Pena, and Sánchez de Pablo 2016) have reported that, effective Human Resource Management (HRM) amongst other things helps organisations gain competitive advantage. The view by the aforementioned authors suggests that HRM is an avenue businesses can use to gain competitive advantage over their rivals. According to Chen and Huang (2009) cited in Donate, Pena and Sanchez de Pablo (2016), HRM roles are one of the most important elements that influence and shape employee skills and behaviour to achieve organisational objectives. Similarly, Donate, Pena and Sanchez de Pablo (2016), hold the view that HRM deals with the matters of how to make employees creative and how to motivate them to apply rules for new product development in the organisation. This is supported by Ko and Ma (2017), that HRM plays a strategic role in firms as it aligns employees' interests with the firms' intended strategic goal through long-term mutual commitment.

In the public sector, the traditional roles and duties of the HR function have shifted from administering relatively stable employment relations and conditions to the restructuring of career paths, decentralisation and devolution of tasks and requirements of strategic contributions to performance (Lindström and Vanhala 2011). HR professionals should fulfil a continuum of roles including support, service, consulting and leadership, and be expected to pay equal attention to strategic and operational activities (Gao, Zhang, Zhao, Li and Wu, 2016). A study by Mamman and Somantri (2014) revealed that HR practitioners play more strategic roles than operational roles in Indonesia. This suggests the changing nature of HRM roles which this paper sought to discover in a South African state-owned enterprise.

According to Bloomberg (2017), key state companies and agencies that play a pivotal role in driving the South African economy and distributing essential services are performing poorly, as there is high turnover of staff and senior management which threaten their financial viability. Erasmus, Strydom and Rudansky-Kloppers (2017:330) reiterated that, in the South African context, one of the crucial roles of the HR manager is to improve the skills base of employees and to contribute to profitability of the organisation. It is therefore imperative to examine the role of HRM in obtaining organisational competitiveness in a South African state-owned enterprise, which this study sought to uncover.

## LITERATURE REVIEW

Qehaja and Kutllavci (2015) posited that HR has always been critical to the success of an organisation and their importance has grown over the years. This is due to the fact that the HRM function plays its role in ensuring

organisational success through people. Armstrong (2010) asserts that there is need for HR policies to be incorporated with business planning and be used to strengthen an appropriate organisational culture and that employees are a valuable resource that contributes to competitive advantage. When HR policies form part of organisational planning, employees live the business's vision and work hand-in-hand to ensure it is achieved.

In aiding the organisation to achieve its goals, HR professionals play multiple roles. Thus Ulrich's (1997) model suggests that HR professionals need to fulfil four main roles, which are being a strategic partner, a change agent, an administrative expert and an employee champion. These roles are operational and strategic in nature, such as monitoring, partnering as well as having a stake in the company's short and long term goals. Ulrich (1997) further laid the foundation of where an HR practitioner's work begins, which is defining the deliverables of their work. Then, they can gradually work towards becoming strategic business partners in the organisation thereby ensuring that the market share together with revenues are increased and ultimately improving competitiveness (Nel, Werner, Botha, Du Plessis, Mey, Ngalo, Poisat and Van Hoek, 2014). These roles are equally as important in both the private and public sectors.

HRM in the public sector in developing countries has been riddled with archaic practices. However, due to modernisation which brings about more efficient and cost effective product and service delivery, there are increasing demands for the HR function to play a more strategic role (Lindström and Vanhala 2011). Thus Jackson, Schuler, and Jiang (2014:2) defined strategic HRM as 'the study of HRM systems and their interrelationships with other elements comprising an organisational system, including the organisation's external and internal environments, the multiple players who enact HRM systems, and the multiple stakeholders who evaluate the organisation's effectiveness and determine its long-term survival'. Ulrich's (1997) model asserted that HRM refers to the holistic management of employees and employee champion is one of the main functions of this discipline. This role has changed significantly in the public sector over the past two decades, especially for professionals (Brunetto and Beattie, 2020).

Sarvaiya, Arrowsmith and Eweje (2019) claimed that the role of 'employee champion' involved listening to and representing the views of employees and understanding and addressing their needs in the organisation. HR professionals are expected to help enterprises to build core competencies and obtain competitive advantage. Advances in domestic and international labour laws highlight the prominence of employer-employee relationship management on the agenda of contemporary HR professionals. They are now expected to cultivate new incentives to release the potential of knowledge workers, considered the major source of human capital in a knowledge economy (Gao et al 2016). Sarvaiya, Arrowsmith and Eweje, (2019) stated that as change agents, HR professionals aim to facilitate the change management process and ensure organisational resources are aligned to the desired change. One of the main roles of a strategic human resources department is the management of change (Alfes, Truss and Gill, 2010). Over the past few decades, increasing numbers of HR professionals have engaged in organisational change efforts, not simply as administrative supporters but as active agents of change (Ulrich 1997). Kim and Ryu (2011) purported that when companies are responding to dynamic environments, the HR managers are required to drive their efforts to build flexible organisations. As organisational changes are becoming common practice in management activities today, HR professionals are expected to assist organisations in keeping the employees committed and motivated throughout the change process (Kim and Ryu 2011).

## **METHODOLOGY**

This study is qualitative in nature. Neuman (2011:424) stated that qualitative research provides a thick description of subjective experiences and meanings. Primary and secondary data were used in this study. Primary data was obtained through interviews.

Population is the universe of units from which the sample is to be selected (Bryman and Bell 2011:176). Departmental supervisors were the target population for this study. The study made use of non-probability sampling which Wegner (2012:153) defined as any sampling method where the sample members are not selected randomly. This was suitable as it helps the study to gain a deeper understanding of a certain variable or situation (Coetzee and Schreuder 2016:35). Moreover, non-probability sampling enabled the study to make use of participants who have more relevant knowledge about the organisation. Purposive sampling technique was used in this study. According to Quinlan, Babin, Carr, Griffin and Zikmund (2015:181) purposive sampling as a technique where the researcher makes a judgement about who to include in the sample. In this study, purposive sampling was used to sample 24 departmental supervisors in a selected South African enterprise called Mintek Company, a state owned science council in Johannesburg. Each interview session lasted between 25 to 30 minutes, taking place in the company premises. Data saturation was reached at the 24<sup>th</sup> participant.

Data for this study was collected using in-depth interviews. In-depth interviews enable the use of questions which calls for participant's views, and beliefs about a phenomenon under study (Du Plooy-Cilliers et al, 2014:188). Thematic analysis was used in this study. According to Aguinaldo (2012) thematic analysis reduces the sheer bulk of qualitative data gained from research interviews into categories that represent the dataset or some aspect of it. Furthermore, NVivo was used to code data. The study make use of ethical considerations

which include approval to conduct research from the selected state-owned enterprise, informed consent from participants and confidentiality.

## **RESULTS AND DISCUSSION**

Substantial responses indicate that HR performs basic HR practices such as training, employee monitoring and study assistance through bursary provision to create organisational competitiveness. Dissatisfaction among employees was also noticed due to uncompetitive salaries and lack of employee benefits such as medical aid. These themes are represented in the sections below.

### **Theme 1: Study assistance**

It is revealed that employees are given significant opportunities to study so that they can upgrade their knowledge, skills and competencies. Hence staff are always being encouraged to pursue their studies. This helps to maintain and improve company's skills-base to remain competitive. Furthermore, as a research council, the organisation needs to constantly upgrade its workforce. Some respondents revealed that:

*"Yes, I am more placed on the learning and development area which I do see as beneficial. We are constantly provide the service of employees of this organisation to upgrade their knowledge. We are constantly advising people that they could go to school and this is what you could do and make sure the process of getting approved for funding and studying further is available. So in my space yes."*

*"Yes, study assistance programs and internal / external training provided to staff to enhance their skills to be able to perform better in doing their jobs."*

Schuler, Jackson and Tarique (2011) argued that the success of any organisation is dependent on how talent is effectively managed and developed. Bursaries are provided to staff and university students who can work at the organisation after their studies. This allow employees to acquire qualifications at zero costs to them. A respondent said that:

*"We have a pipeline of people in the organisation that are benefiting from the bursary scheme."*

### **Theme 2: Benefits**

This theme shows that there are no real benefits for working for the organisation compared to others. 16 respondents alluded to this fact. Data narratives revealed that the organisation is far behind other companies in its industry in terms of medical aid benefits, housing allowances, 13<sup>th</sup> cheques and subsidised pension. The organisation seem to be compensating the lack of above benefits with generous leave days and scholarships as retention strategies. The following responses confirm the same:

*"In terms of other benefits such companies would subsidise medical aid whereas here it's not done but then some companies would package it and say you get the money and you go and pay medical aid or I pay for the medical aid and the rest is cost to the company."*

*"For example, we have no medical aid allowances, house allowance, we have no 13th cheque here. Surely"*

*"I previously worked for a mining company. The person who is in mining at my level has more benefits than me. We are a government agency, the people working for other government department like department of water have more benefits than us, and for example, they have access to government employee medical schemes. Other companies contribute portion towards medical benefits. The only thing they get right is leave."*

### **Theme 3: Salary**

It appears that employees are not satisfied with their salaries, according to their responses. The state-owned entity does not seem to offer competitive salaries, which may be the reason for their high labour turnover. Salaries are not competitive, as agreed to by 15 respondents. This seem to be caused by the fact that the organisation is a research council which does not engage in mass production of goods as compared to other manufacturing companies and mines. However, employees felt that they should be on par with their colleagues in other companies of their industry. This was conveyed by the following respondents:

*"The salaries are not the same as they are not competitive when compared to other organisations. That's is why people always resign in this organisation."*

*"No, I should be getting more because of my role in this organisation, but the structure is designed such that I get little, but I report to the CEO. The structures are different from company to company so we tend to have different salaries. People in my position outside are getting more salaries than what I am currently getting."*

*"No, we are way underpaid. The salary is too little"*

## **CONCLUSION AND RECOMMENDATIONS**

The study establishes that the employee development role is catered for by the organisation, although issues of salary and benefits arose. The staff development avenues help in providing the necessary skills for the employees in an organisation. Through this role, most employees have achieved higher qualifications such as

honours degrees, master's degrees and doctorate qualifications. This goes a long way in making this organisation competitive by improving its human capital.

On the other hand, it was revealed that there is low employee motivation levels due to uncompetitive salaries and benefits. Staff members are not satisfied with their salaries and benefits and confirm that, colleagues in similar organisations are remunerated way more than them. This begs the question, why invest so much in your employees in upskilling and developing them and not remunerate them accordingly?

It is therefore recommended that, the HR professionals in this organisation should consider conducting an extensive survey of the salaries and benefits provided by other similar organisations within their industry. As this organisation is taking the right step in upskilling its workers, it should go further by providing them with remuneration packages that is commensurate with their newly acquired qualifications. Finding out what the industry's going rate is in terms of staff remuneration packages is, will help them in coming up with competitive packages. This will enable them become a competitive organisation.

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