



Volume 3	Issue 1	July (2023)	DOI: 10.47540/ijqr.v3i1.902	Page: 54 – 60
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Human Resource Management Perspective on Management of Change in State-Owned Enterprises

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ARTICLE INFO

Keywords: Human Resource Management, Organizational Change, State-Owned Enterprise.

Received : 16 April 2023

Revised : 12 July 2023

Accepted : 14 July 2023

ABSTRACT

The purpose of this study is to identify the role of human resource management in the change processes of state-owned enterprises and its effectiveness in the management of organizational change. This paper is a study of the role of human resource professionals in the internal change processes of state-owned enterprises. Qualitative research was used, and semi-structured interviews were administered to obtain data from human resource practitioners and departmental supervisors in a South African state-owned enterprise. Human Resource professionals are the custodian of change and employee champions in organizations. Their input in change processes is vital in maintaining employee levels of commitment to the organization. Human Resource Management's role in organizational change involves employee counseling, motivation, communication, and designing exit packages. If these roles are not properly executed, the organization may experience difficulties such as employee stress, low morale, and high labor turnover to mention just a few. The study revealed that lack of business partner roles, fear and control by the executives, and lack of communication from the top management are the challenges facing human resource professionals during internal change processes. The study provides insights for top management in state-owned enterprises on the role of human resource management in organizational change processes. The discussion provided in this paper would strengthen the body of knowledge on the role of Human Resource Management in the management of change particularly in state-owned enterprises.

INTRODUCTION

State-owned companies (Genin & Song, 2021), also known as public corporations (Black, Callitz & Steenekamp, 2019) or parastatals (Chilunjika & Mutizwa, 2019; Bowman, 2020) represent an arm of the government responsible for the provision of certain strategic key goods and services in the economy. These companies play an important role in assisting the government to achieve its macro-economic objectives, which include, attaining economic growth, equitable income distribution, sustainable development, full employment, price, and balance of payment stability (Ngubane, 2017; Black, et al. 2019; Parkin, 2020). State-owned enterprises (SOEs) are strategically placed to support the broader government body by providing critical goods and services that aid in preserving the security and sovereignty of an

economy. The strategic goods and services include among others, electricity, water, air and rail transport, sewage systems, telecommunication, radio, and television broadcasting services (Chang, 2007; OECD, 2017).

Any important alteration to one or more parts of an entity can be classified as organizational change. Typical changes that face managers to influence their organizations are new government laws, new products and services, continuous growth and strengthening of competition, digital advancements, and changes in the workforce composition, amongst others. Therefore, organizational change is referred to as any form of transformation in both the design and functioning of an organization. Successful leaders implement internal changes for the organization and its people to adapt to environmental changes (Hellriegel et al

2017). Sarvaiya, Arrowsmith, and Eweje (2019) provided that as change agents, human resource practitioners seek to facilitate change processes and ensure organizational resources are aligned with the desired change. The human resources department has a special role in managing change in organizations (Alfes, Truss, and Gill 2010). Over the past few decades, cumulative numbers of human resources practitioners got involved in organizational change processes, not simply as administrative associates but as active agents of change (Ulrich 1997). Additionally, Ulrich (1998) provided that Human Resource Management should become an agent of continuous change and build the organization's capacity for change. 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 organizations by developing a system of HR practices that can be quickly adapted, enlarging the skills set of employees and enlarging the behavioral flexibility of employees.

Since organizational change has become a common practice in the management of business today, Human Resource Management is expected to support organizations and keep the employees committed and motivated throughout the change process (Kim and Ryu 2011). This is because when organizations undergo a change process, there is a great possibility that workers develop collective interpretations and views about the change initiatives in a way that management does not intend to endorse. Rumors and suspicions, combined with incomplete pieces of information, may lead to unorthodox interpretations about the underlying purpose of the change initiatives (Kim and Ryu 2011). Alfes, Truss, and Gill (2010) suggested that the potential significance for HR in the management of change can be viewed from a social constructionist perspective, focusing on discourse theory to explore the HRM contribution in effecting language shifts during change as individuals construct their changing personal realities.

HRM professionals perform activities from seven different domains of HRM practice to support change in organizations for competitive advantage. The first is cultural change and the role of HR in cultural change is to actively influence values, beliefs, and learned ways of behavior through HR

initiatives. In terms of recruitment, HR ensures proper recruitment of employees who are willing and able to support the organization's change initiatives and possess the competencies needed under the new working environment (Alfes et al 2010). Coetzee and Schreuder (2016) argue that the recruitment process is informed by the human resource or workforce planning efforts of the organization and focuses on attracting a large number of people with the right qualifications, knowledge, skills, abilities, and other desired characteristics and competencies. These are the candidates that are needed by organizations to support their goals in change initiatives.

Amendments to performance management practices ensure that individual goals are properly aligned with new organizational goals and also that the behavior that supports the organizational change is rewarded (Alfes et al 2010). Performance Management encompasses a set of practices and processes used by the management in planning, directing, and improving employees' performance to enable the achievement of the overall strategic objectives of the organization (Amos et al 2016). Human Resource Development (HRD) initiatives can be used to ensure that employees have the necessary skills, capabilities, and knowledge to effectively manage the stress of transition and be able to function after the change. A study by Muzanenhano and Dlamini (2022) revealed that Human Resource Management responds to external forces and provides relevant training for organizational competitiveness. Consequently, Meyer (2016) provided that HRD needs to be viewed not only from a reactive perspective of providing training but also to be perceptually repositioned within the organization. An equally important task of the HRM is the revision of the reward management program, which Alfes et al (2010) provided that it has to be intergraded with performance management to support the new strategic goals of the organization.

Another task of HRM in the change process is the management of employee relations. Change processes can be subject to legal regulations, especially change that leads to a reduction in the number of employees. Regular, honest communication and good relationships with recognized trade unions, and compliance with legal regulations are crucial to the success of change

processes. Furthermore, downsizing has to be closely monitored and carried out by the HR function (Alfes et al 2010). Downsizing is a strong stress-inducing aspect that has a profound effect on the work behaviors and attitudes of the remaining employees (Coetzee and Schreuder 2016). Therefore, human resource professionals should develop a downsizing strategy for the employees who are not willing or not capable to sustain the change initiative and also minimize the effects of survivor syndrome (Alfes et al 2010). Dlamini, Zogli, and Muzanhenhamo (2021) provided that Human Resource professionals ensure that employees are properly trained, skilled employees are hired and employee retention strategies are implemented.

Worldwide, governments own 10% of the largest companies (Wang, 2017). Many times, such organizations get special treatment from the government viz. promotional funding, government bailouts, directly provided subsidies, and favorable regulatory treatment. State-owned enterprises are also frequently spared from antitrust and insolvency laws (Hashimova and Kadyrov, 2017). The Republic of South Africa, being a transitional country, is very known for using public enterprises as vehicles for socio-economic advancement. There are more than 300 public enterprises that are engaging in many economic activities, some of which extend across the country's borders. Their contribution has been significant to the development of the country but has been overwhelmed by structural and operational problems, which lead to irregular and unequal patterns of development and an uneven delivery of services and infrastructure (Fourie 2014).

These problems stemming from traditional modes of operation and outdated people management practices have given rise to a discussion about the management of change, which this paper seeks to provide, in a South African state-owned enterprise. A study by Thomas, (2012) enlightened that, 'though political interference in the day-to-day running of each public corporation is apparent, the government seems to be failing to fulfill its oversight role of safeguarding the sound governance of public enterprises according to required best practices. While state-owned enterprises seem to fulfill their external governance demands, adhering to internal, self-regulated

governance appears to be lacking. The performance and strategic planning of SOEs are strongly influenced by the government and in countries where there is political instability, the continuity of these entities is negatively impacted. Ogohi, (2014) noted that whenever there is a change in government, this unexpectedly affects the performance and operations of SOEs as some governments may focus primarily on policies that will enhance the survival of their political parties. For many SOEs, the government has full ownership, therefore has complete oversight of their operations, and can intervene at any time to preserve either the survival of the regime or public interests. This external influence, unfortunately, affects SOEs negatively. Moreso, regarding strategic decisions (Dimgba 2011). This paper, therefore, focuses on assessing the human resource challenges facing SOEs in the management of internal organizational change. This paper, attempt to contribute to the ongoing debate about change management in organizations. The findings would provide a differentiated perspective on how these organizations carried out the change management processes.

METHODS

This study was carried out using qualitative research method and data was collected using structured interviews. A case study for the research was a selected South African state agency located in Johannesburg. Non-probability sampling method was applied, and purposive sampling was adopted to select the participants. Wagner, Kawulich, and Garner (2012) stated that with purposive sampling, the researcher relies on their own experience, previous research, and ingenuity to find the participants in such a manner that they can be considered to be beneficial in providing information pertinent to the research. Twenty-four participants which include Human Resource professionals and departmental supervisors were used in this study and in-depth interviews were used to gather data. In-depth interviews allow the researcher to ask participants some questions to get more views and beliefs about a specific phenomenon (Du Plooy-Cilliers et al, 2014). Data was analysed using thematic analysis and data was coded using NVivo software.

RESULTS AND DISCUSSION

The data narratives revealed that the Human Resources department is not much involved in change processes. Human Resource professionals at the ground level are not consulted and given information on what the organization is planning regarding the restructuring process. This entails that only higher authorities decide and implement major human-related decisions regarding the future of the organization without much input from HRM personnel. The following respondent made a very strong point on their role in organizational restructuring. From the analysis, four themes emerged and they are discussed as indicated below.

Theme 1: HRM department is not consulted

Similar to the above explanation, the human resource department is not consulted on the restructuring plan and this can be problematic because the HRM department has considerable knowledge and experience to offer from a staff perspective. This limits the role of human resource professionals to support employees during change processes. Employees need to be supported through counseling as such difficult times may cause a lot of stress and affects employee productivity. The findings are contrary to what Kim and Ryu (2011) found in their study that as change is now a common practice in organizations today, HR professionals are expected to assist organizations in keeping employees committed and motivated throughout the change process.

The following respondent noted that: I don't think that's a good process because HR knows the business, we work with people so consulting with HR as a whole can give you a better picture of what is good to do and what is not good or whether there is need for restructuring or we just need to change culture or certain things. So, I just feel like if you don't consult with HR, you might jump to restructuring while it might not be necessary because you might think that you have information but information from one individual whom you probably consulted to come and observe. I doubt anyone could have had enough time through consulting, on a consulting basis more than the ones that are here full time.

Another respondent noted that: I think if there are changes sometimes in such organizations you only find out with the rest of your clients that you give service to and that's a negative thing and it

can't be like that. Even if you hear it in the corridors there are certain responses that in case if something like that is spreading with a bit of knowledge you will know how to handle it, contain it, and give people comfort in a way that they shouldn't be stressed. But without knowledge, you can't do anything. And as HR you even increase the anxiety that happens.

Theme 2: Lack of business partnering role

It emerged from the findings that a lack of business partnering can be seen as the root cause of HRM being ineffective in the restructuring process. This is because they play more of a support and administrative role rather than a strategic business-partnering role. HRM should ideally function as business partners to provide a competitive advantage to the organization. Being a strategic partner, human resource professionals can influence the decision-making process at a higher level and provide proper guidance from a human resource management perspective. Involving HRM professionals in restructuring processes can help the organization to rebuild an optimal organizational structure and avoid possible litigation. Notably, the findings provide contrary views to the findings of Lindström and Vanhala (2011) who purported that in the public sector, due to modernization, HRM functions need to play a more strategic role to be efficient and cost-effective in providing services to the organization.

This is what some of the Human Resource respondents had to say: It depends. In some aspects we do provide the service which is required but then not to the extent which is required if you go to other organizations. But we are going to improve as we have a new HR Manager so we are going the route of HR Business Partner role because you know the HR generalist is more of administration other than partnering with business. We are more transactional compared to partnering. In our space, we do service divisions but not in the way which is expected.

Another respondent noted that: Can I be as honest as possible? For now, I think we are working towards doing that, it hasn't been happening. What I picked up when I joined the company was that our HR is more administrative, we are not really business partners. We don't know what is happening in the business. You know the role of being a business partner, the real HR person, I do

not think we are doing that but we are trying to move towards that.

Theme 3: Fear and control by the executives

Human Resource professionals seem to be controlled by the executive management and hence they do as they were instructed without having decision-making ability. They also seem to be afraid of management in this regard. This suggests the ineffectiveness of human resource professionals as they must provide advice and guidance to the organization on different people-related matters irrespective of the level of seniority. Sarvaiya, Arrowsmith, and Eweje (2019) provided that as change agents, human resource practitioners facilitate change processes and ensure organizational resources are aligned with the desired change. This shows that the HRM department has a role in altering organizational structures and redeployment of resources and employees without fear. Redesigning of organizational structure should benefit the organization, not specific individuals. Thus, Alfes, Truss, and Gill (2010) highlighted that human resource practitioners have a special role in managing change in organizations.

This is what the participants had to say: No, they are used to being micromanaged by the CEO, so they don't know, they should be the custodian of people management but they just do as they are told by the CEO. Sometimes they know what is supposed to be done but they have developed fear.

Another respondent noted that: Sometimes they know what is supposed to be done but they have developed fear. Due to fear, they remain quiet on certain things then the company goes to court because certain things would have gone wrong.

Theme 4: Lack of communication from top management

This is a genuine lack of communication with employees. This leaves employees feeling helpless, confused, and without any knowledge of the future of their jobs and welfare. According to Kim and Ryu (2011) when organizations undergo a change process, there is a great possibility that workers develop collective interpretations and views about the change initiatives in a way that management does not intend to endorse. Moreover, 'rumors' may be circulated, which further hinders morale and also causes staff not to trust management. Due to a lack of communication, employees may experience

frustration and leave the organization at a faster rate. In some instances, change may be more beneficial to employees, but due to lack of communication, this may further demotivate employees in the organization. Rumors and suspicions, combined with incomplete pieces of information, may lead to unorthodox interpretations about the underlying purpose of the change initiatives (Kim and Ryu (2011).

The following respondent noted that Some kind of propaganda and it affects people who are not well informed. I am not affected because I am well informed. Other people don't know who to listen too because rumors are coming from everywhere. Because we have a communications department here. Maybe the communication department is not getting the right message from the executive management. If management wants to dispel all the rumors they need to come up with a clear message, but they are not yet doing that.

Another respondent noted that: There is no proper communication from management about what is actually going on. Employees no longer trust management at all, there is now a gap between management and employees due to lack of trust and communication regarding what is happening.

CONCLUSION

The data narratives revealed that the Human Resource department is not much involved in organizational change processes as human resource professionals at the ground level were not consulted on the internal plan regarding restructuring. This entails that only higher authorities decide and implement human-related decisions regarding the future of the organization without much input from HRM personnel. Furthermore, HRM professionals do not seem to be given information on plans regarding restructuring, which makes it difficult to address staff concerns when the primary department (Human Resource Management) is without such information. This means that HRM cannot offer advice or comfort to staff in such a difficult time of possible job losses. The lack of a business partnering role can be seen as the root cause of HRM being ineffective in the restructuring process. This is because HRM plays more of a support and administrative role rather than a strategic business-partnering role. HRM should ideally function as a business partner to provide organizational

effectiveness. It is further noted that human resource professionals seem to be controlled by the executive management and hence they do as they are told without having decision-making ability. This seems to have developed fear among HR professionals. This leads to the ineffectiveness of human resource professionals as they must provide advice and guidance to the organization on different people-related matters regarding change processes. This is a genuine lack of communication with employees and leaves employees feeling helpless, confused, and without any knowledge of their jobs and welfare. Moreover, 'rumors' may be circulated, which further hinders morale and also causes staff not to trust management.

It is therefore recommended that the state-owned enterprise considers the concept of Strategic Human Resource Management (SHRM) as an innovative approach that provides organizational competitiveness. Strategic HRM empowers human resource professionals to be involved in decision-making regarding people at a higher level, and assist to prevent any possible litigation. There is also a need for the organization to consider the use of change agencies that works with the human resource department for the effective change process. The use of change agencies thwarts any fear from executives, among human resource professionals, and promotes communication with all employees. Thus, avoiding the spreading of rumors that may demotivate employees or cause employees to panic.

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