

**ACHIEVING SUSTAINABLE COMPETITIVE
ADVANTAGE THROUGH THE EFFECTIVE
MANAGEMENT OF HUMAN RESOURCES**



**A research report submitted to the University of Wales in partial fulfillment of the
requirements for the degree of Master of Business Administration**

July 2003

DECLARATION

I declare that the research is an original work. Any other work of a similar nature has been appropriately referenced and this body of work has not been submitted before for any degree or examination at any University.



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31 July 2003



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ACKNOWLEDGEMENTS

I am grateful to the following people who have assisted me in the completion of this dissertation:

My supervisor, Dr. Jacques van Zyl, for his unwavering dedication and commitment.

DaimlerChrysler SA for allowing me to survey the dealer network.

The respondents to the survey, without whom this research would not have been possible.

My fellow student, Ntokobane Molubi, for his support.

Chris Kilowan, for his patience and appreciation of my time pressures.

My syndicate member and great friend Peter Viljoen for his support and motivation.



DEDICATION

This dissertation is dedicated to my loving wife Christina for her unconditional love, support and understanding through those long work sessions – I couldn't have done it without you.



EXECUTIVE SUMMARY

Organisations today face increasing challenges in attempting to achieve and maintain sustainable competitive advantage. These challenges result in organisations having to seek alternate or new sources of competitive advantage.

This research has focused on the association between successful organisations and effective human resource management practices. Organisations can no longer expect to achieve sustainable competitive advantage through product, price, branding or other tangible source of competitive advantage.

This research does not imply or suggest for one moment that these sources of competitive advantage are no longer necessary for organisations to be successful. The research merely points out that these tangible sources of competitive advantage are easily duplicated by an organisations competitors and as such it is possible that the next source of competitive advantage is located within the organisation itself – the human resources.

The research has focused on the human resource management practices in successful organisations. The research was applied to a group of motor vehicle dealerships. The research was conducted using a survey questionnaire. The survey questionnaire was based on the human resource management practices, which were deduced from the literature review of this dissertation.

The organisations chosen for the sample were organisations that represent a homogenous group of motor vehicle dealerships, who represent the same type of vehicles and therefore none of the dealerships possessed any specific product, price, promotion or brand advantages when compared to any other dealership.

The dealerships were then separated between successful and unsuccessful dealerships based on the average net profit before tax of the total number of dealerships in the

sample. The responses to the questionnaire were then analysed for all the successful dealerships.

The results of the analysis indicate that, statistically speaking, successful organisations implement effective human resource management practices. On this basis it is likely to infer that where there are no differences between organisations' tangible sources of competitive advantage that organisations which implement effective human resource management practices are likely to achieve above average financial performance and therefore sustainable competitive advantage.

More importantly, competitive advantage that resides in the human resources of an organisation are less easily duplicated by competitors given the dynamic nature of human beings.



TABLE OF CONTENTS

CHAPTER 1 RESEARCH PROPOSAL	1
1.1. BACKGROUND	1
1.2. STATEMENT OF THE PROBLEM	3
1.3. AIM	3
1.4. OBJECTIVES	4
1.5. DEFINING CONCEPTS	4
1.6. LIMITATIONS	5
1.7. VALUE OF THE RESEARCH	5
1.8. METHODOLOGY	6
1.8.1 <i>Research Method</i>	6
1.8.2 <i>Quantitative or Qualitative</i>	7
1.8.3 <i>Data Analysis</i>	7
1.8.4 <i>Population</i>	7
1.8.5 <i>Sampling Techniques</i>	8
1.8.6 <i>Sampling Size</i>	8
1.9 PLANNED CHAPTERS	8
CHAPTER 2 LITERATURE REVIEW	10
2.1 HUMAN RESOURCES	10
2.2 HUMAN RESOURCE MANAGEMENT	10
2.3 THE AREAS OF HUMAN RESOURCE MANAGEMENT	12
2.3.1 <i>Human resource planning, recruitment and selection</i>	12
2.3.2 <i>Human Resource Development</i>	30
2.3.3 <i>Compensation and Benefits</i>	34
2.3.4 <i>Health and Safety</i>	36
2.3.5 <i>Labour Relations in South Africa</i>	37
2.3.6 <i>Human Resource Information Systems (HRIS)</i>	49
2.3.7 <i>Performance management</i>	50
2.4 STRATEGIC MANAGEMENT	55

2.5 ORGANISATIONAL EFFECTIVENESS _____	55
2.6 HUMAN RESOURCE MANAGEMENT EVALUATION CRITERIA _____	57
2.6.1 <i>Human Resource Planning, Recruitment and Selection</i> _____	59
2.6.2 <i>Human Resources Development</i> _____	59
2.6.3 <i>Compensation and Benefits</i> _____	59
2.6.4 <i>Health and Safety</i> _____	60
2.6.5 <i>Labour Relations Management</i> _____	60
2.6.6 <i>Human Resource Information Systems</i> _____	61
2.6.7 <i>Performance Management</i> _____	61
CHAPTER 3 RESEARCH METHODOLOGY _____	63
3.1 RESEARCH METHOD _____	63
3.2 QUANTITATIVE OR QUALITATIVE _____	63
3.3 POPULATION AND SAMPLING SIZE _____	64
3.4 QUALITATIVE DATA COLLECTION TECHNIQUES _____	66
3.4.1 <i>Primary or secondary data</i> _____	66
3.4.2 <i>Questionnaire</i> _____	67
3.5 <i>Data Analysis</i> _____	68
3.5.1 <i>Dealer Responses</i> _____	68
CHAPTER 4 ANALYSIS OF RESULTS _____	70
4.1 ANALYSIS OF SURVEY RESULTS _____	70
4.1.1 <i>Human Resource, Planning, Recruitment and Selection</i> _____	70
4.1.2 <i>Human Resource Development (HRD)</i> _____	78
4.1.3 <i>Compensation and Benefits</i> _____	82
4.1.4 <i>Health and Safety</i> _____	87
4.1.5 <i>Labour Relations Management</i> _____	90
4.1.6 <i>Human Resources Information Systems (HRIS)</i> _____	93
4.1.7 <i>Performance Management</i> _____	99
4.1.8 <i>Ranking of Human Resource Management Function</i> _____	103
4.2 INTERPRETATION OF ANALYSIS _____	104
4.2.1 <i>Human Resource Planning, Recruitment and Selection</i> _____	105

4.2.2 <i>Human Resource Development</i>	105
4.2.3 <i>Compensation and Benefits</i>	105
4.2.4 <i>Health and Safety</i>	106
4.2.5 <i>Labour Relations Management</i>	107
4.2.6 <i>Human Resource Information System</i>	107
4.2.7 <i>Performance Management</i>	108
4.3 CONCLUSION	108
CHAPTER 5 CONCLUSION AND RECOMMENDATIONS	109
5.1 INTRODUCTION	109
5.2 REVIEWING THE OBJECTIVES	109
5.3 THE CONTEXT OF HUMAN RESOURCES AND HUMAN RESOURCE MANAGEMENT	110
5.4 RECOMMENDATIONS	111
5.5 CONCLUDING REMARKS	113
BIBLIOGRAPHY	114



LIST OF FIGURES

Figure 2.1. Human Resource Management Function as an intervention Process_____	11
Figure 2.2 Workforce Planning Process _____	14
Figure 2.3. Job Analysis as two components _____	17
Figure 2.4 Job Analysis Process _____	18
Figure 2.5: The Recruitment Process _____	23
Figure 2.6 Selection Process _____	27
Figure 2.7: General Systems model for Training _____	31
Figure 4.1.1.1: Responses from successful dealerships regarding human resource planning being a systematic process _____	71
Figure 4.1.1.2: Responses from successful dealerships regarding the planning process ensuring that the right number of people with the right skills is available when needed	71
Figure 4.1.1.3: Responses from successful dealerships, when asked if the human resource planning process started with organisational strategy. _____	72
Figure 4.1.1.4: Responses from successful dealerships, when asked if the human resource planning process was reviewed at least twice a year _____	73
Figure 4.1.1.5: Responses from successful dealerships, when asked if job analysis is undertaken before recruitment takes place _____	73
Figure 4.1.1.6: Responses from successful dealerships, when asked if job analysis provides job descriptions and job specifications _____	74
Figure 4.1.1.7: Responses from successful dealerships, when asked if job analysis begins with the organisations strategy _____	75

Figure 4.1.1.8: Responses from successful dealerships, when asked if other options such as temporary workers or contractors were taken into account before filling a position_	76
Figure 4.1.1.9: Responses from successful dealerships, when asked if there is a defined process for recruiting a new employee _____	76
Figure 4.1.1.10: Responses from successful dealerships, when asked if there is a defined process for selecting a new employee _____	77
Figure 4.1.1.11: Responses from successful dealerships, when asked if there is a defined induction process that new employees undergo _____	78
Figure 4.1.2.1: Responses from successful dealerships, when asked if Human Resource Development (HRD) was a continuous effort to improve competency levels _____	79
Figure 4.1.2.2: Responses from successful dealerships, when asked if Employee training has three distinct phases _____	79
Figure 4.1.2.3: Responses from successful dealerships, when asked if poor performance is analysed before embarking on training _____	80
Figure 4.1.2.4: Responses from successful dealerships, when asked if training interventions were clearly measurable _____	81
Figure 4.1.2.5: Responses from successful dealerships, when asked if training effectiveness is evaluated on four levels _____	81
Figure 4.1.3.1: Responses from successful dealerships, when asked if the objective of the remuneration system was to attract, retain and motivate employees. _____	82
Figure 4.1.3.2: Responses from successful dealerships, when asked if performance is tied to the achievement of critical business goals. _____	83

Figure 4.1.3.3: Responses from successful dealerships, when asked if rewards are linked to levers of organisational change. _____	83
Figure 4.1.3.4: Responses from successful dealerships, when asked if competencies that are measurable are rewarded _____	84
Figure 4.1.3.5: Responses from successful dealerships, when asked if incentives are matched to the company culture _____	85
Figure 4.1.3.6: Responses from successful dealerships, when asked if group incentives were clear and simple to understand. _____	85
Figure 4.1.3.7: Responses from successful dealerships, when asked if reward strategies were constantly communicated to staff _____	86
Figure 4.1.3.8: Responses from successful dealerships, when asked if employees were recognised for the work they did and contribution they made _____	87
Figure 4.1.4.1: Responses from successful dealerships, when asked if the health and safety programs were geared towards employee wellness _____	88
Figure 4.1.4.2: Showing responses from successful dealerships, when asked if the health and safety programs dealt with the employees mind, body and soul _____	88
Figure 4.1.4.3: Responses from successful dealerships, when asked if the health and safety programs dealt with other employee issues such as stress management, employee assistance, work life balance and so forth _____	89
Figure 4.1.4.4: Responses from successful dealerships, when asked if the there was a specific action for the proactive management of HIV/AIDS _____	90
Figure 4.1.5.1: Responses from successful dealerships, when asked if dealership complies to the relevant labour legislation _____	91

Figure 4.1.5.2: Responses from successful dealerships, when asked if the dealership has a defined process to manage strikes _____	91
Figure 4.1.5.3: Responses from successful dealerships, when asked if the dealership has trained line management on the impact of the labour law _____	92
Figure 4.1.5.4: Responses from successful dealerships, when asked if the dealership promotes equity and non-discrimination _____	93
Figure 4.1.6.1: Responses from successful dealerships, when asked if a human resources information system exists _____	94
Figure 4.1.6.2: Responses from successful dealerships, when asked if the HRIS has a wide range of employee information _____	95
Figure 4.1.6.3: Responses from successful dealerships, when asked if the HRIS has a significant data sensitive historical capacity _____	96
Figure 4.1.6.4: Responses from successful dealerships, when asked if the HRIS can compile a profile of the workforce in compliance to the employment equity act _____	97
Figure 4.1.6.5: Responses from successful dealerships, when asked if the HRIS can compile a report on the skills development of employees. _____	98
Figure 4.1.6.6: Responses from successful dealerships, when asked if the HRIS can compile the organisations equity plan _____	98
Figure 4.1.7.1: Responses from successful dealerships, when asked if the performance management system is a process for strategy implementation _____	99
Figure 4.1.7.2: Responses from successful dealerships, when asked if the performance management system is a vehicle for culture change _____	100

Figure 4.1.7.3: Responses from successful dealerships, when asked if there is a specific set of measurable objectives between manager and employee _____ 100

Figure 4.1.7.4: Responses from successful dealerships, when asked if managers have been trained to carry out performance reviews _____ 101

Figure 4.1.7.5: Responses from successful dealerships, when asked the performance management system provided input to other areas of human resource management such as training and development _____ 102

Figure 4.1.7.6: Responses from successful dealerships, when asked if there was a formal review process within the performance management system _____ 102

Figure 4.1.7.7: Responses from successful dealerships, when asked if a vision of objectives was communicated to staff _____ 103



LIST OF TABLES

Table 4.1: Showing Rank order of HR Functions with number of respondents per function _____ 104



LIST OF APPENDICES

Appendix 1 Research Questionnaire	118
Appendix 2 Dealership Responses	124




CHAPTER 1 RESEARCH PROPOSAL

1.1. Background

Organisations today face increasing challenges and operate in climates of increasing turbulence, complexity and surprise (Manning, 1998: 27 - 35). Some of the realities that paralyse managers of organisations in these turbulent times are:

- Socio-political and economic uncertainties threaten the unwary
- Competition is escalating rapidly
- The power of many stakeholders is increasing rapidly
- Technology is transforming the way products and services are created, delivered and bought

Additionally Ulrich (1998:126) adds that businesses today face five critical business challenges:

- 
- Globalisation - the rapid expansion of global markets and declining trade barriers requires organisations to increase their ability to learn and collaborate
 - Profitability through growth - most organisations have implemented a myriad of initiatives such as downsizing, reengineering and consolidation in an attempt to gain efficiencies and reduce costs. The gains of such initiatives having largely been realised, executives are now forced to focus on the other part of the revenue equation, revenue growth
 - Technology - recent advancements in technology and its introduction into the workplace have made the world smaller and move faster
 - Intellectual Capital - knowledge has become a direct competitive advantage. The challenge for organisations is making sure they have the capacity to find, assimilate, develop, compensate and retain talented individuals

- Change - the greatest challenge organisations face is adjusting to constant and rapid changes

In the new economy, winning will spring from organisational capabilities such as speed, responsiveness, agility, learning capacity and employee competence (Ulrich, 1998; Chambers, Foulon, Handfield-Jones, Hankin & Michaels, 1998).

There is general consensus that the quality of human resources in a country and subsequently in organisations will be the determining factor for their continuing progress and prosperity (van Dyk, Nel, Loedolff & Haasbroek, 2001:4). In order for an organisation to effectively compete in world markets and within its own market, the quality of its human resources will then be the determining factor of competitive advantage.

In a competitive environment, the softer side of competitiveness reflects the shift toward a knowledge based economy, the human dimension in competitiveness has therefore become a major factor in the modern economies of the world (Nel, Gerber, van Dyk, Haasbroek, Schultz, Sono & Werner, 2001:5).

The quality of the human resources of any organisation can make a major difference in its competitiveness (Swanepoel, Erasmus, van Wyk & Schenk, 2000:3). From this it can then be stated there must exist a relationship between the effective management of the human resources of an organisation and the effectiveness of the organisation.

When any person is employed by an organisation, there exists a relationship of exchange where the two parties to the relationship are the organisation as the employer and the individual as the employee (Swanepoel *et al.*, 2000: 15). It is the responsibility of the human resources function within any organisation to ensure that the employment relationship is effectively managed in such a way that organisational success is enhanced and that all stakeholders are optimally satisfied (Swanepoel *et al.*, 2000: 15).

According to Ulrich (1998:124), human resources can help in delivering organisational excellence in the following four ways:

- HR should become a partner with senior and line management in strategy execution, helping to move strategy from the conference room to the market place
- HR should become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained
- HR should become a champion for employees, vigorously representing their concerns to senior management and at the same time working to increase employee contribution
- HR should become an agent of continuous transformation; shaping processes and a culture that together improve an organisations capacity for change

Since the effective management of human resources plays such a pivotal role in the success of an organisation, it is of importance to understand the degree of association and relative amplitude of such an association to the competitive advantage of an organisation.

1.2. Statement of the Problem

The research problem would be stated as follows:

What are the human resources management practices applied by successful organisations

1.3. Aim

The aim of this research is to determine the effective human resource management practices applied by organisations that have sustainable competitive advantage.

1.4. Objectives

The objectives of this research are:

- 1.4.1 To determine, through literature, the various components of Human Resource Management (HRM).
- 1.4.2 To determine, through literature, the contribution of Human Resource Management to organisational effectiveness.
- 1.4.3 To deduce from literature, criteria that can be used to evaluate the effectiveness of the HRM function of an organisation.
- 1.4.4 To establish, by applying the human resources management evaluation criterion, the consistency of application between successful organisations and human resources management practices.

1.5. Defining Concepts

Organisations that have sustainable competitive advantage are also referred to as successful organisations. This is not operational effectiveness and will be measured by the profitability of the organisation.

An effective human resource management function is defined as that function within an organisation, such operations, marketing and finance which is strategically aligned to the organisations broader vision, mission and goals and manages the human resources of an organisation.

1.6. Limitations

The limitations of this research are:

- 1.6.1 Only one brand dealer of a particular motor manufacturer will be used for the research
- 1.6.2 The human resource management practices at any single dealership will not be evaluated by the HR Manager as this could contaminate the research data. Therefore, the HR managers where applicable will be excluded from the respondents to the questionnaire.
- 1.6.3 When evaluating the effectiveness of an organisation, financial information relating to the organisation will be used. However given the confidential nature of the financial information no inferences to any specific dealer within the brand being researched will be made.

1.7. Value Of The Research

Organisations today face ever-increasing challenges and are continuously pressured to increase performance and deliver more with less. Executives constantly seek better ways of increasing returns and maximizing shareholder revenues. New systems and processes are being developed at breakneck speed.

Yet, the answer to creating and maintaining competitive advantage resides in the effective management of human resources (wwwa, 2000). The problem with human resource management systems is not that there is ineffective management, but that the systems are fragmented and often not aligned to the business strategy of the organisation.

It is important, therefore, to understand that there exists a clear link between the effective management of human resources and the sustainable competitive advantage of an organisation. Furthermore, it is advantageous to be able to analyse whether an existing human resource management function is effective and where improvements can be brought around.

1.8. Methodology

To begin with a literature review will be undertaken. This will involve a study of the relevant published documentation relating to the subject. Following the probing of the relevant literature, a defined set of evaluation criteria will be deduced. The evaluation criteria will then form the basis of the survey questionnaire.

This research will make use of the survey method utilizing a questionnaire. Saunders, Lewis and Thornhill (2000) point out that the survey method allows for the collection of data from a sizable population in a highly economical way. Furthermore surveys are based on a questionnaire where data are standardized allowing for easy comparison.

Explanatory studies, which establish causal relationships between variables, will also be used in this research. The emphasis of explanatory studies is on studying a situation in order to explain the relationship between variables (Saunders *et al.*, 2000).

1.8.1 Research Method

This research proposal will make use of the survey method. The data will be collected using a survey questionnaire.

Additionally, a cross sectional study using quantitative data will be used to evaluate the financial performance of each organisation at a particular point in time. Cross sectional studies are the study of a particular phenomenon at a particular time (Saunders *et al.* 2000).

1.8.2 Quantitative or Qualitative

The research will make use of both qualitative and quantitative methods. Qualitative random variables are variables, which yield non-numeric responses, while quantitative random variables are variables that yield numeric responses (Wegner, 2001).

1.8.3 Data Analysis

The data will be analysed using statistical techniques. Based on the objectives as sited earlier, the data once collected via the questionnaires will be subjected to various statistical analyses. In order to present this data, histograms, bar charts and where possible statistical correlation will be used.

Furthermore, during the data analysis, a determination will be made as to the rank ordering of the various human resource management factors, which are employed by successful organisations.

1.8.4 Population

According to Wegner, (2001:168) a population consists of all the possible observations of the random variable under study. The population for this research represents all dealerships operating in the motor manufacturing sector within South Africa.

1.8.5 Sampling Techniques

Sampling is the process of selecting a representative subset of observations from a population to determine the characteristics (Wegner, 2001: 170). A combination of Cluster sampling and simple random sampling will be used.

Both cluster and random sampling fall under the broad category of probability sampling. Probability sampling is most commonly associated with survey-based research where inferences from statistical analysis can be made for the entire population (Saunders *et al.*, 2000). The sampling size is discussed below.

1.8.6 Sampling Size

From the limitations of this research, as discussed earlier, a single brand dealer with branches located throughout the Republic of South Africa will constitute the sample.



1.9 Planned Chapters

The dissertation will be arranged in a number of chapters. The following are proposed chapters for the dissertation.

1.9.1 Chapter 1: General Introduction

This chapter will provide background and general information to the study, including the aim and objectives of the study, the organisation of the dissertation, definition of key terms, the limitations of the research and a brief outline of the research methodology to be used.

1.9.2 Chapter 2: Literature Review

This chapter will provide an analysis on available literature, which will be used for the qualitative analysis of the subject. The literature review will provide the set of criteria to be used for the survey.

1.9.3 Chapter 3: Research Methodology

In this chapter the research method will be discussed, including the aim and objectives, the method of data collection, the population and sample sizing and the data analyses methods as well as the presentation of the data.

1.9.4 Chapter 4: Research Findings

This chapter will discuss the results of the collected data. The results of the collected data will also be presented in graphs.

1.9.5 Chapter 5: Conclusion And Recommendations

Chapter 5 will provide conclusion to be drawn from the research results. Suggestions and recommendations will be provided.

CHAPTER 2 LITERATURE REVIEW

2.1 Human Resources

In order to earn a living, most people have to engage in some form of work activity, which is done in the context of an organisation within which they are employed. These people comprise the human resources of an organisation (Swanepoel *et al.*, 2000)

An organisation has many resources, some of which are financial, natural, technological and human resources (Swanepoel *et al.*, 2000:5). Human resources is the only resource that reacts when acted upon, all the other resources are static and derive their dynamic character when acted upon by human resources (Nel *et al.*, 2001).

The quality of the human resources of any organisation can make a major difference in its competitiveness and it is the job of management to successfully manage this dynamic resource (human resources) such that the organisation can create and maintain a competitive advantage (Swanepoel *et al.*, 2000).

2.2 Human Resource Management

Human resource management as a function within an organisation serves an interventionary process (Swanepoel *et al.*, 2000). This would be as a result of the fact that the scope of human resource management has to do with all aspects of the employment relationship, this relationship is depicted by figure 2.1 below.

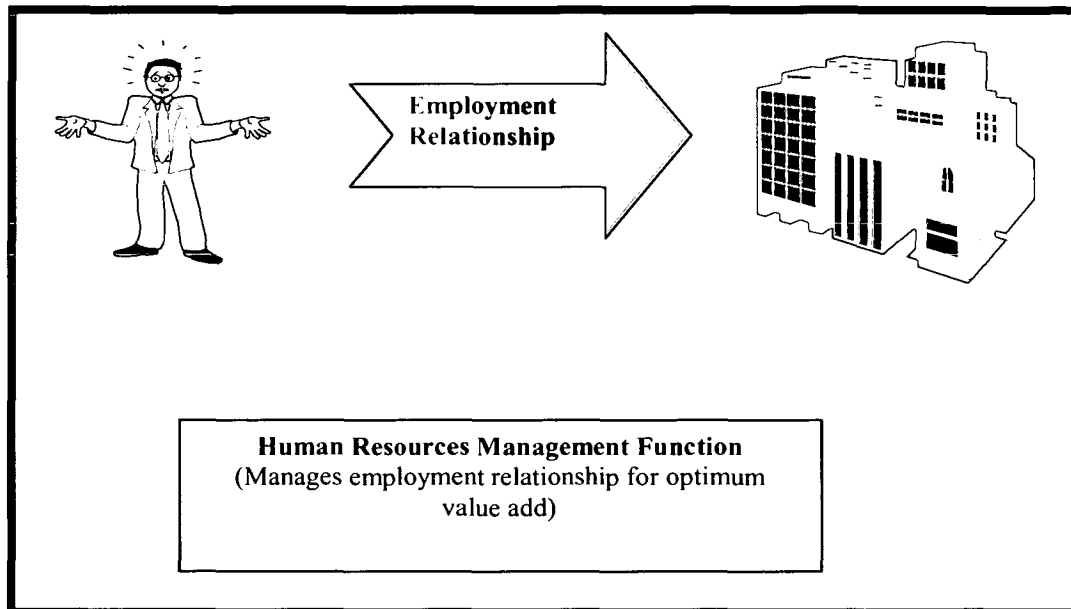


FIGURE 2.1. HUMAN RESOURCE MANAGEMENT FUNCTION AS AN INTERVENTION PROCESS
Source: Adapted from Swanepoel *et al.* (2000:16)

As can be seen from figure 2.1 above, it is the responsibility of the human resource management function within an organisation to ensure that there exists a fit between the needs of the individual (which are extremely dynamic and differ from person to person) and the needs of the organisation (Swanepoel *et al.*, 2000). Additionally, Nel *et al.* (2001) define human resource management as the process through which an optimal fit is achieved between the employee, job, organisation and environment so that employees reach their desired level of satisfaction and performance and the organisation meets its goals.

However all managers are, by default, human resource managers and therefore all managers, including the human resource management function within an organisation are responsible to ensure that the fit between the needs of the organisation and the individual are effectively managed in such a manner as to ensure that organizational effectiveness is achieved.

2.3 The Areas Of Human Resource Management

According to Mondy and Noe (1996) there are six areas associated with effective human resources management, these are:

- Human resource planning, recruitment and selection
- Training and development
- Compensation and benefits
- Health and safety
- Employee and labour relations
- Human resource information systems

However, from Nel *et al.* (2001) and Swanepoel *et al.* (2000), the following additional issue regarding human resources management will be addressed in this section:

- Performance management



2.3.1 Human resource planning, recruitment and selection

2.3.1.1 Human resource planning

Throughout this section, the terms human resource planning, manpower planning, personnel planning, workforce planning and labour planning are used interchangeably and are intended to mean the same thing.

Human resource planning is the process of systematically reviewing the human resource requirements of an organisation to ensure that the required number of employees, with the necessary skills, are available when needed (Mondy & Noe, 1996; Nel *et al.*, 2001). Swanepoel *et al.* (2000) adds that it is necessary to know what kinds of positions, types of

work and what numbers of people with what kinds of competencies will be required to ensure the successful operation of the organisation over the long term.

The workforce planning process is shown below in figure 2.2.

The process begins with the organisational strategy and business action plans, all of which are within the confines of the external environmental factors, as depicted in figure 2.2. Once the factors affecting the human resources planning process have been identified, the supply and demand of current and new employees can be analysed and action plans developed to cater for any differences that may or may not exist between the supply and demand of labour.

Effective workforce planning is an effort to find a possible or probable future scenario rather than to attempt to provide definitive forecasts. It is important to note that workforce planning will not eliminate risks but will give managers the opportunity to understand the risks faced by the organisation (Nel *et al.*, 2001).

Organisations engage in strategic planning, which eventually result in goals and objectives, or business action plans, which are attached to performance objectives (Nel *et al.*, 2001). These business or action plans must be carried out by human resources (employees) and therefore serve as the input to the human resource planning process.

The human resources planning process then begins by attempting to forecast the number of employees required to successfully complete the business action plans. There are two areas where forecasting must be undertaken, namely human resources supply and human resources demand (Nel *et al.*, 2001).

Forecasting, effectively takes the form of either qualitative or quantitative techniques (Nel *et al.*, 2001; Swanepoel *et al.*, 2000).

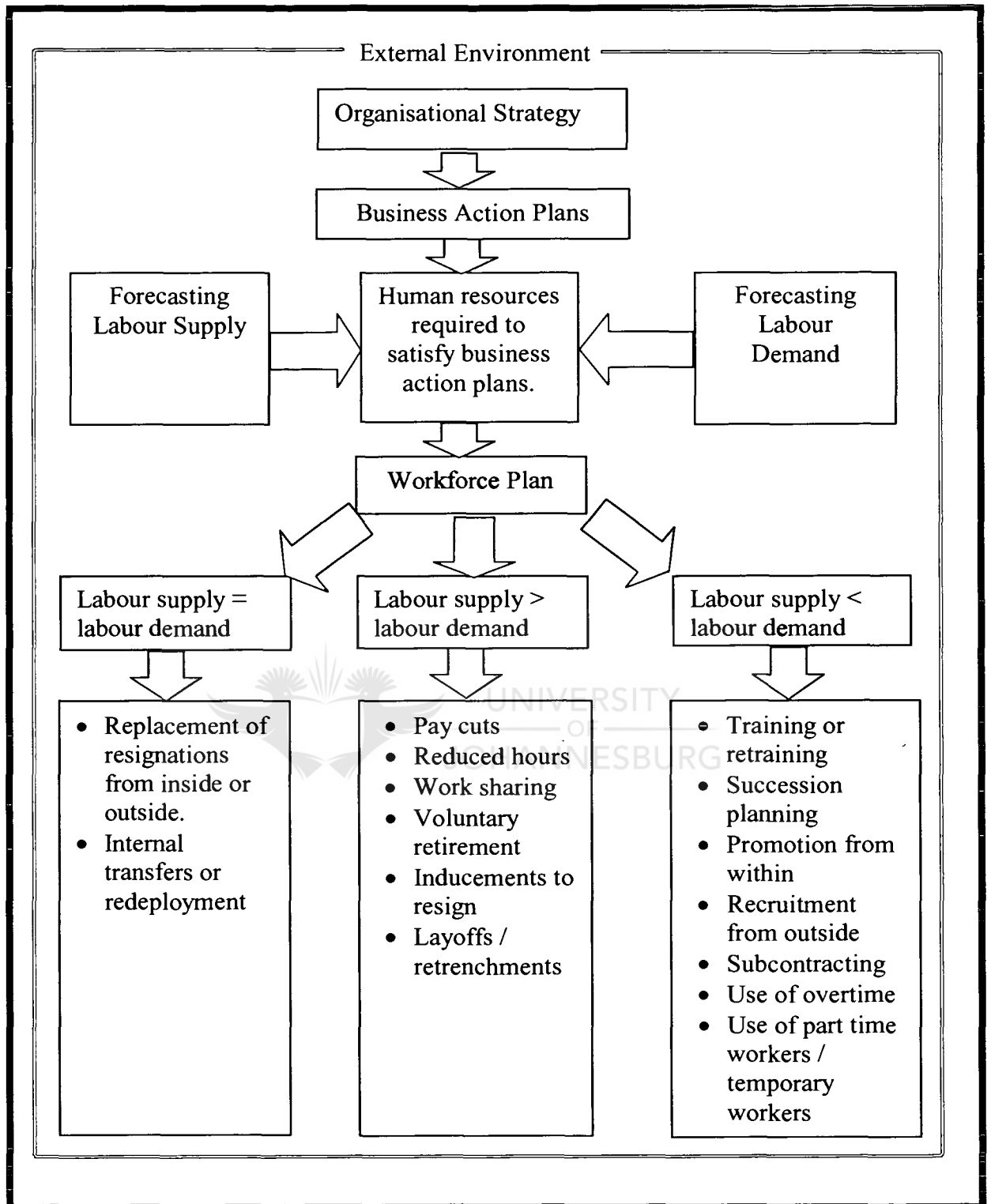


FIGURE 2.2 WORKFORCE PLANNING PROCESS

Source: Adapted from Nel *et al.* (2001); Swanepoel *et al.* (2000); Mondy and Noe (1996).

The differences between the labour supply forecast and labour demand forecast, will give rise to a workforce plan. The workforce plan or human resources plan will result in three scenarios and the appropriate actions that must be planned for each scenario (Nel *et al.* 2001). These scenarios and relevant action plans are shown in figure 2.2 above.

Scenario 1, labour supply is equal to labour demand. The appropriate actions, which must be planned for this scenario would be the replacement of personnel from within the organisation, specifically where loss of human resources results from natural attrition (death), normal retirement and expected resignations. Additionally action plans should be developed for internal transfers and redeployment of human resources (Nel *et al.*, 2001).

Scenario 2, labour supply is greater than labour demand. The appropriate actions that need to be planned for in this scenario would be aimed at reducing the surplus of human resources (Mondy & Noe, 1996). Action plans that need to be developed for this scenario include pay cuts, reduced hours, work sharing, voluntary early retirements, inducements to resign and layoffs (Nel *et al.*, 2001).

Scenario 3, labour supply is less than labour demand. The action plans that would need to be developed for this scenario include training or retraining, succession planning, promotion from within, recruitment from outside, subcontracting, use of part time workers or temporary workers, use of overtime (Nel *et al.*, 2001).

It must be noted that workforce planning does not occur in isolation, the process is essentially driven by organizational strategy and must be a shared process between line managers and staff specialists, with the CEO as the ultimate owner (Nel *et al.*, 2001). Additionally, because the factors that influence human resource planning in the internal and external environment of the firm are constantly changing, the human resource planning process must be continuous and not an isolated or annual event (Mondy & Noe, 1996).

2.3.1.2 Job Analysis

From scenario 3 discussed in 2.3.1.1 above, the next process in the myriad of human resource management functions is the process of recruitment.

Before recruitment can be undertaken, a job analysis of the entire organisation should be undertaken. Job analysis is the systematic process of determining the skills, duties and knowledge required for performing jobs in an organisation (Mondy & Noe, 1996; Swanepoel *et al.*, 2000). The systematic process of compiling a description of the work to be done, the skills needed, the training and experience required for various jobs and a forecast of the future direction of the business is called job analysis and is essential in making intelligent decisions in the workplace (Nel *et al.*, 2001)

The process of job analysis generates two outcomes, namely job descriptions and job specifications (Swanepoel *et al.*, 2000; Nel *et al.*, 2001; Mondy & Noe, 1996), this is shown below in figure 2.3.

Job descriptions define the nature of the job content, the environment and the conditions under which the employment is carried out (Swanepoel *et al.*, 2000). A job description will contain the following information:

- Job Title
- Purpose of the job
- Responsible to and for
- Main duties
- Subordinates

Job specifications stipulate the minimum acceptable characteristics a job holder must possess as a requisite to perform the job. The job specification process identifies the knowledge, skills, level of education, experience and abilities needed to do the job

effectively (Swanepoel *et al.*, 2000). Job specifications will contain the following information:

- Education
- Experience
- Aptitudes
- Disposition
- Skills

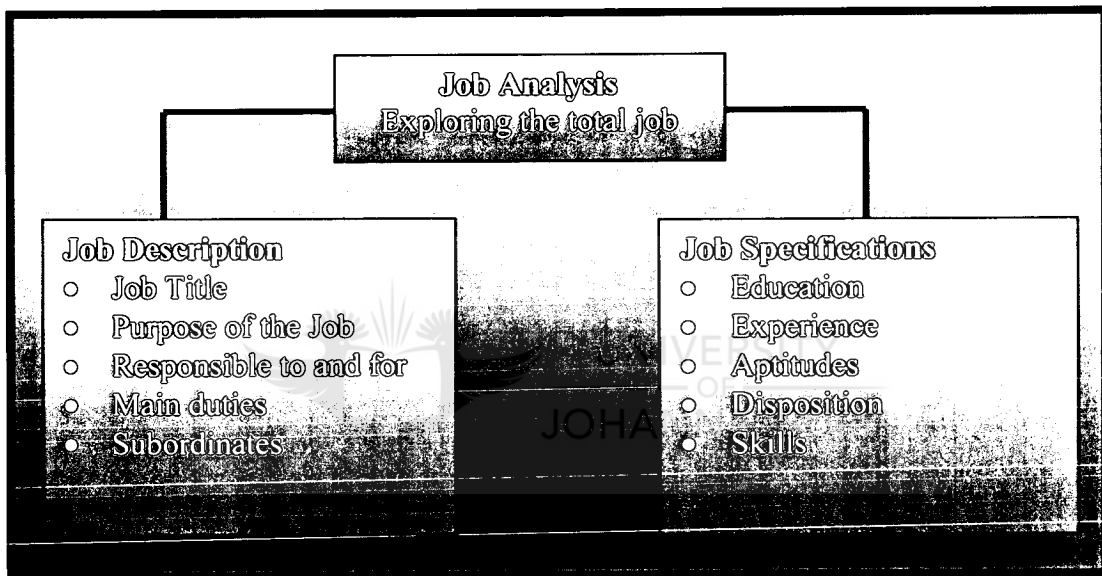


FIGURE 2.3. JOB ANALYSIS AS TWO COMPONENTS
Source: Swanepoel *et al.*, 2000

The process of job analysis, as mentioned in the various definitions above, should follow a systematic process. The process as described by Nel *et al.* (2001: 201), with addition from Swanepoel *et al.* (2000) is shown below in figure 2.4 below.

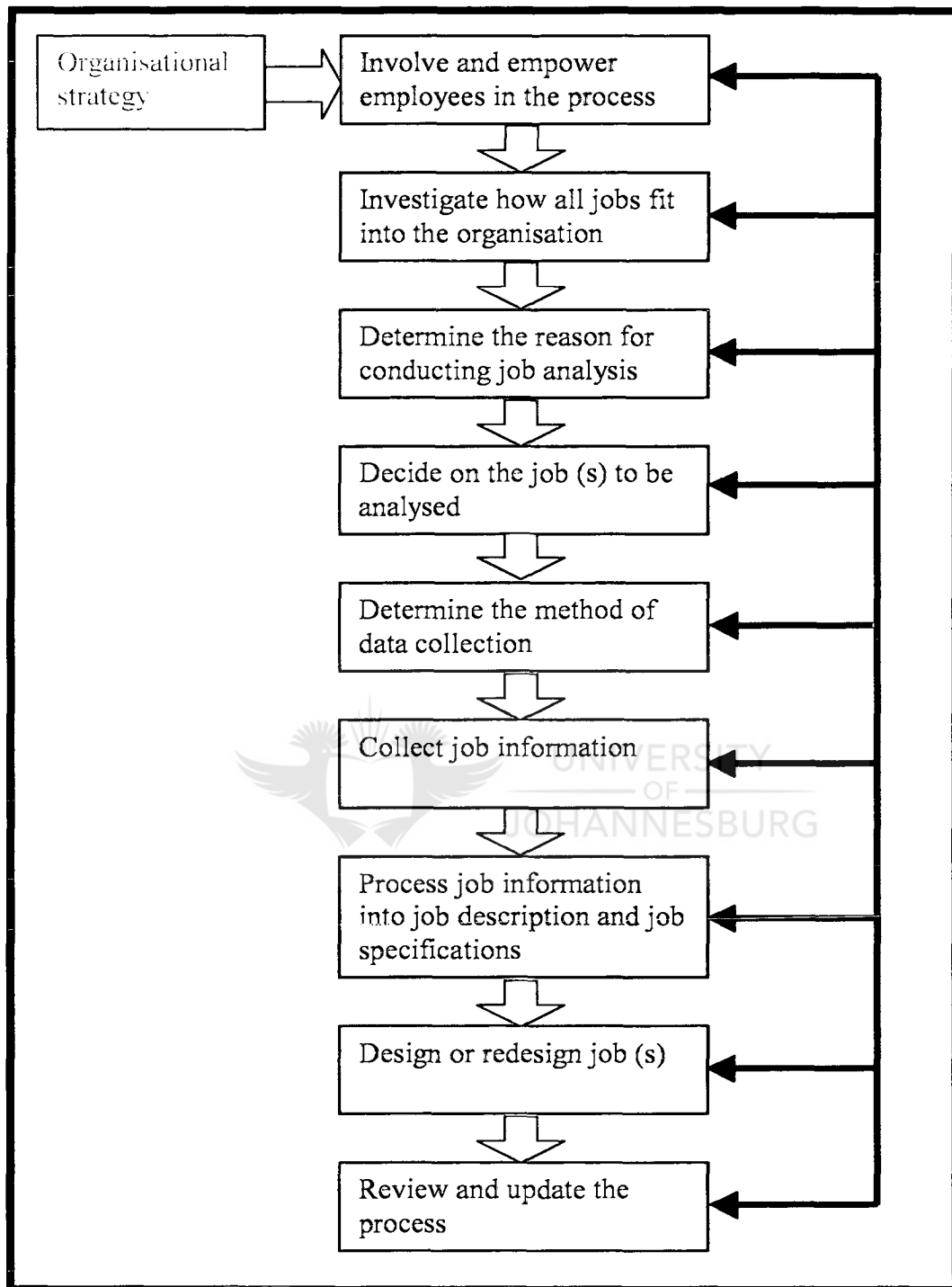


FIGURE 2.4 JOB ANALYSIS PROCESS

Source: Adapted from Nel *et al.* (2001) and Swanepoel *et al.* (2000)

From Swanepoel *et al.* (2000), the job analysis process begins with the organisation's strategy. This leads to employee consultation and involvement, which is extremely important to ensure that the employee relationship is not compromised. Additionally the involvement of employees allows for the creation of "buy in" into the process. According to Kreitner *et al.* (1999) employee involvement creates a sense of ownership in the process and is fundamental in ensuring the success of the process.

From the organisational strategy and after ensuring employee involvement in the process, there should be an investigation into how all the jobs fit into the organisational structure.

The next step is then to determine the reason for the conducting job analysis; this process ensures that the end result of the job analysis process meets the initial aim.

Thereafter a decision needs to be made on which jobs should be analysed, given that it would be impractical to analyse all the jobs in an organisation from both a cost and time perspective. In light of this, a representative sample of jobs are chosen to be analysed.

Thereafter a decision on the method of data collection needs to be made. The method of data collection will depend on whether a job-oriented, worker-oriented, or a combination approach to job analysis is chosen.

Job data is then collected through the method chosen, this information is then reviewed with employees and the person or parties undertaking the job analysis to ensure that the job information is factual, objective and easily comparable with analysis of other jobs.

The job information then needs to be refined into job descriptions and job specifications and then used to accomplish the purpose of the job analysis exercise as decided in step 3 of the process.

Existing job descriptions and specifications are then compared with the results of the job analysis, where extreme differences are identified, the job descriptions and job

specifications from the job analysis are used to design a totally new job. Where minor differences exist, the existing jobs can be redesigned to reflect, more accurately, the job descriptions and job specifications from the job analysis.

After the entire process has been completed the value of the undertaking must be assessed, each phase of the process must be reviewed to ensure that any improvements that can be made to any process is actually recorded for the next time when the process is to be repeated.

2.3.1.3 Recruitment

The information from a job analysis provides a clear picture of the duties, tasks and responsibilities of the job, job expectations, skills, knowledge and abilities required. This offers a much greater chance of success in the process of recruitment (Nel *et al.*, 2001).

There exist several definitions for the human resource management function of recruitment. Some of these definitions are:

- Recruitment is the process of attracting individuals in sufficient numbers and encouraging them to apply for jobs within the organisation (Mondy & Noe, 1996).
- Those activities in human resources management which are undertaken in order to attract sufficient job candidates who have the necessary potential, competencies and traits to fill job needs and to assist the organisation in achieving its objectives. (Swanepoel *et al.*, 2000).
- Recruiting is the process of attracting potential job applicants from the available labour force (Nel *et al.*, 2001).

From the definitions above it can be seen that recruitment is a process that aims to entice a sufficient number of prospective candidates (employees) to fill jobs within an organisation, which will assist an organisation to achieve its goals.

It is imperative to ensure that there exists a detailed understanding of the activities of a job and assuming that the jobs themselves are intended to assist an organisation in achieving its objectives, then the activities of these jobs must clearly be linked to business strategy (Mondy & Noe, 1996; Nel *et al.*, 2001).

Once a decision has been made to recruit additional employees, a decision then needs to be made as to the source of applicants (Swanepoel *et al.*, 2000). There are two basic sources of recruitment, internal and external (Swanepoel *et al.*, 2000). Nel *et al.* (2001) points out that in the rush to fill a position, organisations lose sight of the fact that it may not be necessary to fill a position at all. Before considering filling a position it is important that other options to recruitment are considered (Nel *et al.*, 2001), some of these alternatives are:

- Reorganising the work so that the remaining employees do the total amount of work without replacing the vacancy
- Use of overtime if it is a short term problem
- Mechanise the work, assuming that the time has come to change the equipment
- Stagger the hours if flexible working arrangements can get the job done
- Make the job part time by introducing job sharing
- Sub contract the work if possible
- Use an agency to provide temporary workers

Assuming that all the alternatives listed above have been considered and it has been decided that it is actually essential to implement a recruitment drive to fill a vacancy, a decision then needs to be made as to the source applicants (Nel *et al.*, 2001).

Internal recruitment takes place when current employees of the organisation are considered for a vacancy (Nel *et al.*, 2001), whilst external recruitment takes place when a source outside the company is used to fill a vacancy (Nel *et al.*, 2001).

Internal sources according to Nel *et al.* (2001) are:

- Current employees
- Referrals from current employees
- Former employees

External sources according to Nel *et al.* (2001) are:

- Advertisements
- Employment agencies
- Campus recruiting
- Customers
- Direct Mail
- Radio, TV and Internet

The recruitment process as per Swanepoel *et al.* (2000) is delineated hereunder and shown below in figure 2.5.



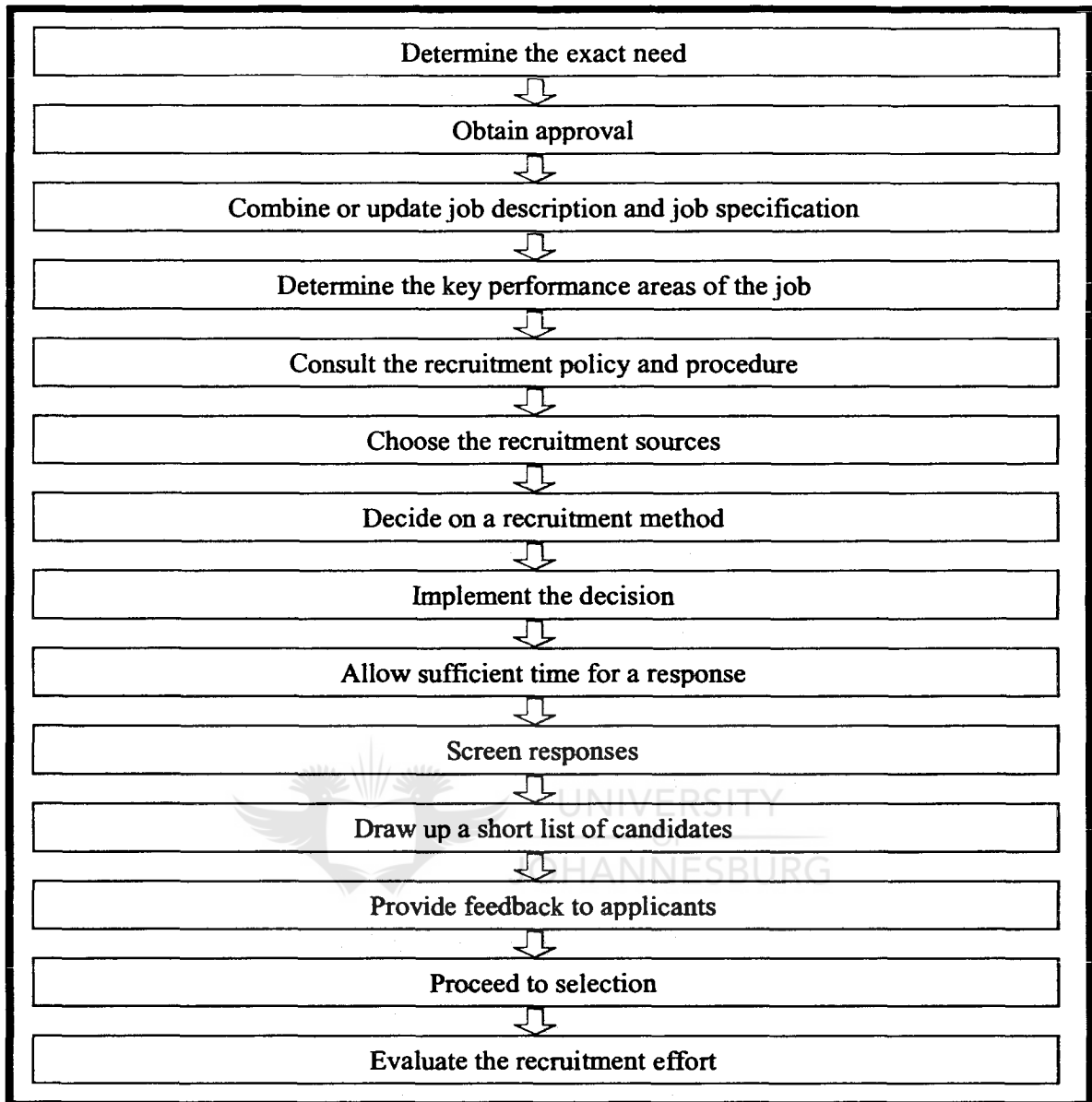


FIGURE 2.5: THE RECRUITMENT PROCESS
 Source: Swanepoel *et al.* (2000)

Step 1: Determine the exact need

The need to recruit should flow out of the workforce planning process. It is very important that departmental heads be full partners in the process, to verify the need for recruitment in cases where it has not been initiated by them.

Step 2: Obtain approval to recruit in terms of the human resource budget and level of appointment.

Since employing a person is a major expenditure to an organisation, the budget of the organisation as well as the strategic plans and guidelines for recruitment should be taken into account. Approval should be obtained from senior management, this will ensure that the recruitment is compatible with the broad organisational and human resource plans.

Step 3: Compile or update job descriptions and job specifications

A job description and job specification provides the point of departure for the recruitment activity. It is fundamentally important that the recruiter fully understands the job description and job specifications of the vacancy that needs to be filled. The job descriptions and job specifications form an important part of the screening and selection process. The information contained in the job descriptions and job specifications can also guard the organisation against unintended discriminatory practices.

Step 4: Determine the key performance areas of the job

Key performance areas refer to those aspects of the job, which are crucial for the success of the job and normally focus on outputs and not activities. This needs to be done to give the recruiter and person responsible for selection insight into the actual job requirements. The key performance areas can form part of the job description.

Step 5: Consult the recruitment policy and procedure

The recruitment policy should be consulted to ensure consistency and the long-term efficiency of the recruitment process.

Step 6: Choose the sources

Once the recruiter knows what type of person must be recruited for the job, a decision then needs to be made as to the recruitment source to be used, either internal or external. It is normally good policy to recruit internally first and then externally.

Step 7: Decide on a method of recruiting

The recruitment source will normally dictate the recruitment method to be used. Either way, it is important to try and use the recruitment method that has, using historical data, proven to be the most effective recruitment method. It is also important to ensure that when choosing a recruitment method, to ensure against any discrimination.

Step 8: Implement the decision (apply the recruitment method)

The chosen recruitment method must then be applied, during which steps must be taken not to allow any discrimination, other than those issues inherent in the job requirements and in affirmative action appointments.

Step 9: Allow sufficient time for response

The recruitment method used will dictate the time that should be allowed for responses. Set clear deadlines but maintain some flexibility to ensure the maximum number of responses.

Step 10: Screen responses

Potential employees will respond to the recruitment method used and the majority of applicants will not be successful. The applicant's particulars must at this stage be compared with the job descriptions and specifications. The unsuccessful candidates must be separated from those who may be considered for possible appointment. Recruiters must guard against prejudice and subjective opinions that could lead to discrimination against applicants.

Step 11: Draw up an initial short list of candidates

A short list of possible successful candidates is then drawn up. The short list of potential candidates must be discussed with the relevant department head before proceeding to the selection process.

Step 12: Advise applicants of the outcome

It is important to advise all applicants as soon as possible of the outcomes of their applications. This will include those who may be invited for interviews, as well as unsuccessful applicants.

Step 13: Proceed to selection

Qualifying applicants are now invited for interviews.

Step 14: Evaluate the success of recruitment

Following the appointment of a recruited employee the success of the recruitment process can be evaluated. It is important to evaluate the success of the recruitment process since a substantial amount of the organisations resources are used in the recruitment of employees. One evaluator of the recruitment effort is the number of interviews required per successful placement.

2.3.1.4 Selection

As discussed in the previous section on recruitment, the purpose of recruitment is to gather a large enough pool of good quality applicants from which the most suitably qualified person may be selected and appointed.

Selection is defined as:

- The process of trying to determine which individual will best match particular jobs in the organisational context, taking into account individual differences, the requirements of the job and the organisations internal and external environments (Swanepoel *et al.*, 2000)
- The process of choosing from a pool of applicants the individual best suited for a particular position (Mondy & Noe, 1996)

The selection process as described in both Swanepoel *et al.* (2000) and Nel *et al.* (2001) is delineated hereunder and shown below in figure 2.6.

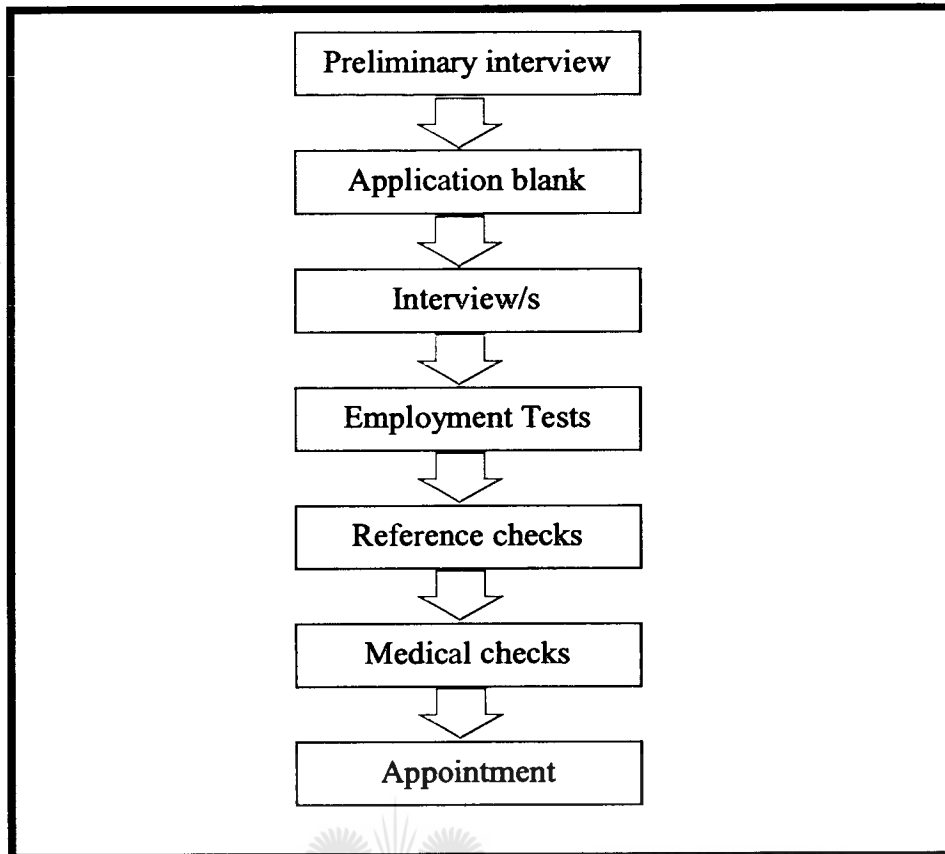


FIGURE 2.6 SELECTION PROCESS
Source: Nel *et al.* (2001)

Step 1: Preliminary interview:

The first step in the selection process is a preliminary screening interview, here individuals who are not qualified for the job opening should be immediately eliminated from the pool. Standards that have no relationship to an individual's ability to perform the job should not be used to disqualify an applicant. Lack of education, training and job experience are legitimate qualifications only if they are related to job performance.

Step 2: Application blank

The standard application blank is used to gather routine information. Personal details of the applicant are obtained from this document, including biographical information such as education completed, work experience and general issues concerning the applicant's

state of health. The questions on the application blank must comply with the employment equity act.

Step 3: Interviews

The selection interview has two purposes:

- To get information from the applicant
- To judge the applicant on the basis of this information

The evaluation of the interview can also be combined with other assessments of the applicant and used later to make a hiring decision. Interviews can be used to assess the applicant's social ease and confidence, speaking ability and manner of interacting.

Step 3: Employment tests

The Government, the Professional Board of Psychology and the Test Commission of South Africa carefully regulate the use of tests in South Africa. The Test Commission in terms of their legal requirements classifies tests as follows:

- C tests – examples of which are intelligence and personality, which can only be used by registered psychologists
- B tests – examples of which are aptitude tests, which can only be used by registered psychologists and psychometrists
- A tests – examples of which are elementary aptitude and skills tests, which can be used by registered psychologists, psychometrists and psychotechnicians

Step 4: Reference checks

There are two key reasons for conducting reference checks, these are:

- To verify the accuracy of factual information previously provided by the applicant
- To uncover any damaging background information such as a criminal background or a suspended drivers license

It is an inexpensive and straightforward way of verifying factual information about the applicant.

Step 5: Medical checks

In order to save money only the person to whom a job offer has been made is required to undergo a medical examination. There are five main reasons for making a physical examination a pre-employment condition:

- To ensure that the applicant qualifies for the physical requirements of the position
- To discover any medical limitations of the applicant
- To establish a record and baseline of the applicants health
- To reduce absenteeism and accidents by identifying health problems
- To detect communicable diseases that may be known to the applicant

Step 6: Offer of employment and appointment

Once the candidate has made it this far, a verbal offer of employment is made to the candidate, which is then followed up by a written offer.

Swanepoel *et al.* (2000) further adds that as soon as the person has accepted the offer, all the other applicants must be informed in writing that their applications have been unsuccessful. Once the employment relationship has been formally established, the new employee's first few days and weeks in his or her new working environment form the next important facet of human resource management. It is essential that newly appointed employees be positively disposed towards the organisation, towards the section in which they are working and towards other employees. The organisations socialisation program (induction or orientation) is thus a formal attempt at changing this potential threat into an opportunity for better human resource utilisation.

2.3.2 Human Resource Development

Human resource development is a planned, continuous effort by management to improve employee competency levels and organisational performance through training and development programs (Mondy & Noe, 1996).

Human resource development can be defined as a learning experience organised mainly by the employer, usually within a specified period of time, to bring about the possibility of performance improvement and / or personal growth (Swanepoel *et al.*, 2000).

It is generally accepted that the principal aim of training is to contribute to an organisation's overall objectives; however, in many organisations, objectives have not been clearly formulated, training programs are never evaluated and behaviour changes do not form part of the HRD (Human Resources Development) effort (Swanepoel *et al.*, 2000).

Successful training begins with a needs assessment to determine which employees need to be trained and what they need to be trained to do. The model for systematic training is shown below in figure 2.7 (Swanepoel *et al.* 2000).

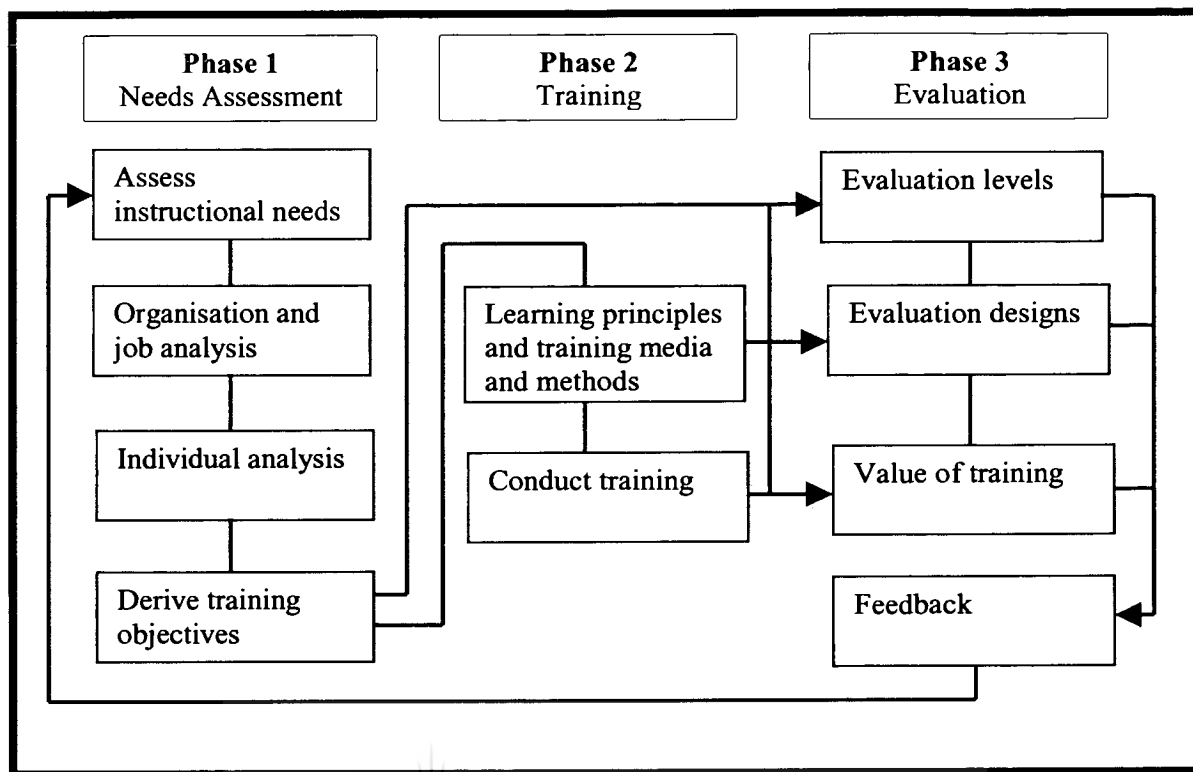


FIGURE 2.7: GENERAL SYSTEMS MODEL FOR TRAINING

Source: Swanepoel *et al.* (2000: 497)

In phase 1 of the general systems model for training as shown in figure 2.7 above. A training needs assessment is an investigation which is undertaken to determine the nature of performance problems in order to establish the underlying causes of poor performance and how these can be addressed by training (Swanepoel *et al.*, 2000). A training gap is usually defined as the difference between the required standard of the job, as specified in the job description and the performance of the incumbent.

It must be noted that training is not always the course of action required to improve performance deficiencies, it could also be that motivation, organisational constraints or poor job design may cause the performance deficiency. Irrespective of the reason, it is imperative to identify the root cause of the performance deficiency before embarking on a training initiative (Swanepoel *et al.*, 2000).

The needs assessment identifies three key areas: the organisation, the job and the individual (Swanepoel *et al.*, 2000).

The organisational assessment considers the proposed training within the greater context of the organisation. An important consideration is whether (or not) the training will be aligned with the organisation's strategy, mission, goals and culture (Swanepoel *et al.*, 2000; Nel *et al.*, 2001).

It is also critical to understand the factors that will create a need for future training, these factors are (Swanepoel *et al.*, 2000):

- Product changes
- Economic changes
- Political changes
- Sociological changes
- Technological changes



The second crucial aspect of a needs analysis is the job or task analysis. The purpose of this step is to identify if the task is important, if training is essential and to determine the procedures that should be taught (Swanepoel *et al.*, 2000; Nel *et al.*, 2001).

The next level of the needs analysis focuses on the individuals to be trained. During this phase it must be determined which employees should receive training and what their current levels of skill and knowledge are (Swanepoel *et al.*, 2000; Nel *et al.*, 2001).

The last step in the assessment phase of training is to translate the needs identified by the organisational, task and individual analysis into measurable objectives that can guide the training process. Training objectives should focus on a behaviour component, which

describes in clear terms what a learner has to do to demonstrate that he or she has learned (Swanepoel *et al.*, 2000; Nel *et al.*, 2001).

Once the training needs have been identified and behavioural objectives determined, a training programme can then be developed to achieve the stated objectives. Appropriate training methods must be selected and suitable training materials developed to convey the required knowledge and skills as identified in the training objectives (Swanepoel *et al.*, 2000).

The last phase of the training model as shown in figure 2.7 above is the evaluation phase. The purpose of this phase is to determine the extent to which the training activities have met the stated objectives (Swanepoel *et al.*, 2000).

According to Kirkpatrick as delineated in Swanepoel *et al.* (2000) there are four levels of evaluation.

Level 1: Reaction

This would entail the participant's feelings about the program. This does not mean that more popular programmes will be more successful, however it might be that unpopular training programmes will have poor attendance and might have to be cancelled.

Level 2: Learning

Learning measures the degree to which trainees have mastered the concepts, information and skills that the training intended to impart.

Level 3: Behaviour

Once the training has been completed, on the job behaviour changes can be assessed by feedback from colleagues, superiors, subordinates or clients.

Level 4: Results

The impact of the training program on the workgroup or organisation as a whole is assessed objectively. A cost benefit analysis should be completed to assess the monetary improvement derived from the training. The training must naturally show improvement in the areas which were initially identified from the needs analysis as the objectives that training must address.

It is clear from the above that a properly crafted and systematic training initiative is of crucial importance to any organisation since learning faster than your competitors is the only sustainable competitive advantage. Every organisation learns, some just learn faster than others, do it more deliberately and use it more rapidly (Nel *et al.*, 2001).

2.3.3 Compensation and Benefits

Remuneration is the financial and non financial extrinsic rewards provided by an employer for the time, skills and effort made available by the employee in fulfilling job requirements aimed at achieving organisational objectives (Swanepoel *et al.*, 2000).

Intrinsic rewards are defined in Swanepoel *et al.* (2000) as self administered rewards that are associated with the job itself, such as the opportunity to perform meaningful work, experience variety and receive feedback on work results. Whilst extrinsic rewards include all those rewards an employee gets from sources other than the job itself. An organisation has a large degree of control over the nature and cost of the extrinsic rewards with which it intends to compensate the efforts of its employees and can therefore use this extrinsic reward system to affect the behaviour of its employees.

The design of the reward system is therefore the starting point for adding value to the organisation (Nel *et al.*, 2001). Risher (1997) argues that the new work paradigm postulates that people are the only source of competitive advantage and that they do contribute to the organisations success, that is to say employees who work in a rewarding environment work harder.

Having said this, the objectives of any remuneration system must therefore be to attract, retain and motivate employees (Swanepoel *et al.*, 2000; McClune, 1997)

Direct compensation is the fixed pay an employee receives on a regular basis, either in the form of a salary or an hourly wage (Nel *et al.*, 2001). Total compensation, however includes the following additional forms of compensation:

- Other direct compensation such as share options, share ownership and restricted shares.
- Incentives such as bonuses, profit-sharing and recognition.
- Employee benefits such as retirement benefits, death benefits, disability benefits and medical benefits.
- Fringe benefits or perquisites (perks) such as company cars, holidays and loans.

According to Hale and Bailey (1998), successful companies recognise seven principles of the reward strategy that lead to superior business results, these are:

- Pay for performance and ensure that performance is tied to the successful achievement of critical business goals.
- Link rewards to other levers of organisational change, such as providing recognition when deserved, offering career development and providing challenging opportunities
- Reward measurable competencies
- Match incentives to the company culture
- Keep group incentives clear and simple
- Over-communicate the reward strategy for best results
- Recognise employees for the work they do and the contribution they make – the greatest incentive is the work itself.

2.3.4 Health and Safety

The legislative framework regarding health and safety is discussed at a later stage of this document under section 2.3.5.

According to Nel *et al.* (2001) there is a growing recognition that is an important part of life and that organisations, by providing more than simply a safe place to work, can have a positive impact on the physical and psychological well being of employees. Swanepoel *et al.* (2000) further adds that apart from attracting and retaining suitable employees who are appropriately remunerated it is important to promote and maintain the overall general state of well being of the organisation's employees. All things being equal, an employee who is generally well (from a health perspective) will usually perform better than one who is generally not well.

The focus is on employee wellness not just employee health, Matlala (1999) states that organisations that fail to adopt employee wellness into their culture will inevitably find an escalation of sickness resulting in the deterioration of organisational performance. Swanepoel *et al.* (2000), defines employee wellness as the employees' state of optimised social, physical and mental health and well-being. It entails a holistic approach to looking after the physical, psychological and social state of well-being of the employees of an organisation.

Traditionally management has tended to adopt a "follow- the- rule- book" approach when dealing with matters relating to health and safety (Swanepoel *et al.*, 2000). Amidst the backdrop of the spiraling costs of medical services, absenteeism costs money and given the background that labour productivity must be improved, management has been considering alternative approaches that may yield results, which are superior to the reactive, minimum-legalistic approach. A holistic approach requires that care be taken of the "whole person" or employee. The focus is therefore not only on safety or on provision of medical assistance, but more so on the acknowledgement that any person coming to work comes there as a whole person. What needs to be taken care of from a holistic

perspective or employee wellness paradigm is the “body, mind and soul” of the employee. This means that the broader social and domestic dynamics of employees, such as those related to personal and family lives, must be taken into account (Swanepoel *et al.*, 2000).

2.3.5 Labour Relations in South Africa

The following section of this dissertation delineates the main issues in the legislative framework governing human resources management in South Africa. Employment relationships within South Africa are influenced by the Constitution and government policy. The most relevant statutes, other than the Constitution, that govern the management of employment relationships are (Nel *et al.*, 2001):

- The Labour Relations Act 66 of 1995
- The Employment Equity Act 55 of 1998
- The Basic Conditions of Employment Act 75 of 1997
- The Occupational Health and Safety Act 85 of 1993
- The Unemployment Insurance Act 30 of 1996
- The Skills Development Act 97 of 1998
- The Skills Development Levies Act 9 of 1999
- Compensation for Occupational Injuries and Diseases Act 130 of 1993

South Africa’s constitution is the supreme law of the country. The provisions of all South African statutes must conform to the principles as set out in the Constitution. Parliament as well as the public and private sectors are all subordinate to the Constitution (Nel *et al.*, 2001; Republic of South Africa, 1995c).

This section will provide a summary description of the acts as listed above. For the purpose of this dissertation, the acts have not been discussed in detail and serve only to

highlight the fact that organisation's are expected to comply with the requirements of all the acts. This compliance infers certain obligations on employer's and employee's. The fundamental point to note is that the acts place most of the onus and obligation for fair labour practice on the employer.

2.3.5.1 The Employment Equity Act 55 of 1998

This act focuses on the importance of promoting equity and non-discrimination in the employment sector in South Africa. This focus is illustrated in the preamble of the act, which states (Nel *et al.*, 2001; Republic of South Africa, 1998a):

- As a result of apartheid and other discriminatory laws and practices, there are disparities in employment, occupation and income within the national labour market; and
- Those disparities create such pronounced disadvantages for certain categories of people that simply repealing discriminatory laws cannot redress them

The Employment Equity Act impacts greatly on the policies and practices of employment in the following ways (Nel *et al.*, 2001; Republic of South Africa, 1999b):

- Recruitment procedures
- Advertising of vacancies
- Selection criteria
- Appointments and the appointment process
- Job classification and grading
- Remuneration
- Employment benefits
- Conditions of employment
- Job assignments
- The working environment and facilities
- Training and development

- Performance evaluation systems
- Promotions
- Transfer
- Demotion
- Disciplinary measures other than dismissal
- Dismissal

The Act is, however, instrumental in breaking down the employment discrimination that the country has experienced in the past and as such should propel the country into the international communities acceptance of what an equal society stands for in the world of work (Nel *et al.*, 2001).

2.3.5.2 The Basic Conditions of Employment Act 75 of 1997

The purpose of this act is to advance economic development and social justice by establishing and enforcing basic conditions of employment. The Act has two primary objectives (Nel *et al.*, 2001; Republic of South Africa, 1997):

- To ensure that working conditions of unorganised and vulnerable workers meet minimum standards that are socially acceptable in relation to the level of development of the country
- To remove rigidities and inefficiencies from the regulation of minimum conditions of employment and to promote flexibility

The basic conditions of employment established by the Act form part of every employment contract in South Africa, unless they have been replaced, varied, or excluded in accordance with the Act, or unless the employee has personally, or via a bargaining council agreement, contracted for more favourable terms of employment (Nel *et al.*, 2001).

The working time of employees must be arranged so as not to endanger their health and safety and with due regard to their family responsibilities. The requirements with regard to remuneration, deductions and termination do not apply to employees who work less than four hours a week (Nel *et al.*, 2001).

2.3.5.3 Labour Relations Act No. 66 of 1995

2.3.5.3.1 The purpose and scope of the Act

The purpose of the Act (Republic of South Africa, 1995b) is to advance economic development, social justice, labour peace and a democratisation of the workplace by fulfilling the primary objectives of the Act, which are to realise and regulate the fundamental rights of workers and employers under Section 23 of the Constitution (Republic of South Africa, 1995c).

The Act applies to all employment relationships between employers and employees and makes no distinction as to whether these relationships are in the private or the public sector, however the South African National Defence Force, the National Intelligence Agency and the South African Secret Service are excluded (Republic of South Africa, 1995b).

In the case of any conflict between the provisions of the Labour Relations Act and any other Act priority will be given to the provisions of the Labour Relations Act therefore the Labour Relations Act automatically supersedes the Basic Conditions of Employment Act (Nel *et al.*, 2001; Republic of South Africa, 1996a; Republic of South Africa, 1996b).

2.3.5.4 Occupational Health and Safety Act No. 85 of 1993

The Act ensures that no party can agree to work being conducted in unsafe conditions. The Act applies to all workers, including agricultural workers, domestic servants, public servants and students (Nel *et al.*, 2001).

2.3.5.4.1 The purpose and scope of the Act

The Act covers all areas of employment and the use of machinery, which means that employees such as designers, suppliers and installers of machinery and equipment are included. Also protected from hazards to their health and safety caused by the activities of persons at work (Nel *et al.*, 2001).

Persons in any form of work activity, except for one-person businesses, are included in the definitions of employer and employee this will include unpaid helpers, employees paid by some other agency and independent contractors or sub-contractors (Nel *et al.*, 2001).

Victimisation is forbidden in terms of Section 26 of this Act, in that no employer shall be allowed to dismiss an employee, or reduce the rate of his or her remuneration, or alter the terms or conditions of his or her employment because the employee has supplied information to the minister, inspector, or any other party, regarding accidents, threats to occupational health and safety and so on (Nel *et al.*, 2001).

2.3.5.4.2 The duties of employers concerning health and safety

The duties of employers are as follows (Nel *et al.*, 2001):

- To ensure that systems of work, plant and machinery are reasonably safe and without health risks;
- To initiate steps to eliminate possible health and safety hazards or risks before resorting to the use of protective equipment;

- To ensure, as far as is reasonably practicable, that the production, use, handling, storage or transport of articles and substances does not endanger health and safety;
- To establish which hazards or risks are involved in any type of work and in the handling of any substance and what precautionary measures should be taken;
- To provide the necessary information, instruction, training and supervision;
- To ensure that precautionary measures and the requirements of the Act are implemented;
- To ensure that work is performed and plant or machinery is used, under the supervision of a trained person with sufficient authority to ensure that safety measures are implemented;
- In the area of 'listed' work to ensure not only that all safety measures are taken, but also that occupational hygiene and biological monitoring programmes are undertaken;
- To inform safety representatives of the steps taken to identify the hazards and evaluate the risks entailed in 'listed' work and of the monitoring and occupational hygiene programmes and their results;
- To inform all employees of the dangers involved in their work;
- To provide facilities, assistance and training to health and safety representatives;
- To inform health and safety representatives beforehand of inspections, investigations, formal inquiries and applications for exemption;
- To inform representatives of any incident which occurs at the workplace ('incident' is defined as an occurrence as a result of which a person dies, becomes unconscious, loses a limb or part of a limb, becomes so ill that he is likely to die or be disabled, or will not be able to work for a period of more than fourteen days);
- To see that the safety committee performs its functions.

2.3.5.4.3 The duties of employees concerning health and safety at work

According to Nel *et al.* (2001) employees have a duty to care for their own health and safety, to obey the safety regulations, to cooperate with the employer in this regard, to report any unsafe situation to the safety representative of the employer, to report to the employer, his mandatory or a safety representative any incident which has caused an

injury to himself. It is the joint responsibility of the employer, the safety representative, the employees and the safety committee.

The general duties of employees (Nel *et al.*, 2001):

- Take reasonable care for the health and safety of himself and of other persons who may be affected by his acts or omissions;
- As regards to any duty or requirement imposed on his employer or any other person by this Act, cooperate with such employer or person to enable that duty or requirement to be performed or complied with;
- Carry out any lawful order given to him and obey the health and safety rules.

2.3.5.5 Skills Development Act No. 97 of 1998

South African Qualifications Authority Act No. 58 of 1995 which put in place the South African Qualifications Authority and its functions, which have been executed by a board since 31 May 1996. It is required to pursue the objectives of the National Qualifications Framework (NQF). The objectives of the NQF, according to Section 2 of the Act (Republic of South Africa, 1995a):

- Create an integrated national framework for learning achievements;
- Facilitate access to and mobility and progression within education, training and career paths;
- Enhance the quality of education and training;
- Accelerate the redress of past unfair discrimination in education, training and employment opportunities;
- Contribute to the full personal development of each learner and the social and economic development of the nation at large.

2.3.5.5.1 The purpose and scope of the Act

According to Section 2, the purposes of the Act are to (Republic of South Africa, 1995a):

- Develop the skills of the South African workforce;
- Increase the levels of investment in education and training in the labour market and to improve the return on investment;
- Use the workplace as an active learning environment, to provide employees with the opportunities to acquire new skills and to provide opportunities for new entrants to the labour market to gain work experience;
- Employ persons who find it difficult to be employed;
- Encourage workers to participate in leadership and other training programmes;
- Improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education;
- Ensure the quality of education and training in and for the workplace;
- Assist work-seekers to find work, retrenched workers to re-enter the labour market and employers to find qualified employees;
- Provide and regulate employment services.

These purposes are to be achieved by:

- Establishing an institutional and financial framework comprising: the National Skills Authority, the National Skills Fund, a skills development levy-grant scheme as stipulated in Section 15(6) of the Skills Development Levies Act, Sector Educational and Training Authorities (SETAs), labour centers and a Skills Development Planning Unit;
- Encouraging partnerships between the public and private sectors of the economy to provide education and training in and for the workplace;
- Cooperating with the South African Qualifications Authority.

The Skills Development Levies Act was passed in 1999 to regulate the imposition and collection of levies for training purposes, the role of SETA's and the Commissioner, as well as the distribution of levies and recovery of levies by SETA's (Republic of South

Africa, 1999a). In terms of the Act, every employer must pay a skills development levy from 1 April 2000 at a rate of 0.5 per cent of the leviable amount (the total amount of remuneration payable to an employee during any month as determined in the Fourth Schedule of the Income Tax Act, but excluding pensions, superannuations or retirement allowances) and 1 per cent from 1 April 2001. The South African Revenue Services (SARS) is to be the national collection agency (Nel *et al.*, 2001).

2.3.5.6 Compensation for Occupational Injuries and Diseases Act No. 130 of 1993

The Act allows for compensation to be paid to an employee who, as a result of his activities in the work situation, is partially or totally disable, or contracts an occupational disease. In the event that the employee dies as a result of the accident, injury or disease, the compensation will be paid to his dependants. The Act is focused on all employees, including casual and seasonal workers and directors who have a contract of employment. The Act also includes members of the Permanent Force of the SANDF and members of the SA Police Services while employed on service in defence of the Republic, independent contractors and domestic workers.

A system of no-fault compensation for employees who are injured in accidents that arise out of and in the course of their employment or who contract occupational diseases. The employees are compensated whether their injuries or illnesses were caused by their own fault or due to their employer's negligence or that of any other person. The employee may not institute a claim for damages against the employer or any other person for the injury or illness suffered (Nel *et al.*, 2001).

Duties of employers under the Act (Nel *et al.*, 2001):

- They must register with the Compensation Commissioner and provide details regarding their business and employees;
- They must keep records of wages, time worked, as well as payment for overtime and piecework and retain these records for four years;

- By 31 March of every year, the total salary bill for the previous financial year must be submitted to the Commissioner in the prescribed form;
- They must report accidents within seven days and any occupational disease within fourteen days of its coming their attention;
- They must pay an assessed amount into the Compensation Fund, since no contributions may be deducted from an employee's pay

The Act requires provision for the payment of medical aid for the temporary or permanent disablement of an employee. Employers must pay employees who are temporarily disabled their compensation for the first three months of absence from work. Compensation must be lodged within twelve months after the accident or illness has occurred or the employee has died (Nel *et al.*, 2001).

A Compensation Commissioner administers the Act. A Compensation Fund consisting of payments and contributions made by employers is used for compensation and administration costs. The Compensation Board comprises of sixteen members who represent the state, employers, employees and two mutual associations operating in the mining and building industry and the medical profession. The Board advises the Minister and decides on the minimum and maximum amounts to be paid in compensation for temporary or permanently disabled employees (Nel *et al.*, 2001).

Benefits are paid to three categories of claimants (Nel *et al.*, 2001):

- Employees who suffer temporary disability;
- Employees who are permanently disabled;
- The dependants of employees who have died as a result of their injuries or an occupational disease.

2.3.5.7 Unemployment Insurance Act No 30 of 1966

This Act provides for the payment of benefits to contributors towards the Unemployment Insurance Fund (UIF) (Nel *et al.*, 2001).

2.3.5.7.1 The purpose and scope of the Act

This Act does not contain a definition of an employee; it rather operates on the concept of a contributor. Contributors who qualify must pay 1 per cent of their remuneration to the UIF and their employers the same amount. The UIF provides financial assistance to contributors and their dependants whose services have been terminated through staff reduction, illness, or pregnancy, for example. Such persons may possibly have long periods of unemployment and that is where the UIF becomes operative (Nel *et al.*, 2001).

All workers contribute to the fund except (Nel *et al.*, 2001):

- Certain migrant workers from outside South Africa;
- People who work less than one day or eight hours per week;
- Seasonal workers;
- People who execute work given by an employer on the premises, but who are not under the employer's control;
- The husband or wife of an employer when they are working for such an employer;
- Civil servants, employees of provincial administrations and members of Parliament who contribute to the government service pension fund;
- People who are officers in terms of the Public Service Act No. 111 of 1984;
- People whose income consists only of a share of an income, or is calculated purely on a commission basis, including out-workers and those whose income consists solely of a share in takings;
- Certain persons in the educational sector;
- People who work in agriculture, the railways and fixed establishments of Parliament.

2.3.5.7.2 Employers' duties

Employers have certain responsibilities under the Act (Nel *et al.*, 2001), these are:

- Within fourteen days of starting an enterprise, an employer must furnish the Director-General of Labour with certain information
- A monthly statement, indicating the number of contributors as well as the amounts due by workers and employers, must be forwarded to the Unemployment Insurance Fund
- A full record of all payments made by the employer on behalf of his workers must be kept for seven years
- All contributors must have a contributor's record card. If contributors do not have these so-called blue cards, the UIF must be notified so that cards can be issued
- Employers must keep the contributors' cards of the workers in their employ in safe custody and give them to the employees on termination of service. The employer's fund reference number and official stamp should be clearly indicated on the card. In turn the employee must give his UIF card to his new employer
- The employer is responsible for the collection of contributions for unemployment insurance and must forward both the employees' and his contribution, not later than ten days after the end of each month, to the Unemployment Insurance Commissioner.
- If a worker does not take the contributor's record card upon leaving his employ or leaves no address, the employer must keep it for a reasonable period
- If a worker dies on duty, the contributor's card must be handed over to his next of kin

2.3.5.7.3 Unemployment benefits

The applicant must be available and able to work and must furnish proof that he cannot find suitable work and has contributed to the fund for at least thirteen weeks in the fifty-two weeks prior to being unemployed. The contributor will not receive any benefits for the first week of unemployment unless the job lasted for less than nine weeks and the employee was unemployed before that. Benefits will also not be paid in the first two weeks of illness. If a contributor dies, the spouse and children under seventeen, or any other dependants may institute claims for benefits for a maximum period of twenty-six

weeks. Additional conditions apply namely that the contributor must not be in a position to work due to a listed illness. The contributor will also be disqualified from claiming benefits if the illness was due to the employee's own misconduct, or if the employee refuses to undergo medical treatment, or refuses to carry out the instructions of a medical practitioner (Nel *et al.*, 2001).

Benefits are usually 45 percent of the total weekly or monthly remuneration, based on the average earnings at the time the employee became unemployed, or ill, or died. Benefits apply for a period of twenty-six weeks per fifty-two consecutive weeks of unemployment. Applications for an extension of the period may be made on form UF 139. It is a condition that the unemployed will apply for work as soon as a suitable job opportunity presents itself (Nel *et al.*, 2001)

2.3.6 Human Resource Information Systems (HRIS)

A HRIS is used to collect, record, store, analyse, distribute and retrieve data concerning the organisation's human resources. It has become increasingly important for the human resources department to fulfill a bigger role in the strategic direction of the company and to effect internal and external change. The strategic value of human resources management lies in the ability to distribute relevant and accurate information to key decision-makers in the organisation and to ensure that the respondents are able to interpret and utilise the information. For a company to be dominant in today's markets it must be able to react to change, successfully participating in and managing events and turning them into competitive advantage (Nel *et al.*, 2001).

2.3.6.1 Application for human resources information systems

According to Nel *et al.* (2001) 'best practice' for human resources software is founded on the following:

- An extensive database for a wide range of employee and employer information;
- A significant ‘data-sensitive’ historical capacity;
- An easy-to-use reporting and analysis capability, with a broad user community.

With particular reference to the employment equity obligations of employers, some of these programmes enable the employer to (Nel *et al.*, 2001):

- Compile a profile of the workforce, in terms of designated group, non-designated group, occupational categories, occupational levels and permanent and non-permanent employees;
- Compile a report on the skills development of employees;
- Analyse the organisations’s employment policies, practices, procedures and the working environment;
- Compile the organisation’s equity plan;
- Benchmark itself against similar organisations.



2.3.7 Performance management

Organisations are increasingly recognising that planning and enabling individual performance have a critical effect on organisational performance (Nel *et al.*, 2001).

Performance appraisal programmes hardly ever enjoy full support from employees in general. Few employees enjoy being tested or evaluated, few welcome criticism and most react with suspicion or hostility to the idea of performance appraisals. When performance management systems are tied into the objectives of the organisation, the resulting performance is more likely to meet organisational needs. In order for performance management to be effective, it must be line-driven rather than human resource management department-driven (Nel *et al.*, 2001).

2.3.7.1 The performance management process

Bennett and Minty (1999:59-60) state that there are generally three major purposes of performance management:

- It is a process for strategy implementation;
- It is a vehicle for culture change;
- It provides input to other human resources systems, such as development and remuneration.

According to Sloman (1997:167) performance management systems are considered to be operating when the following conditions are met:

- A vision of objectives is communicated to employees;
- Departmental and individual performance targets are set within wider objectives
- A formal review of progress towards targets is conducted;
- The whole process is evaluated to improve effectiveness.

The first stage of the performance management process therefore involves the following steps (Nel *et al.*, 2001):

- Manager and subordinate meet to jointly discuss how the organisation's strategic goals must be adopted and adapted by the department and the individual
- Manager and subordinate jointly decide on an action plan to achieve the individual's goals
- Manager and subordinate agree on specific times for formal checks to be made on progress towards the goals
- Manager and subordinate agree on the type of value and the amount of value that will be added if the goals are achieved
- If the outcomes of the above are incorporated into a written document, which is signed by both the manager and the subordinate, it becomes a contract that should encourage the participation of both parties

The astute manager is always aware of the level of his or her subordinate's performance. Whether the organisation's objective in managing performance is to achieve goals or to add value, performance problems must be noticed and analysed at an early stage. The manager uses coaching skills to help the employee to improve, offers advice on changing behaviours and approaches and encourages progress towards achieving goals and adding value. According to Gomez-Mejia, Balkin and Cardy (1998:219-223) supervisors who manage performance effectively generally share four characteristics:

- They explore the causes of performance problems;
- They direct attention to the causes of problems;
- They develop an action plan and empower workers to reach a solution;
- They direct communication at performance and emphasise non-threatening communication.

Exploring the causes of performance problems is often quite challenging. In most work situations, observers tend to attribute the causes of poor performance to the worker, while workers tend to blame external factors. There are three reasons why the causes of performance deficiencies must be determined accurately (Nel *et al.*, 2001):


- Determination of causes can influence how performance is evaluated;
- Causal determination can be an unspoken and underlying source of conflict between supervisors and their workers;
- Causal determinations affect the type of remedy selected.

After determining the causes of problems, the next step is to take control of the problems. Factors that affect performance positively should be encouraged and constraining factors should be eliminated or at least reduced (Nel *et al.*, 2001).

Communication must be directed at the performance and not at the person. An evaluative or judgemental approach during communication is likely to evoke a defensive reaction (Nel *et al.*, 2001).

Relative judgements require supervisors to compare an employee's performance to the performance of other employees doing the same job. Relative judgements force supervisors to differentiate between their workers. However, relative judgements do not make it clear how great or small the differences between employees are. Absolute judgements ask supervisors to make judgements about an employee's performance based solely on performance standards (Nel *et al.*, 2001).

The fundamental requirement for any rater is that an adequate opportunity is made available for performance to be observed over a reasonable period of time (Nel *et al.*, 2001). It is suggested that the following parties are possible raters to be considered for performance evaluation (Nel *et al.*, 2001):

- 
- The immediate supervisor
 - Peers
 - Subordinates
 - Self-appraisal
 - Customer appraisals
 - Computerised performance appraisals
 - 360-degree appraisals

The combination of these multiple perspectives offers a more balanced point of view on the employee's overall performance. 360-degree feedback can be valuable if it complies with the following requirements. These requirements dictate that the system should (Nel *et al.*, 2001):

- Be thoroughly tested for reliability and consistency;
- Measure what it says it measures;

- Be easy to use, straightforward and simple;
- Be clearly focused on a specific set of skills, competencies, or behaviours;
- Generate clear, detailed and personalised feedback;
- Guarantee confidentiality.

According to Jansen and Vloeberghs (1999:456), multi-rater feedback requires ‘bystanders’ to assess a multitude of work situations which are controlled or managed by the person who is the focus of the feedback. The focal person also rates himself or herself in terms of the questionnaire. Bystander ratings are averages and compared with the self-ratings of the focal person. Negative differences provide data that indicate potential areas for personal development and performance improvement.

Nel *et al.* (2001) advise certain undesirable reactions that could occur are:

- The employee completely neglects the feedback;
- The employee only takes positive feedback into account;
- The employee is only motivated by negative feedback;
- The employee is only interested in feedback that is given by someone who is considered ‘really important’ (such as a supervisor).

Performance evaluations are fraught with danger, mainly because many human agendas can come into play. Managers can unwittingly ‘play God’ and employees can be overly optimistic or ‘put on a good show’, knowing that increases, career progress and peace of mind may well rest on how they are rated (Nel *et al.*, 2001)

With the enactment of new labour legislation especially in South Africa, those in charge of performance management programmes must take into consideration how every aspect of such a programme is implemented. Dismissal on the grounds of poor performance is justifiable in terms of the Labour Relations Act No. 66 of 1995, but the process must be legally sound to avoid litigation (Nel *et al.*, 2001).

2.4 Strategic Management

Thus far this document has discussed the main functions of human resource management. The literary determination of the various components of human resource management was clearly delineated as the first objective as discussed in section 1.3 of this research proposal.

Section 2.6 below of this research proposal will deduce from the literature, the evaluation criteria that constitute effective human resource management criteria. These criterion will be used to evaluate the human resource management practices in successful organisations. This will fulfill the requirements of the second objective as discussed in section 1.3 of this document.

The primary goal of any organization is to have superior performance (Porter, 1996). According to Porter (1996) sustainable competitive advantage comes, not from operational effectiveness, but rather from strategic positioning. In other words, instead of benchmarking for operational effectiveness, which essentially leads to imitation of other industry players, companies must be different in their activities.

2.5 Organisational Effectiveness

2.5.1 Organisational effectiveness defined

As stated in chapter 1 and in attempting to provide a measure for organisational effectiveness it has been stated that in the new economy, winning will spring from organisational capabilities such as speed, responsiveness, agility, learning and employee competence (Ulrich, 1998; Chambers *et al.*, 1998).

The measure of organisational effectiveness, or more appropriately successful organisations, for the purpose of this dissertation is defined as the profitability of the organisation relative to the share of market that the organisation has.

2.5.2 Measuring organisational effectiveness

In measuring organisational effectiveness, the following performance indicators have been chosen as possible measurement criteria:

- Revenue or Turnover – This represents the total Rand amount of sales during the period (Gitman, 2000). This measure indicates the total amount of money received by the organisation from customer's who are prepared to pay for services rendered. However, this measure alone is not indicative of the organisations effectiveness. Furthermore, as the survey is cross sectional and not longitudinal, the revenue or turnover has been evaluated within the context of the additional measures listed below.
- Gross Margin Percentage– This measures the percentage of each sales Rand remaining after the firm has paid for its goods (Gitman, 2000). This measure takes into account the ability of the firm to reduce the costs of its goods.
- Net Profit Margin Percentage – This measures the percentage of each sales Rand remaining after all costs and expenses, including interest and taxes have been deducted (Gitman, 2000). While there are differences across industries with regard to this measure, the sampling of the population for the survey as discussed in chapter 3 resolves this measurement anomaly by using cluster sampling. Furthermore, the costs of interest take into account the cost of borrowing money to generate revenue and the cost of depreciation on fixed assets, which further indicates the ability of the organisation to deploy effective practices in containing costs and maximizing revenue. The cost of taxation will be excluded when measuring the net profit percentage as these costs are determined by the applicable tax structure for each dealership, which is not only variable but more

importantly is determined by the inland revenue services and is subject to change from time to time.

- Overall Market Share – this indicates the total percentage spent on an organisations products or services as a part of the entire spending by customers in that particular sector (Kotler, 2000). This measure in conjunction with the measures listed above indicate the real effectiveness of the organisation in relative comparison to its competitors in securing the greater percentage of customer spending within the organisation’s chosen sector. This measure has specifically been excluded as an evaluation criteria, based on the simple notion that organisations can increase their market by selling vehicles at lower prices and thus adversely affect the profitability of the organisation.

For the purposes of this dissertation, successful organisations will exhibit higher than average profitability. The key indicator of success will be the measure of profitability as opposed to market share. This being mainly due to the fact the organisations can reduce their profit margins in order to gain market share.



2.6 Human Resource Management Evaluation Criteria

In meeting objective 1.3.3 as discussed earlier, this section will establish a set of evaluation criterion that can be used for assessing the effectiveness of the human resources management function in an organisation.

There are several factors that affect the present and future performance of an organisation. The present and future well being of an organisation is generally affected by the environment and resources of the organisation (Johnson & Scholes, 1999).

In terms of the environmental impact on organisations, it is accepted that the organisation exists in the context of a complex commercial, economic, political, technological, cultural and social world. All these areas craft the general strategy of the organisation. Some of these areas will present, opportunities or threats to the organisation. In any

event, the general strategy of the organisation is then distilled into functional strategies for each function of the organisation (Johnson & Scholes, 1999).

The resources of the organisation make up its strategic capability. These resources are found in the form of physical plant, the management, access to capital, the product of the business and naturally the human resources of the organisation. These resources will generate strengths and weakness, which affect the ability of the organisation to meet its strategic objectives (Johnson & Scholes, 1999).

In developing the criterion for the evaluation of the human resources management function of an organisation, it is accepted that the organisation has developed a general strategy. The existence of the general strategy is then used as a point of departure for the evaluation of the human resources management function.

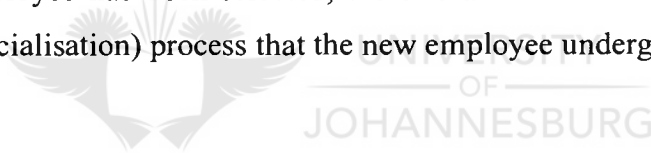
The 7 main areas of human resource management, which is strategically aligned and guided by the human resource management function of the organisation, have been discussed in some detailed thus far. These seven areas are:

- Human Resource Planning, Recruitment and Selection
- Human Resource Development
- Compensation and Benefits
- Employee Health and Safety
- Labour Relations Management (Compliance to the law of the land)
- Human Resources Information Systems
- Performance Management

The evaluation criteria for each of the above areas of human resource management are as follows:

2.6.1 Human Resource Planning, Recruitment and Selection

- Human resource planning is a systematic process in an organisation.
- The process ensures that the required number of employees with the necessary skills is available when needed.
- The process begins with organisational strategy.
- The human resource planning process does not occur annually and is reviewed more than twice per annum, or as often as environmental changes dictate.
- Job analysis has been undertaken before recruitment can occur.
- The job analysis process results in job specifications and job descriptions.
- The job analysis process begins with the organisations strategy
- Several options are considered before a position is filled.
- There is a defined process for recruiting a new employee.
- There is a defined process for selecting a new employee.
- Once an employee has been selected, there is a defined and clearly understood induction (socialisation) process that the new employee undergoes.



2.6.2 Human Resources Development

- Human resource development is a continuous planned effort by management to improve competency levels and organisational performance.
- The training of employees is distinct in three phases, namely a needs assessment, relevant training and evaluation
- A detailed analysis as to the root cause of poor performance is undertaken before embarking on training programs.
- Training objectives are clearly measurable.
- There are four levels of evaluation; reaction, learning, behaviour and results.

2.6.3 Compensation and Benefits

- The objectives of the remuneration system, is to attract, retain and motivate employees.
- Performance is tied to the achievement of critical business goals
- Rewards are linked to levers of organisational change
- Measurable competencies are rewarded
- Incentives are matched to the company culture
- Group incentives are clear and simple
- Reward strategies are over communicated
- Employees are recognized for the work they do and the contribution they make.

2.6.4 Health and Safety

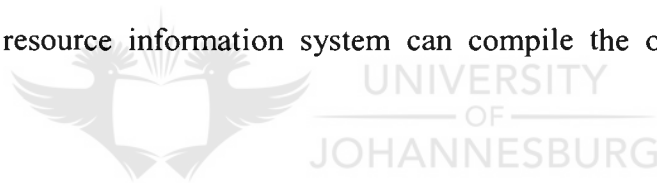
- The focus of health and safety programmes is on employee wellness.
- The health and safety programmes incorporate issues relating to the body mind and soul of the employee.
- Health and safety programmes have incorporated issues such as work and family life balance, readiness for emergencies, occupational mental health, stress management programmes and employee assistance programmes.
- There is a specific action plan for the proactive management of HIV / Aids in the workplace.

2.6.5 Labour Relations Management

- The organisation complies to the relevant labour laws.
- The organisation has a defined process to manage strikes.
- The organisation has trained line management on the impact of the employment relationship arising from the labour laws.
- The organisation promotes equity and non-discrimination in its employment policies and procedures.

2.6.6 Human Resource Information Systems

- There exists a human resource information system
- The human resource information system is an extensive database for a wide range of employee information
- The human resources information system has a significant data sensitive historical capacity
- The human resources information system has an easy to use reporting and analysis capability
- The human resource information system can compile a profile of the workforce in compliance to the employment equity act
- The human resource information system can compile a report on the skills development of employees
- The human resource information system can compile the organisations equity plan.



2.6.7 Performance Management

- The performance management system is a process for strategy implementation
- The performance management process is a vehicle for culture change
- The performance management process provides input to other human resources management such as development and remuneration
- There is a formal review process.
- A vision of objectives is communicated to employees
- There is a defined and agreed to set of performance objectives between manager and employee.
- Managers have been trained to carry out performance reviews and therefore; they explore the causes of performance problems, they direct attention to the cause of

the problems, they develop an action plan and empower workers to reach a resolution and they direct communication at performance and not at the employee.

The human resources management function within the organisation should take a strategic role and guide the implementation of these seven areas in the organisation. The actual implementation of these seven areas in an organisation are effectively carried out by the line management of the organisation, since all managers (generally line managers) are human resource managers (Drucker, 1995).

By effectively managing the seven areas as discussed above, the human resources management function of the organisation ensures that the human resources are strategically aligned and optimally managed in such a way as to create and maintain sustainable competitive advantage.

Organisational effectiveness, as discussed in section 2.5, is related to establishing profitability for the organisation and the stakeholders of the organisation. The main issue is to ensure that the competitive advantage that an organisation has is sustainable and cannot be duplicated by competitors (Porter, 1996). Resources that provide real advantage are to be founded in activities, know-how and skills, which when strategically aligned and managed optimally provide advantages that other organisations find difficult to duplicate and this creates sustainable competitive advantage (Johnson & Scholes, 1999).

CHAPTER 3 RESEARCH METHODOLOGY

This chapter delineates the process by which the research for this dissertation was conducted and the manner in which the data was managed.

The main objective of the research was to determine the effective human resource management practices applied by organisations that have sustainable competitive advantage. Competitive advantage within the context of successful organisations has been described in chapter 2 of this dissertation under section 2.5.

It must be noted at this stage that the results of the survey must be kept confidential for a period of two years. This is necessary given the reasonably confidential nature of the information regarding the human resource management practices applied by the dealerships.



3.1 Research Method

This research proposal made use of the survey method. The data was collected using a survey questionnaire. The questionnaire is attached to this document as appendix A.

3.2 Quantitative Or Qualitative

The data gathered was both qualitative and quantitative.

The quantitative approach was objective in nature and concentrated on measuring phenomena. According to Hussey & Hussey (1997), a quantitative approach involves an analysis of numerical data and applying statistical tests. The quantitative data that was collected was provided by the National Sales Manager for the relevant dealer network and consisted of the net profit before tax as a percentage of revenue for each dealership.

The qualitative approach is more subjective in nature and involves examining and reflecting on perceptions in order to gain an understanding of social and human activities (Hussey & Hussey, 1997). The qualitative data was gathered by a survey questionnaire based on the human resource management evaluation criteria as deduced from the literature review of this dissertation.

3.3 Population and Sampling Size

The population for this research represented all organisations operating in the motor vehicle sector within South Africa.

Sampling techniques can be broken down into two types, namely probability or representative sampling and non-probability or judgmental sampling (Saunders *et al.* 2000).

The sample for this research was chosen from a population representing all organisations within the motor vehicle sector within South Africa. However, due to budget constraints relating to time, access and financial resources, it would have been impractical to conduct a survey of the entire population. Saunders *et al.* (2000) state that the collection and analysis of data from every possible case or group within the population is a census. Furthermore, sampling provides an alternative to a census when:

- It would be impractical to survey the entire population
- Budget constraints prevent surveying the entire population
- Time constraints prevent surveying the entire population
- All the data has been collected but a result is required quickly

In view of the constraints listed herein, it was decided to only survey a group of vehicle dealerships in the motor manufacturing sector within the Republic of South Africa.

A combination of cluster sampling and simple random sampling was used based on the following process:

Step 1: The motor vehicle sector was divided into the following clusters

- Luxury Passenger Vehicles, this includes the increasingly popular sport utility vehicles (SUV)
- Passenger Vehicles
- Commercial Vehicles

Step 2: The related dealerships within the Republic of South Africa were grouped as per the cluster above. By way of illustrative example, the grouping revealed the following groups:

- Luxury Passenger Vehicles

- BMW
- Mercedes Benz
- Audi



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- Passenger Vehicles

- Volkswagen
- Toyota
- Nissan

- Commercial Vehicles

- Mitsubishi Colt
- Isuzu

Step 3: Using the luxury passenger vehicle cluster, a specific dealer network of one organisation was chosen. This represented a sample that was randomly selected that made use of a non-probability sampling technique.

3.4 Qualitative Data Collection Techniques

The qualitative data was collected by using a questionnaire. This was done using a combination of both on-line methods as well as a delivery and collection process, in both cases the questionnaire was identical. The respondents to the questionnaire was the dealer principle of the relevant dealerships arising from the sample.

As stated under section 3.1, this research made use of the survey strategy and that the data was collected by means of questionnaires. Saunders *et al.* (2000) point out that the greatest use of questionnaires is made by the survey strategy. It was decided that the Human Resources managers will, particularly be excluded from the questionnaire as respondents, as this may contaminate the results by only reporting “the good news” (Saunders *et al.*, 2000).

3.4.1 Primary or secondary data



This study was based on both primary and secondary data.

Secondary data on the functions of human resource management was gathered and forms the literature review under chapter two of the dissertation. From the literature review, specific human resource management evaluation criteria were deduced. This formed the basis of the questionnaire to be applied to the chosen sample.

The primary data collected formed the basis for evaluating whether the organisations chosen in the sample, who displayed above average quantitative performance, were performing the human resource management functions to the extent delineated in section 2.6 of this dissertation. Chapter 2 listed the relevant quantitative performance indicators that were used for the evaluation of organisational effectiveness.

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The data from the primary research was then analysed using statistical methods to determine whether or not successful organisations applied effective human resources practices.

Furthermore, those organisations who were deemed to be successful organisations ranked the human resources practices as applied in their dealership in order of importance.

Primary data was gathered through a questionnaire that was designed to determine whether or not the organisations in the sample were in fact applying effective human resource practices.

3.4.2 Questionnaire

The questionnaire is attached to this dissertation in appendix A. The questionnaire makes use of structured questions to assess to what extent successful organisations have applied effective human resource management practices.

The criteria for effective human resource management practices have been delineated in the literature review under section 2.6.

The measures of organisational effectiveness, which lead to competitive advantage, as defined in section 2.5 of the literature review of this dissertation will not be collected in the questionnaire itself. The qualitative information was gathered from the head office of the manufacturing organisation. In light of the general unavailability of the financial performance data of organisations and the difficulty involved in gaining access to such information, certain qualitative measures such as return on investment, price to earnings ratio and earnings per share have been excluded. This information is generally available for listed companies and are contained in their published annual reports and is thus not entirely appropriate for the research sample.

3.5 Data Analysis

Analysis of the results were conducted using statistical tallies for each question. The results are firstly discussed under each question including a graphical representation where relevant. The results are then summarised to test the application of relevant HR practices in the various dealerships and how the application of these practices has affected the organisation's effectiveness.

3.5.1 Dealer Responses

A total of 60 dealerships, who sell the same product range of vehicles and therefore represent a homogeneous sample, were chosen for this research. Of the 60 dealerships, 20 dealers responded to the questionnaire. This represents a response rate of 33%. However when reviewing the financial performance data, only 19 of the twenty dealers had financial data that was valid for a twelve month period. One of the respondents to the questionnaire was a newly formed dealership, which had just started up operations and therefore did not have financial data for a twelve month period. This response was excluded from the analysis process. Therefore the total number of responses with valid financial performance data that was used for this dissertation was 19, this represents approximately 32% of the total number of dealerships in the chosen sample.

3.5.1 Dealership Evaluation

The dealers that responded to the questionnaire were then separated into two groups based on the average financial performance of the total respondents. The results of the two groups, namely dealerships with higher than average financial performance and dealerships with lower than average financial performance were separately analysed using statistical tallies.

Dealerships with higher than average financial performance total 10 of the 19 responses, while dealerships with lower than average financial performance totaled 9 of the 19 responses, thus providing a fairly balanced or symmetrically distributed data set.



CHAPTER 4 ANALYSIS OF RESULTS

This chapter discusses the findings of the survey process conducted within the dealer network, in order to evaluate the organisation against the human resource management evaluation criteria discussed under section 2.6.

The respondents to the questionnaire were separated into dealerships with above average financial performance and dealerships with below average financial performance. In meeting objective 4 under section 1.3 of this dissertation only the dealerships with above average financial performance were analysed. Dealerships with above average financial performance are referred to, in this section, as successful dealerships.

4.1 Analysis of Survey Results

The results will be reported according to the questions that were asked in the questionnaires. This chapter will conclude with an evaluation of the responses from the dealer network under the headings of the individual evaluation criteria for effective human resource management in successful organisations.

4.1.1 Human Resource, Planning, Recruitment and Selection

4.1.1.1 Human resource planning is a systematic process in this organisation

Dealer principals were asked whether human resource planning was a systematic process in their dealerships. 60% of successful dealerships strongly agreed that human resource planning was a systematic process in their dealerships, while 40% of successful dealerships agreed that human resource planning was a systematic process in their organisation. (refer to figure 4.1.1.1)

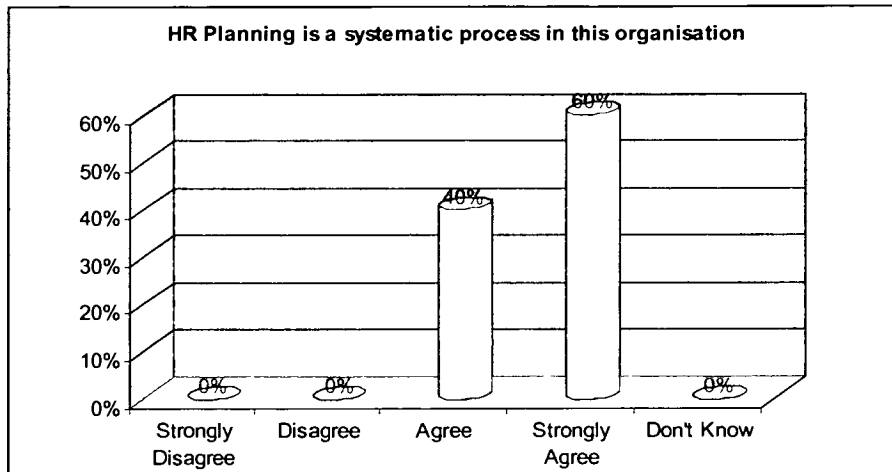


FIGURE 4.1.1.1: RESPONSES FROM SUCCESSFUL DEALERSHIPS REGARDING HUMAN RESOURCE PLANNING BEING A SYSTEMATIC PROCESS

4.1.1.2 The human resource planning process ensures that the right number of people with the right skills is available when needed

Dealer principals were asked whether the human resource planning process ensured that the right number of people with the right skills is available when needed. 30% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that the human resource planning process ensures that the right number of people with the skills is available when needed (refer to figure 4.1.1.2).

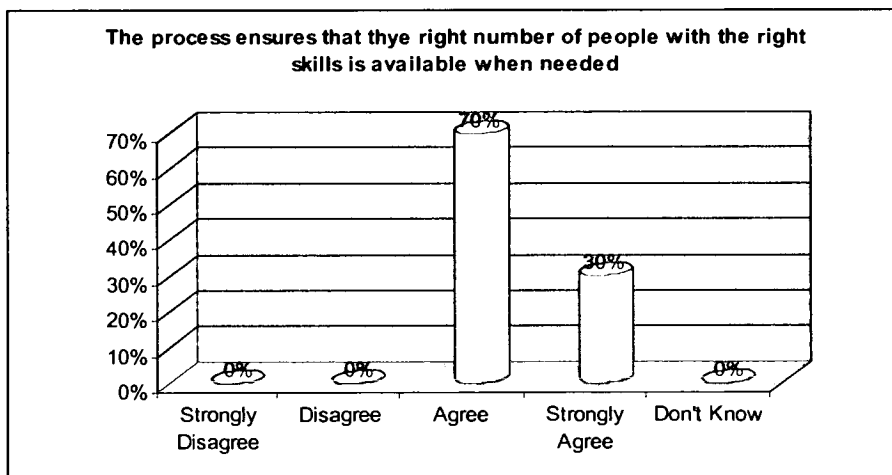


FIGURE 4.1.1.2: RESPONSES FROM SUCCESSFUL DEALERSHIPS REGARDING THE PLANNING PROCESS ENSURING THAT THE RIGHT NUMBER OF PEOPLE WITH THE RIGHT SKILLS IS AVAILABLE WHEN NEEDED

4.1.1.3 The human resource planning process starts with the organisational strategy

Dealer principals were asked whether the human resource planning process started with the organisational strategy. 70% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that the human resource planning process starts with the organisational strategy (refer to figure 4.1.1.3).

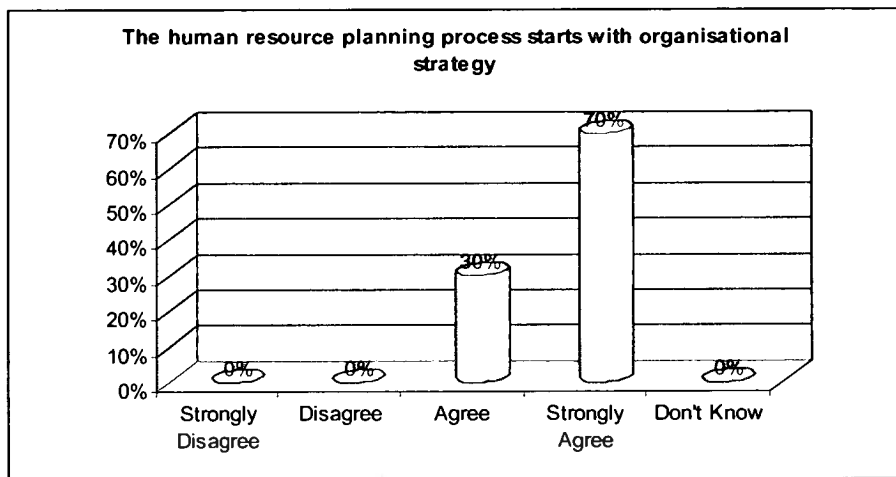


FIGURE 4.1.1.3: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HUMAN RESOURCE PLANNING PROCESS STARTED WITH ORGANISATIONAL STRATEGY.

4.1.1.4 The human resource planning process is reviewed at least twice a year

Dealer principals were asked whether the human resource planning process was reviewed at least twice a year. 60% of successful dealerships strongly agreed, while 20% of successful dealerships agreed that the human resource planning process was reviewed at least twice a year. 10% of successful dealerships disagree that the human resource planning process is reviewed at least twice a year and 10% of successful dealerships don't know if the human resource planning process is reviewed at least twice a year (refer to figure 4.1.1.4).

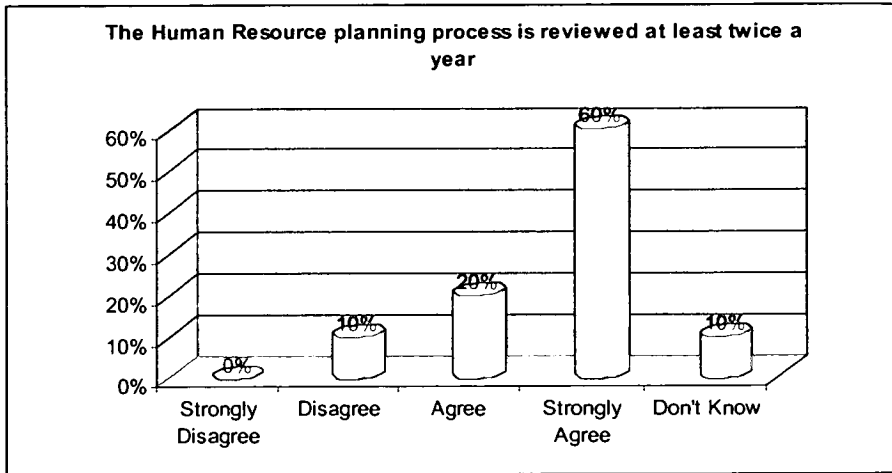


FIGURE 4.1.1.4: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HUMAN RESOURCE PLANNING PROCESS WAS REVIEWED AT LEAST TWICE A YEAR

4.1.1.5 Job analysis is undertaken before recruitment takes place

Dealer principals were asked whether job analysis is undertaken before recruitment takes place. 50% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that job analysis is undertaken before recruitment takes place. 10% of successful dealerships disagree that job analysis is undertaken before recruitment takes place and 10% of successful dealerships don't know if job analysis is undertaken before recruitment takes place (refer to figure 4.1.1.5).

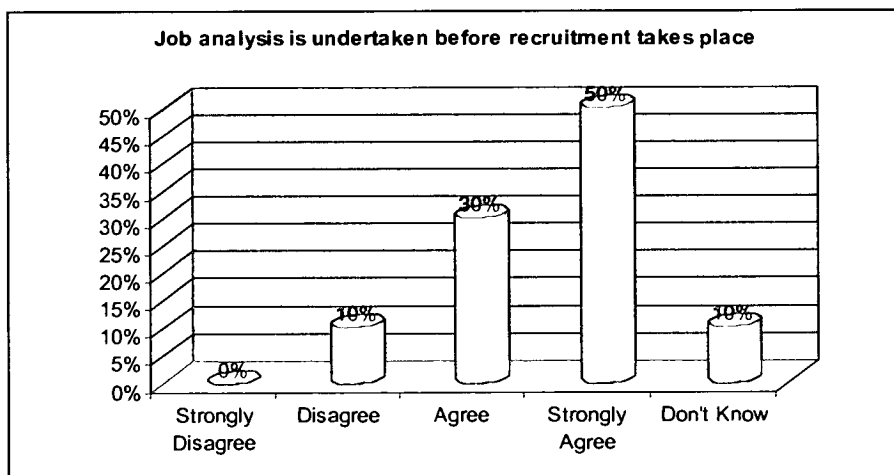


FIGURE 4.1.1.5: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF JOB ANALYSIS IS UNDERTAKEN BEFORE RECRUITMENT TAKES PLACE

4.1.1.6 Job analysis provides job descriptions and job specifications

Dealer principals were asked whether job analysis provides job descriptions and job specifications. 50% of successful dealerships strongly agreed, while the other 50% of successful dealerships agreed that job analysis provides job descriptions and job specifications (refer to figure 4.1.1.6).

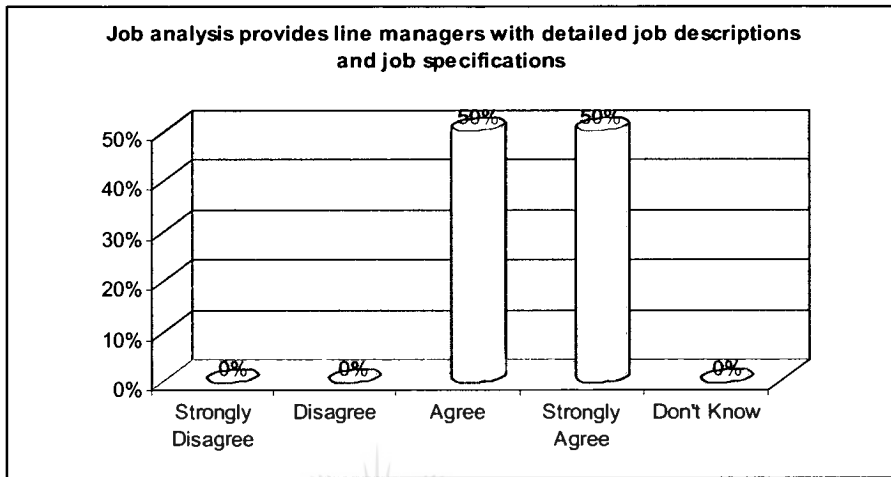


FIGURE 4.1.1.6: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF JOB ANALYSIS PROVIDES JOB DESCRIPTIONS AND JOB SPECIFICATIONS

4.1.1.7 Job analysis begins with the organisations strategy

Dealer principals were asked whether job analysis begins with the organisations strategy. 50% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that job analysis begins with the organisations strategy. 10% of successful dealerships don't know is job analysis begins with the organisations strategy (refer to figure 4.1.1.7).

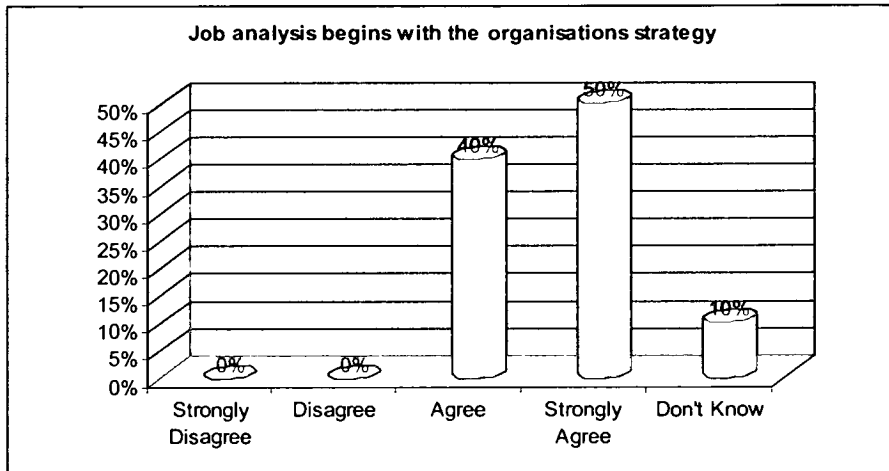


FIGURE 4.1.1.7: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF JOB ANALYSIS BEGINS WITH THE ORGANISATIONS STRATEGY

4.1.1.8 Before a position is filled other options such as temporary workers or contractors are taken into account

Dealer principals were asked whether other options such as temporary workers or contractors were taken into account before filling a position. 20% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that other options such as temporary workers or contractors were taken into account before filling a position. 40% of successful dealerships disagree that other options such as temporary workers or contractors were taken into account before filling a position (refer to figure 4.1.1.8).

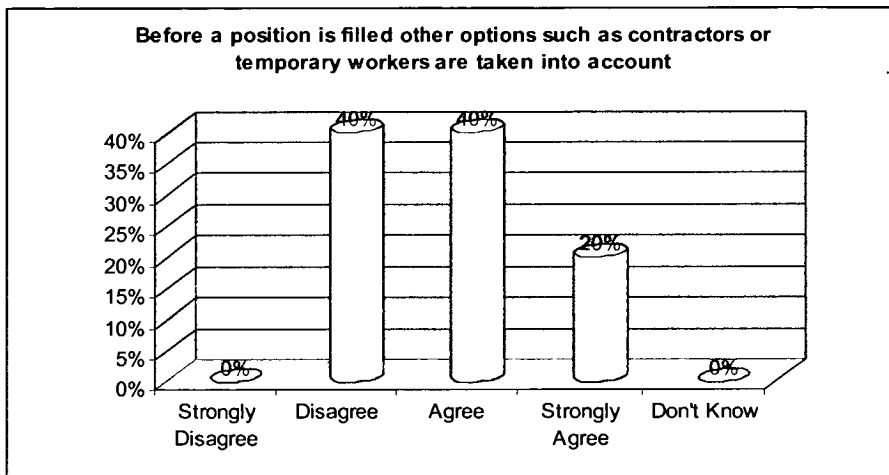


FIGURE 4.1.1.8: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF OTHER OPTIONS SUCH AS TEMPORARY WORKERS OR CONTRACTORS WERE TAKEN INTO ACCOUNT BEFORE FILLING A POSITION

4.1.1.9 There is a defined process for recruiting a new employee

Dealer principals were asked whether there is a defined process for recruiting a new employee. 70% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that there is a defined process for recruiting a new employee (refer to figure 4.1.1.9).

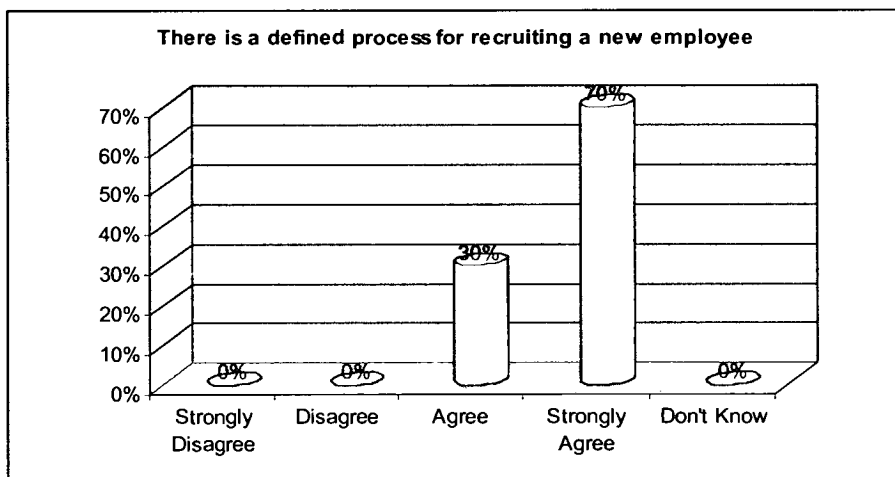


FIGURE 4.1.1.9: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THERE IS A DEFINED PROCESS FOR RECRUITING A NEW EMPLOYEE

4.1.1.10 There is a defined process for selecting a new employee

Dealer principals were asked whether there is a defined process for selecting a new employee. 50% of successful dealerships strongly agreed, while the other 50% of successful dealerships agreed that there is a defined process for selecting a new employee (refer to figure 4.1.1.10).

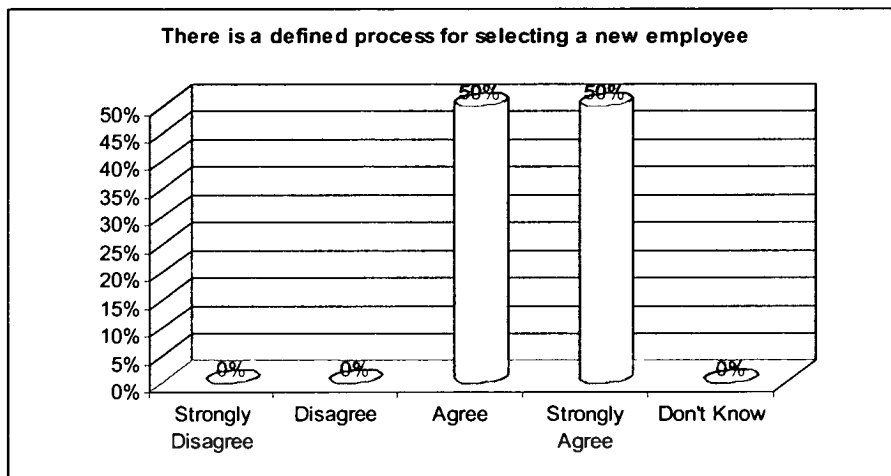


FIGURE 4.1.1.10: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THERE IS A DEFINED PROCESS FOR SELECTING A NEW EMPLOYEE

4.1.1.11 Once an employee has been selected there is a defined induction process that the employees undergoes

Dealer principals were asked whether there is a defined induction process that new employees undergo. 40% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that there is a defined induction process that new employees undergo the remaining 20% of successful dealerships disagree that there is a defined induction process that new employees undergo (refer to figure 4.1.1.11).

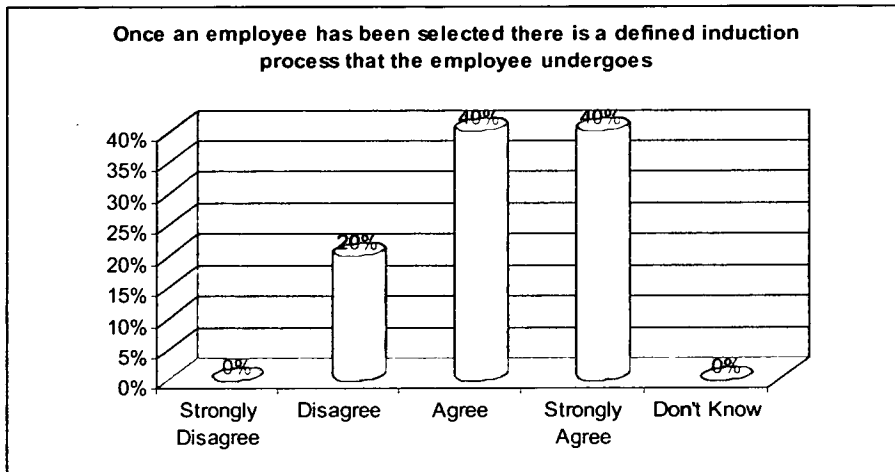


FIGURE 4.1.1.11: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THERE IS A DEFINED INDUCTION PROCESS THAT NEW EMPLOYEES UNDERGO

4.1.2 Human Resource Development (HRD)

4.1.2.1 HRD is a continuous process to improve the competency levels in the organisation

Dealer principals were asked whether HRD was a continuous process to improve the competency levels in the organisation. 80% of successful dealerships strongly agreed, while 10% of successful dealerships agreed that HRD is a continuous process to improve the competency levels in the organisation the remaining 10% of successful dealerships don't know if HRD is a continuous process to improve the competency levels in the organisation (refer to figure 4.1.2.1).

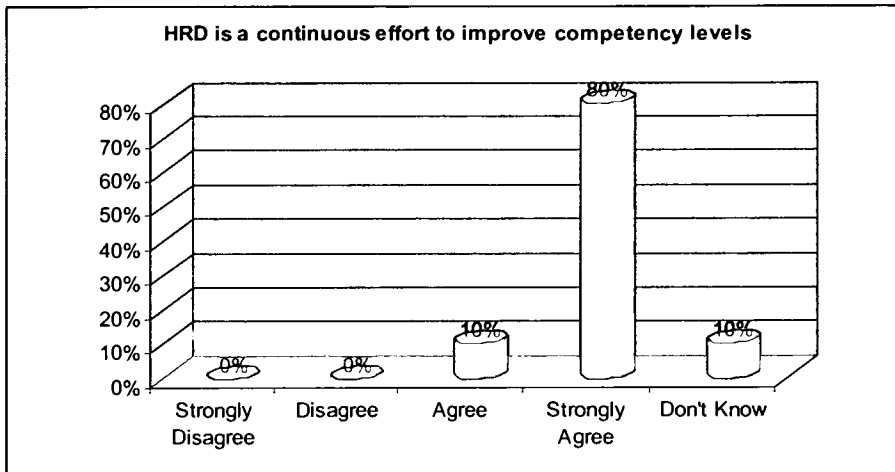


FIGURE 4.1.2.1: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF HUMAN RESOURCE DEVELOPMENT (HRD) WAS A CONTINUOUS EFFORT TO IMPROVE COMPETENCY LEVELS

4.1.2.2 Employee training has three distinct phases

Dealer principals were asked whether Employee training has three distinct phases. 50% of successful dealerships strongly agreed, while the other 50% of successful dealerships agreed that Employee training has three distinct phases (refer to figure 4.1.2.2).

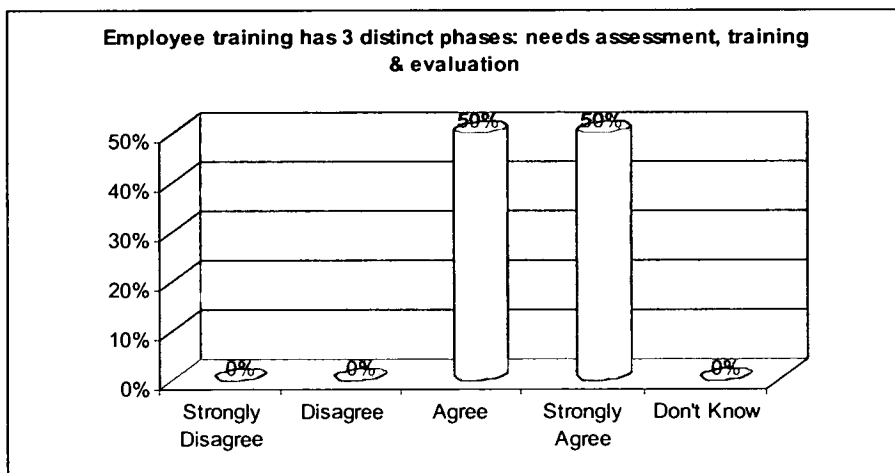


FIGURE 4.1.2.2: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF EMPLOYEE TRAINING HAS THREE DISTINCT PHASES

4.1.2.3 Poor performance is analysed before embarking on training

Dealer principals were asked whether poor performance is analysed before embarking on training. 40% of successful dealerships strongly agreed, while the other 50% of successful dealerships agreed that poor performance is analysed before embarking on training the remaining 10% of successful dealerships disagree that poor performance is analysed before embarking on training (refer to figure 4.1.2.3).

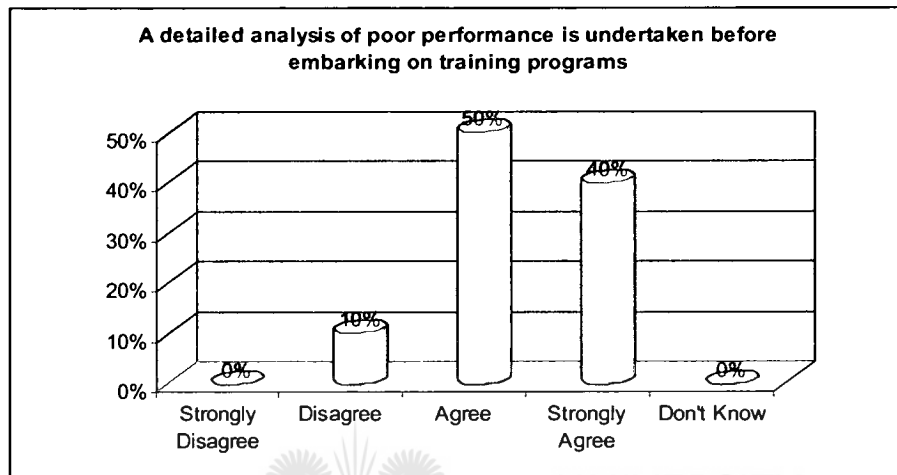


FIGURE 4.1.2.3: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF POOR PERFORMANCE IS ANALYSED BEFORE EMBARKING ON TRAINING

4.1.2.4 Training interventions are clearly measurable

Dealer principals were asked whether training interventions were clearly measurable. 40% of successful dealerships strongly agreed, while 50% of successful dealerships agreed that training interventions were clearly measurable the remaining 10% of successful dealerships don't know if training interventions were clearly measurable (refer to figure 4.1.2.4).

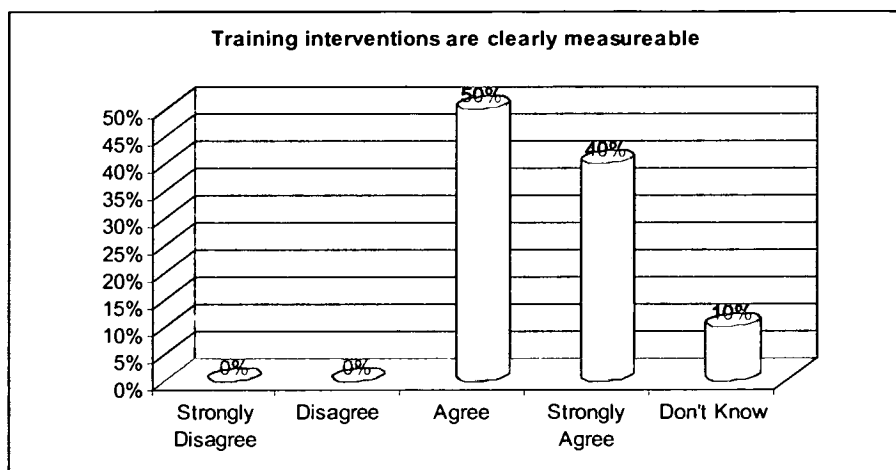


FIGURE 4.1.2.4: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF TRAINING INTERVENTIONS WERE CLEARLY MEASURABLE

4.1.2.5 Training effectiveness is evaluated on four levels

Dealer principals were asked whether training effectiveness is evaluated on four levels. 20% of successful dealerships strongly agreed, while 60% of successful dealerships agreed that training effectiveness is evaluated on four levels the remaining 20% of successful dealerships don't know if training effectiveness is evaluated on four levels (refer to figure 4.1.2.5).

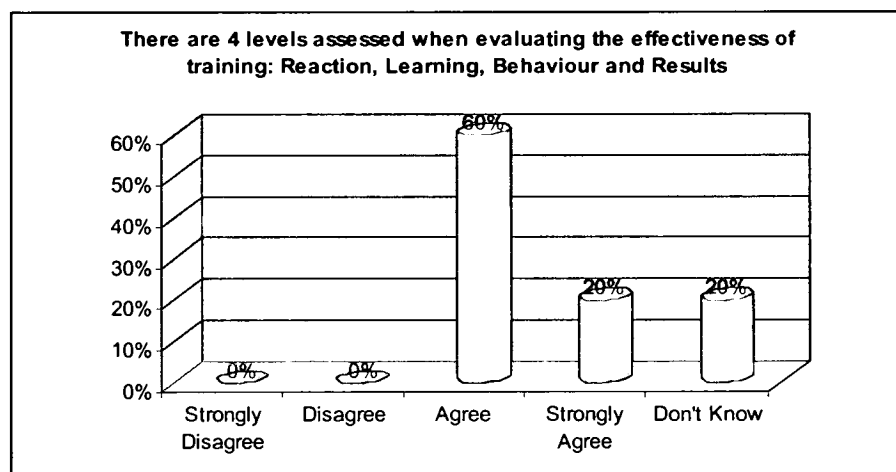


FIGURE 4.1.2.5: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF TRAINING EFFECTIVENESS IS EVALUATED ON FOUR LEVELS

4.1.3 Compensation and Benefits

4.1.3.1 The objective of remuneration is to attract, retain and motivate employees

Dealer principals were asked whether the objective of the remuneration system was to attract, retain and motivate employees. 90% of successful dealerships strongly agreed, while the remaining 10% of successful dealerships agreed that the objective of the remuneration system was to attract, retain and motivate employees (refer to figure 4.1.3.1).

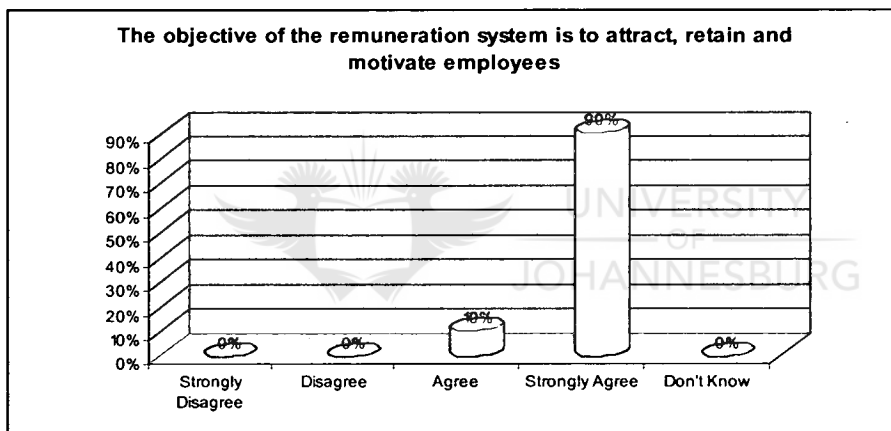


FIGURE 4.1.3.1: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE OBJECTIVE OF THE REMUNERATION SYSTEM WAS TO ATTRACT, RETAIN AND MOTIVATE EMPLOYEES.

4.1.3.2 Performance is tied to the achievement of critical business goals

Dealer principals were asked whether performance is tied to the achievement of critical business goals. 70% of successful dealerships strongly agreed, while the remaining 30% of successful dealerships agreed that performance is tied to the achievement of critical business goals (refer to figure 4.1.3.2).

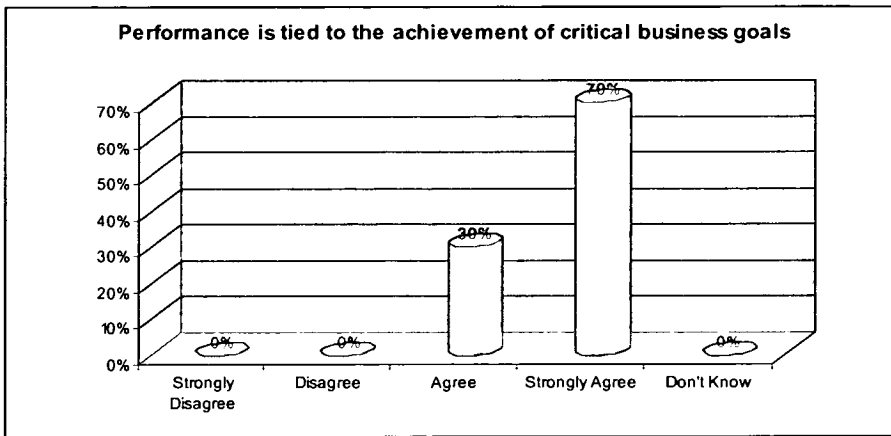


FIGURE 4.1.3.2: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF PERFORMANCE IS TIED TO THE ACHIEVEMENT OF CRITICAL BUSINESS GOALS.

4.1.3.3 Rewards are linked to levers of organisational change

Dealer principals were asked whether rewards are linked to levers of organisational change. 50% of successful dealerships strongly agreed, while 20% of successful dealerships agreed that rewards are linked to levers of organisational change. 10% of successful dealerships disagree that rewards are linked to levers of organisational change and the remaining 20% of successful dealerships don't know if rewards are linked to levers of organisational change (refer to figure 4.1.3.3).

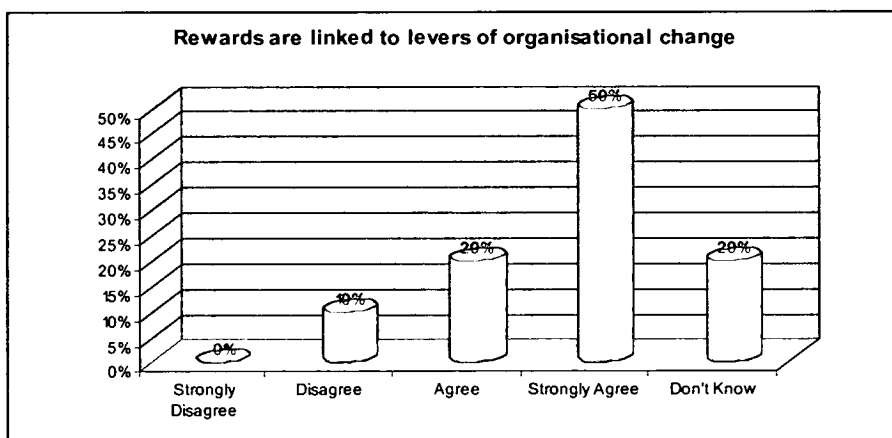


FIGURE 4.1.3.3: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF REWARDS ARE LINKED TO LEVERS OF ORGANISATIONAL CHANGE.

4.1.3.4 Competencies that are measurable are rewarded

Dealer principals were asked whether they rewarded measurable competencies. 60% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that they rewarded measurable competencies. 10% of successful dealerships disagree that they rewarded measurable competencies (refer to figure 4.1.3.4).

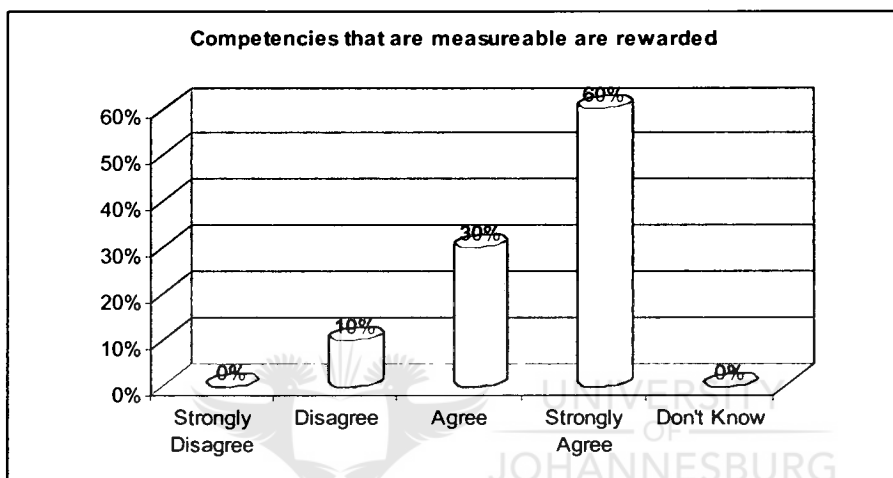


FIGURE 4.1.3.4: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF COMPETENCIES THAT ARE MEASURABLE ARE REWARDED

4.1.3.5 Incentives are matched to the company culture

Dealer principals were asked whether the incentives in the dealership were matched to the culture of the dealership. 30% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that the incentives in the dealership were matched to the culture of the dealership (refer to figure 4.1.3.5).

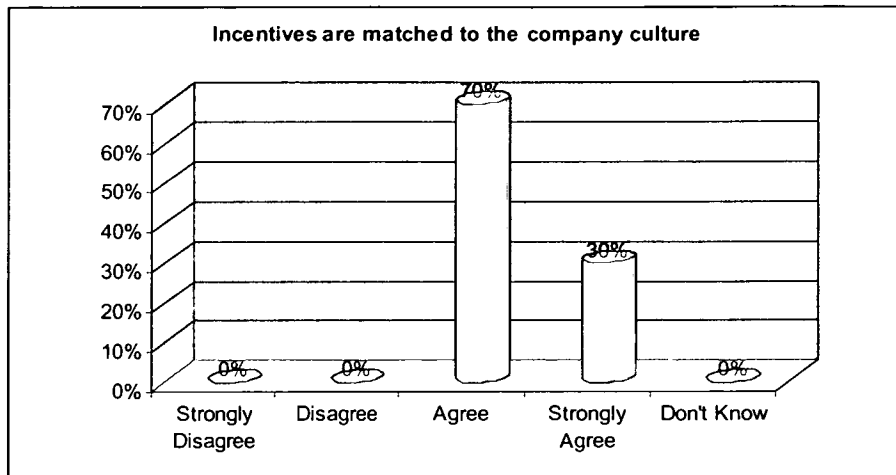


FIGURE 4.1.3.5: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF INCENTIVES ARE MATCHED TO THE COMPANY CULTURE

4.1.3.6 Group incentives are clear and simple to understand

Dealer principals were asked whether the group incentives were clear and simple to understand. 30% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that the group incentives were clear and simple to understand (refer to figure 4.1.3.6).

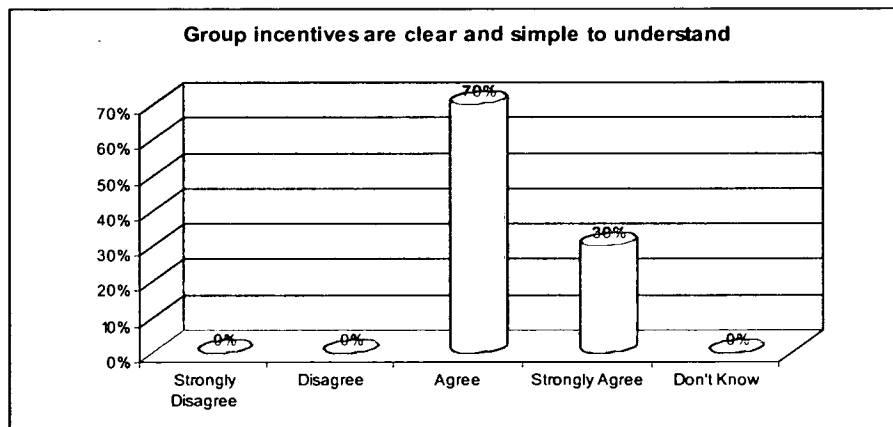


FIGURE 4.1.3.6: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF GROUP INCENTIVES WERE CLEAR AND SIMPLE TO UNDERSTAND.

4.1.3.7 Reward strategies are constantly communicated to staff

Dealer principals were asked whether the reward strategies were constantly communicated to staff. 70% of successful dealerships strongly agreed, while 20% of successful dealerships agreed that the reward strategies were constantly communicated to staff, the remaining 10% of successful dealerships in successful dealerships don't know if the reward strategies were constantly communicated to staff (refer to figure 4.1.3.7).

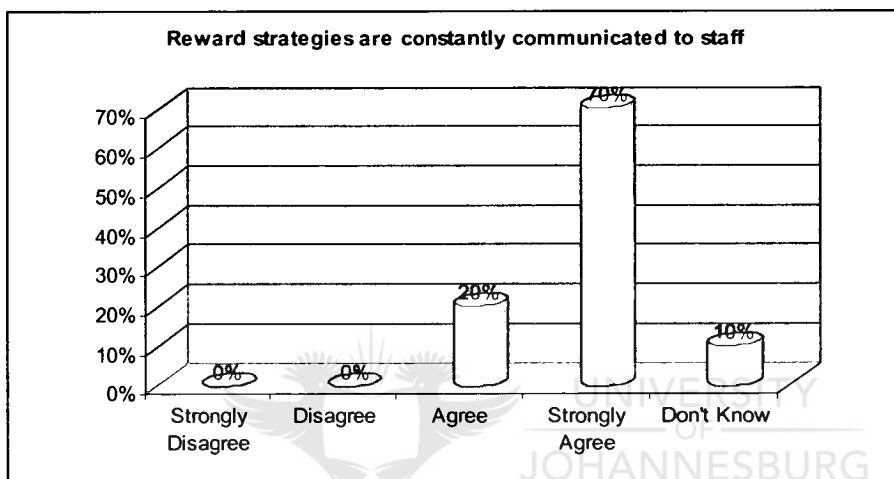


FIGURE 4.1.3.7: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF REWARD STRATEGIES WERE CONSTANTLY COMMUNICATED TO STAFF

4.1.3.8 Employees are recognised for the work they do and contribution they make

Dealer principals were asked whether employees were recognised for the work they did and contribution they made. 70% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that employees were recognised for the work they did and contribution they made (refer to figure 4.1.3.8).

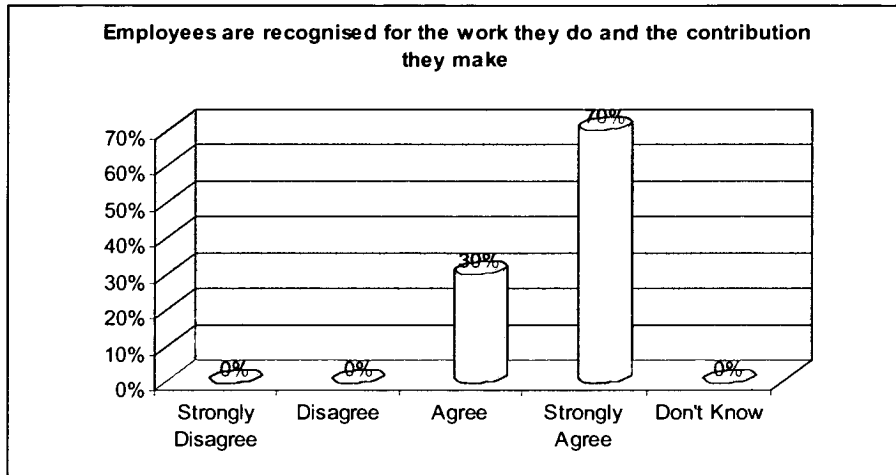


FIGURE 4.1.3.8: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF EMPLOYEES WERE RECOGNISED FOR THE WORK THEY DID AND CONTRIBUTION THEY MADE

4.1.4 Health and Safety

4.1.4.1 Health and Safety programs are geared towards employee wellness

Dealer principals were asked whether the health and safety programs were geared towards employee wellness. 20% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that the health and safety programs were geared towards employee wellness. 10% of successful dealerships don't know if the health and safety programs are geared toward employee wellness (refer to figure 4.1.4.1).

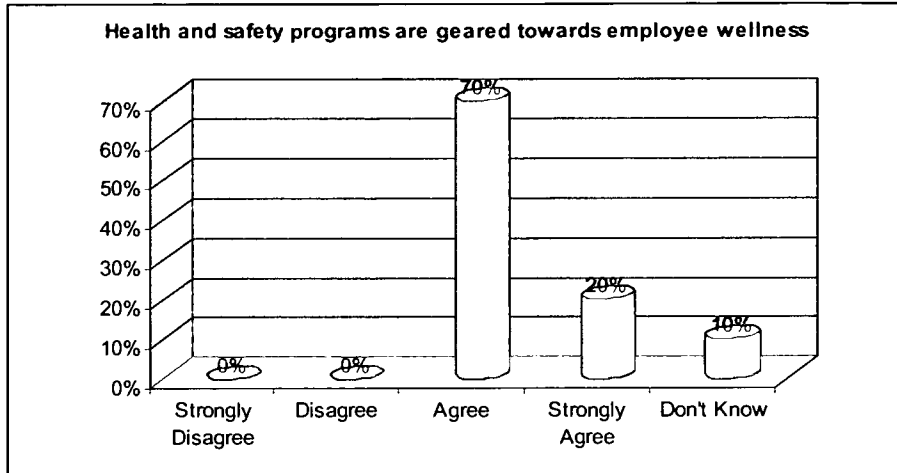


FIGURE 4.1.4.1: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HEALTH AND SAFETY PROGRAMS WERE GEARED TOWARDS EMPLOYEE WELLNESS

4.1.4.2 Health and Safety programs deal with the employees mind, body and soul

Dealer principals were asked whether the health and safety programs dealt with the employee’s mind body and soul. 10% of successful dealerships strongly agreed, while 80% of successful dealerships agreed that the health and safety programs dealt with the employee’s mind body and soul. 10% of successful dealerships don’t know if the health and safety programs dealt with the employee’s mind body and soul (refer to figure 4.1.4.2).

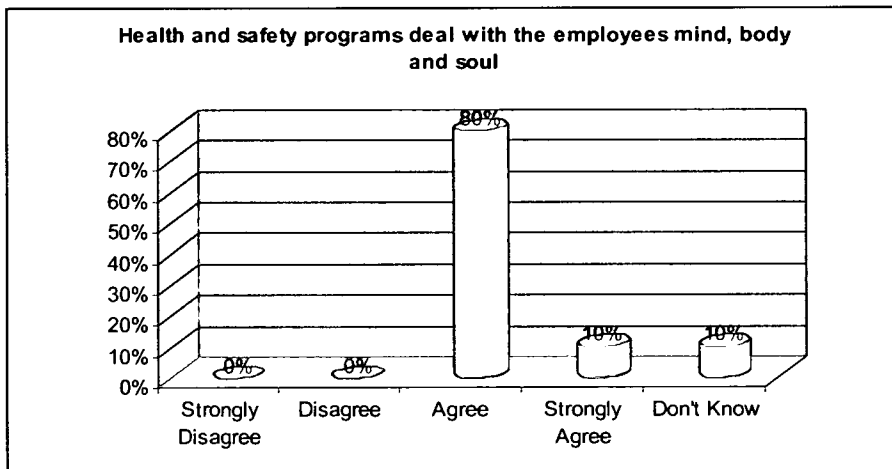


FIGURE 4.1.4.2: SHOWING RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HEALTH AND SAFETY PROGRAMS DEALT WITH THE EMPLOYEES MIND, BODY AND SOUL

4.1.4.3 Health and Safety programs incorporates issues such as work life balance, stress management, etc

Dealer principals were asked whether the health and safety programs dealt with other employee issues such as stress management, employee assistance, work life balance and so forth. 10% of successful dealerships strongly agreed, while 50% of successful dealerships agreed that the health and safety programs dealt with other employee issues such as stress management, employee assistance, work life balance and so forth. 10% of successful dealerships don't know if the health and safety programs dealt with other employee issues such as stress management, employee assistance, work life balance and so forth and 30% of successful dealerships disagree that the health and safety program deals with other employee issues such as stress management, employee assistance, work life balance and so forth (refer to figure 4.1.4.3).

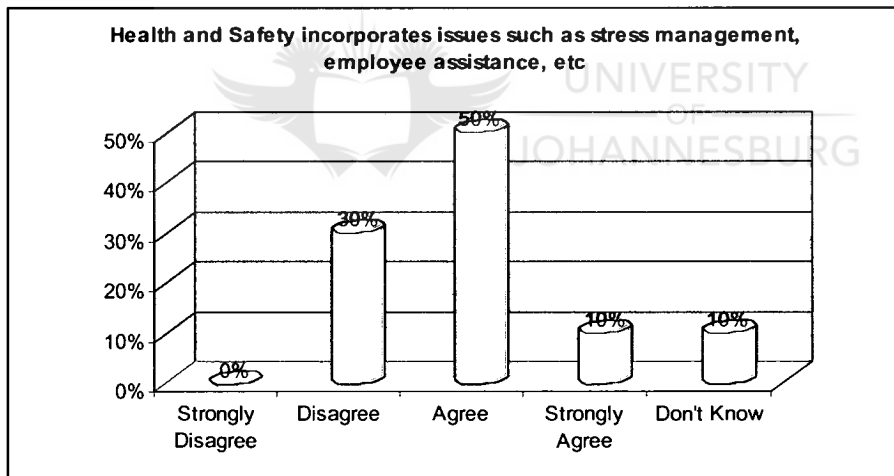


FIGURE 4.1.4.3: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HEALTH AND SAFETY PROGRAMS DEALT WITH OTHER EMPLOYEE ISSUES SUCH AS STRESS MANAGEMENT, EMPLOYEE ASSISTANCE, WORK LIFE BALANCE AND SO FORTH

4.1.4.4 There is a specific action plan for the proactive management of HIV/AIDS

Dealer principals were asked whether there was a specific action plan for the proactive management of HIV/AIDS. 10% of successful dealerships strongly agreed, while 60% of

successful dealerships agreed that there is a specific action plan for the proactive management of HIV/AIDS. 10% of successful dealerships don't know if there is a specific action plan for the proactive management of HIV/AIDS and 20% of successful dealerships disagree that there is a specific action plan for the proactive management of HIV/AIDS (refer to figure 4.1.4.4).

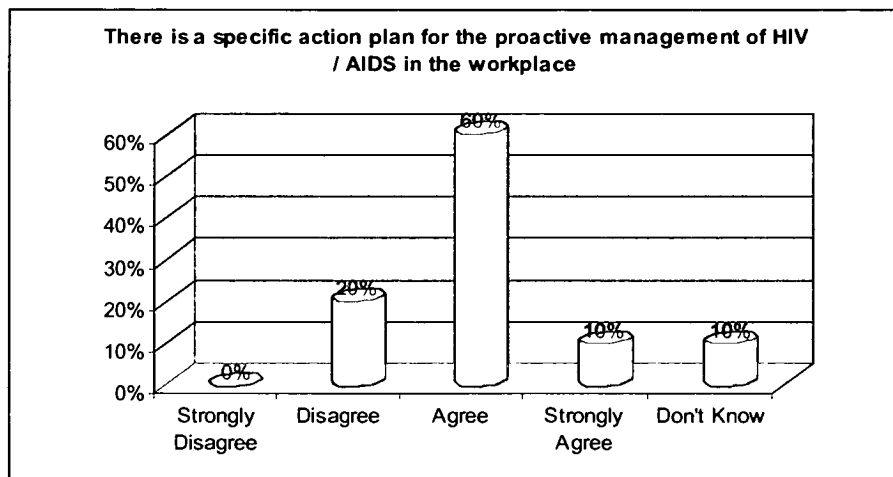


FIGURE 4.1.4.4: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE THERE WAS A SPECIFIC ACTION FOR THE PROACTIVE MANAGEMENT OF HIV/AIDS

4.1.5 Labour Relations Management

4.1.5.1 Compliance to the Labour Law

Dealer principals were asked whether the dealership complied to the relevant labour legislation. 70% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that the dealership complied to the relevant labour legislation. (refer to figure 4.1.5.1).

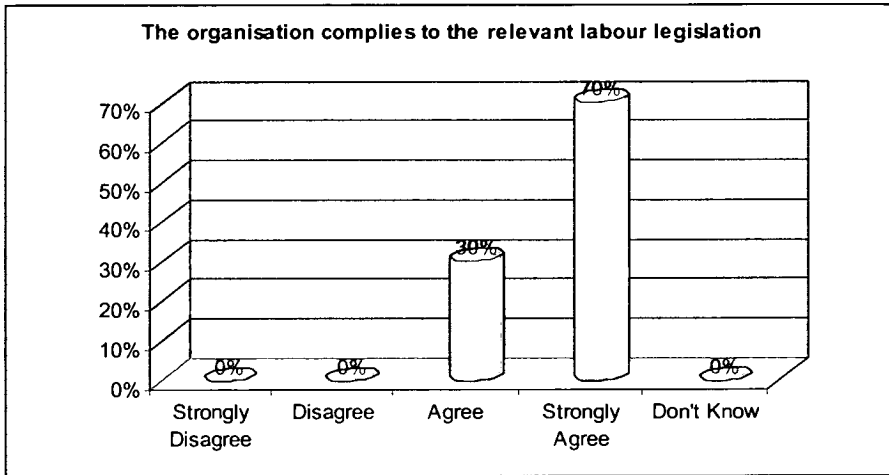


FIGURE 4.1.5.1: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF DEALERSHIP COMPLIES TO THE RELEVANT LABOUR LEGISLATION

4.1.5.2 Strike Management

Dealer principals were asked whether the dealership has a defined process to manage strikes. 50% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that the dealership has a defined process to manage strikes. 10% of successful dealerships disagree that the dealership has a defined process to manage strikes (refer to figure 4.1.5.2).

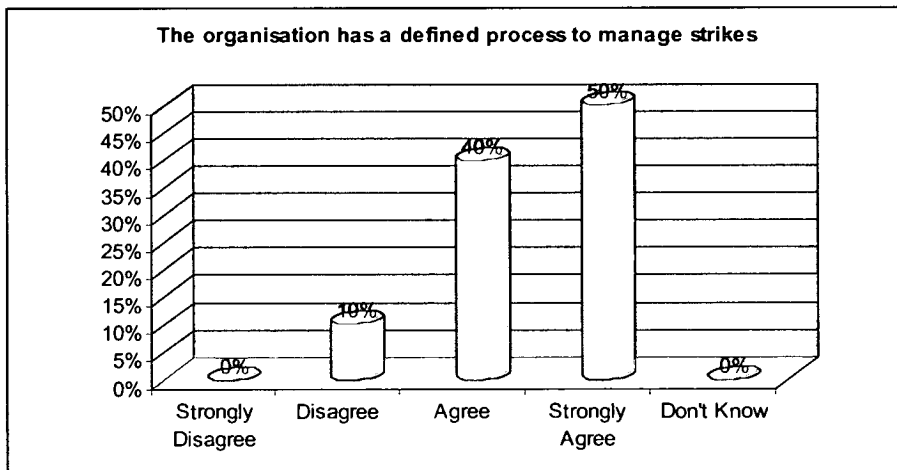


FIGURE 4.1.5.2: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE DEALERSHIP HAS A DEFINED PROCESS TO MANAGE STRIKES

4.1.5.3 Line management has been trained on the impact of the labour law

Dealer principals were asked whether the dealership has trained line management on the impact of the labour law. 30% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that the dealership has trained line management on the impact of the labour law. (refer to figure 4.1.5.3).

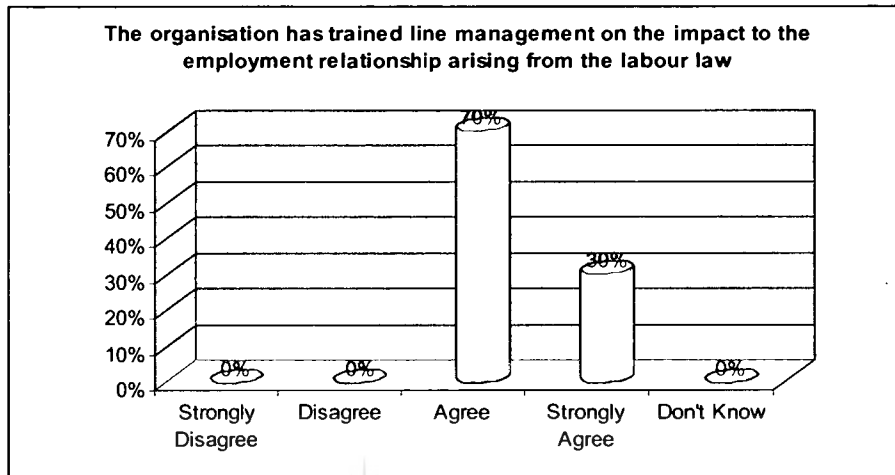


FIGURE 4.1.5.3: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE DEALERSHIP HAS TRAINED LINE MANAGEMENT ON THE IMPACT OF THE LABOUR LAW

4.1.5.4 Promotion of Equity and Non-Discrimination

Dealer principals were asked whether the dealership promoted equity and non-discrimination in its policies and procedures. 70% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that the dealership promoted equity and non-discrimination in its policies and procedures. (refer to figure 4.1.5.4).

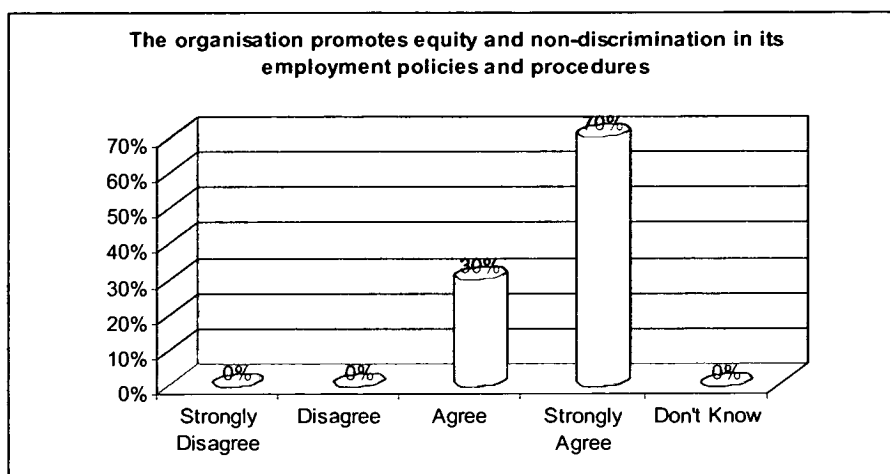


FIGURE 4.1.5.4: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE DEALERSHIP PROMOTES EQUITY AND NON-DISCRIMINATION

4.1.6 Human Resources Information Systems (HRIS)

4.1.6.1 Existence of a human resources information system (HRIS)

Dealer principals were asked whether a human resources information system existed. 50% of successful dealerships strongly agreed, while 20% of successful dealers agreed that a human resource information system exists. 10% of successful dealerships equally strongly disagree, disagree and don't know respectively that a human resources information system exists (refer to figure 4.1.6.1).

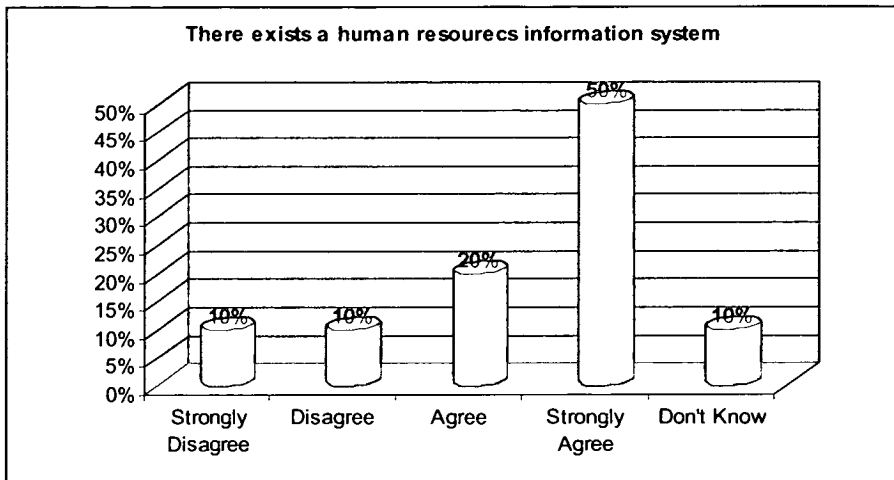


FIGURE 4.1.6.1: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF A HUMAN RESOURCES INFORMATION SYSTEM EXISTS

4.1.6.2 The HRIS is an extensive database of employee information

Dealer principals were asked whether the HRIS is an extensive database for a wide range of employee information. 50% of successful dealerships strongly agreed, while 20% of successful dealerships agreed that the HRIS is an extensive database for a wide range of employee information. 10% of successful dealerships equally strongly disagree, disagree and don't know respectively that the HRIS is an extensive database for a wide range of employee information (refer to figure 4.1.6.2).

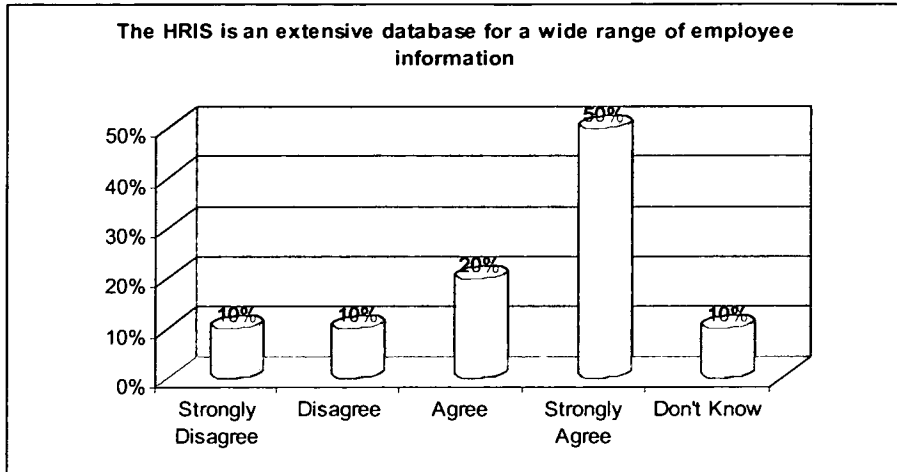


FIGURE 4.1.6.2: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HRIS HAS A WIDE RANGE OF EMPLOYEE INFORMATION

4.1.6.3 The HRIS has a significant data sensitive historical capacity

Dealer principals were asked whether the HRIS has significant data sensitive historical capacity. 50% of successful dealerships strongly agreed, while 20% of successful dealerships agreed that the HRIS has significant data sensitive historical capacity. 10% of successful dealerships from successful dealerships strongly disagree that the HRIS has a significant data sensitive historical capacity and 10% of successful dealerships don't know if the HRIS has a significant data sensitive historical capacity (refer to figure 4.1.6.3).

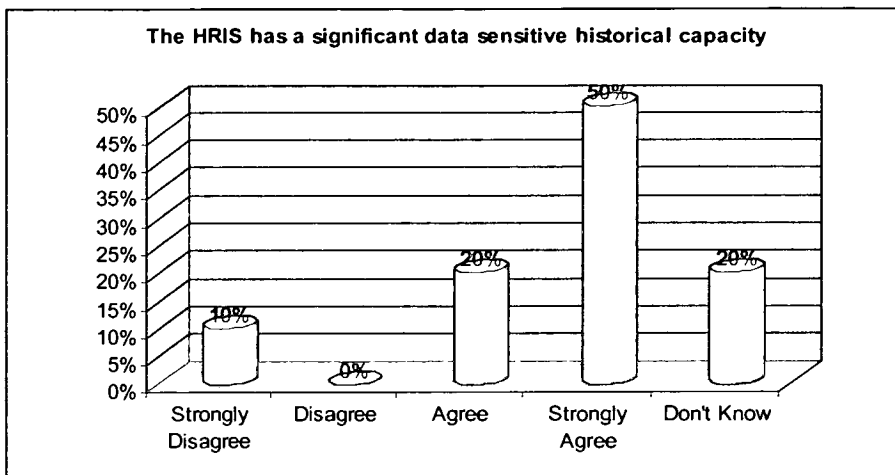


FIGURE 4.1.6.3: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HRIS HAS A SIGNIFICANT DATA SENSITIVE HISTORICAL CAPACITY

4.1.6.4 The HRIS can compile a profile of the workforce to comply to the employment equity act

Dealer principals were asked whether the HRIS can compile a workforce profile in compliance to the employment equity act. 50% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that the HRIS can compile a workforce profile in compliance to the employment equity act. 10% of successful dealerships don't know if the HRIS can compile a workforce profile in compliance to the employment equity act (refer to figure 4.1.6.4).

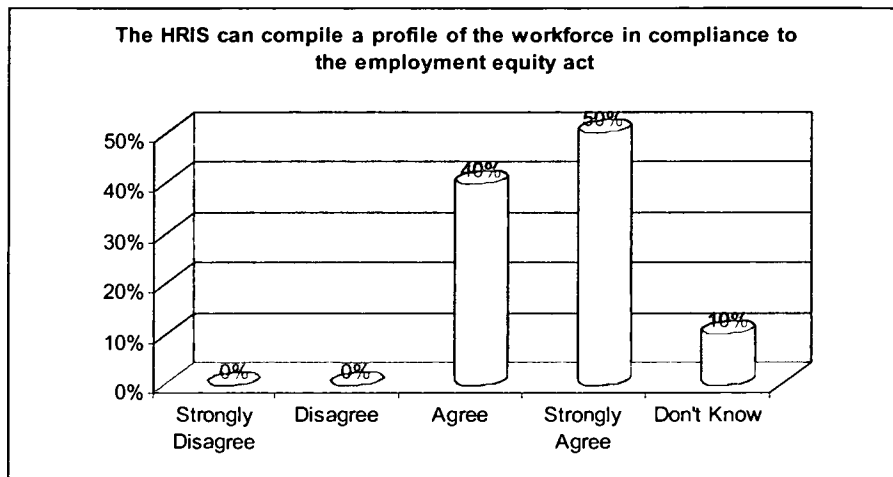


FIGURE 4.1.6.4: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HRIS CAN COMPILER A PROFILE OF THE WORKFORCE IN COMPLIANCE TO THE EMPLOYMENT EQUITY ACT

4.1.6.5 The HRIS can compile a report on the skills development of employees

Dealer principals were asked whether the HRIS can compile a report on the skills development of employees. 50% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that the HRIS can compile a report on the skills development of employees. 10% of successful dealerships don't know if the HRIS can compile a report on the skills development of employees (refer to figure 4.1.6.5).

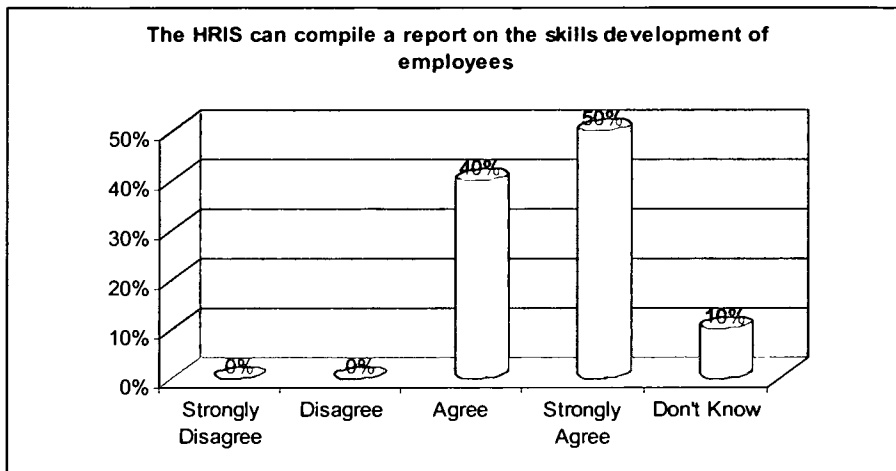


FIGURE 4.1.6.5: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HRIS CAN COMPILE A REPORT ON THE SKILLS DEVELOPMENT OF EMPLOYEES.

4.1.6.6 The HRIS can compile the organisations equity plan

Dealer principals were asked whether the HRIS can compile the dealerships equity plan. 50% of successful dealerships strongly agreed, while 30% of successful dealerships agreed that the HRIS can compile the dealerships equity plan. 20% of successful dealerships don't know if the HRIS can compile the dealerships equity plan (refer to figure 4.1.6.6).

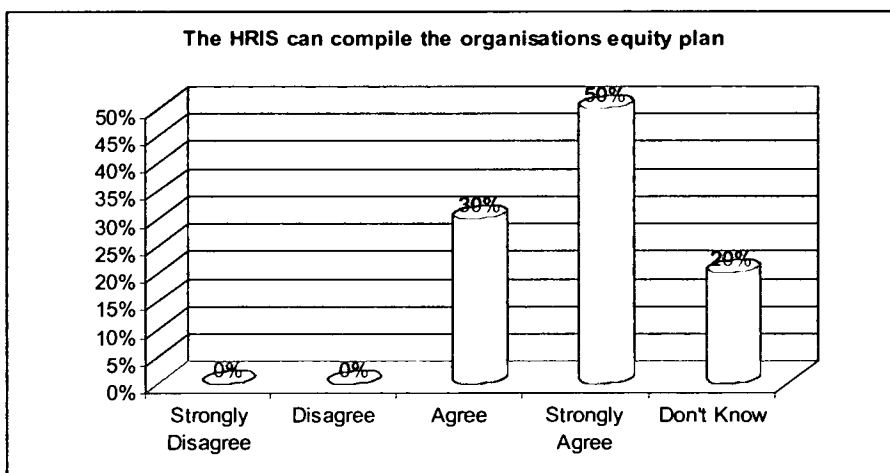


FIGURE 4.1.6.6: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE HRIS CAN COMPILE THE ORGANISATIONS EQUITY PLAN

4.1.7 Performance Management

4.1.7.1 Performance management is a process for strategy implementation

Dealer principals were asked if performance management is a process for strategy implementation. 60% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that the performance management system is a process for strategy implementation. (refer to figure 4.1.7.1).

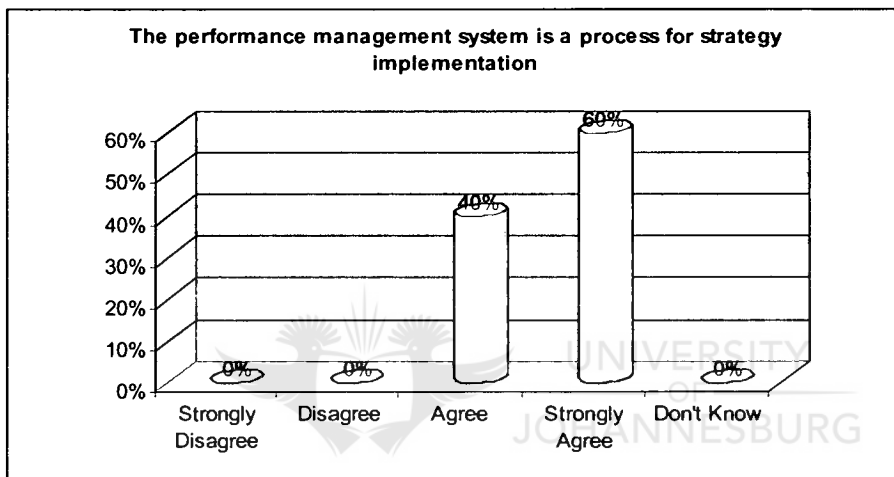


FIGURE 4.1.7.1: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE PERFORMANCE MANAGEMENT SYSTEM IS A PROCESS FOR STRATEGY IMPLEMENTATION

4.1.7.2 Performance management is a vehicle for culture change

Dealer principals were asked if performance management is a vehicle for culture change. 30% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that the performance management system is a vehicle for culture change. (refer to figure 4.1.7.2).

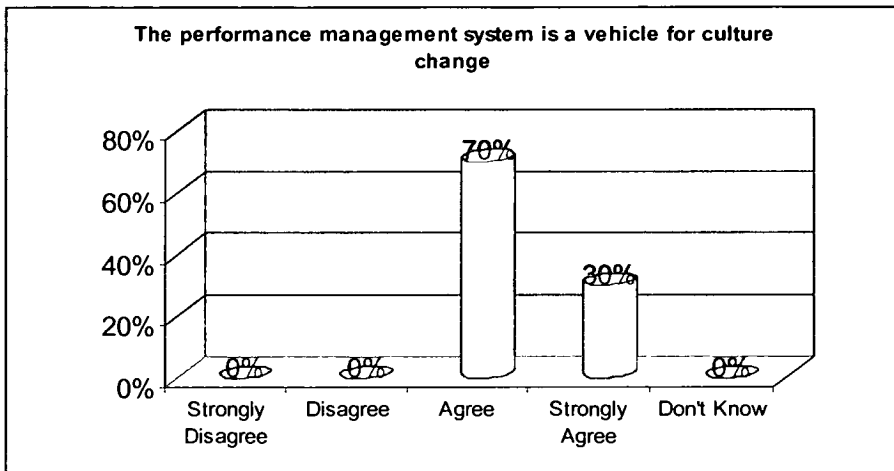


FIGURE 4.1.7.2: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THE PERFORMANCE MANAGEMENT SYSTEM IS A VEHICLE FOR CULTURE CHANGE

4.1.7.3 There is a specific set of measurable objectives between manager and employee

Dealer principals were asked if there is a specific set of measurable objectives between manager and employee. 60% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that there is a specific set of measurable objectives between manager and employee. (refer to figure 4.1.7.3).

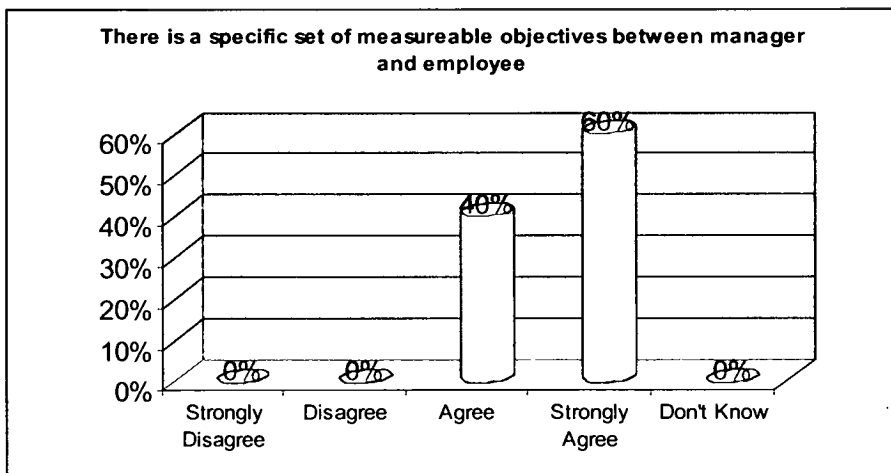


FIGURE 4.1.7.3: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THERE IS A SPECIFIC SET OF MEASURABLE OBJECTIVES BETWEEN MANAGER AND EMPLOYEE

4.1.7.4 Managers have been trained to carry out performance reviews

Dealer principals were asked if managers have been trained to carry out performance reviews. 30% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that managers have been trained to carry out performance reviews. (refer to figure 4.1.7.4).

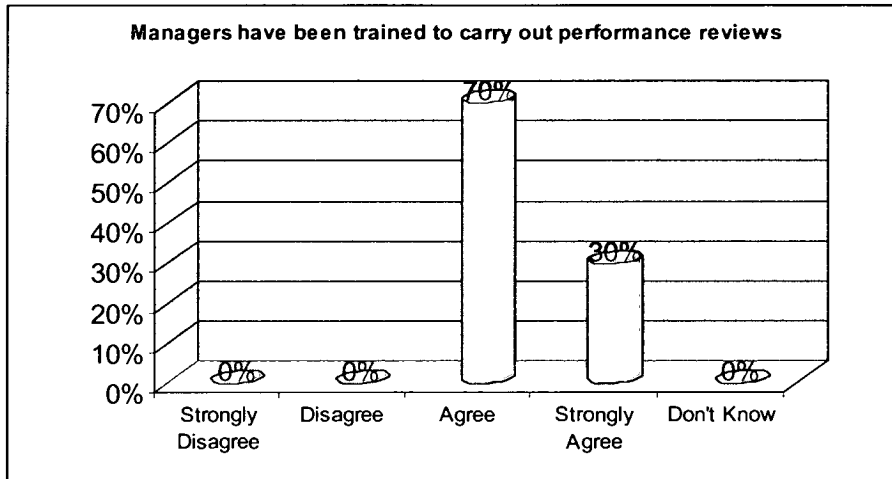


FIGURE 4.1.7.4: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF MANAGERS HAVE BEEN TRAINED TO CARRY OUT PERFORMANCE REVIEWS

4.1.7.5 Performance management provides input to other areas of HR such as training and development

Dealer principals were asked if the performance management system provides input to other areas of human resource management such as training and development, remuneration, etc. 60% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that the performance management system provides input to other areas of human resource management such as training and development, remuneration, etc. (refer to figure 4.1.7.5).

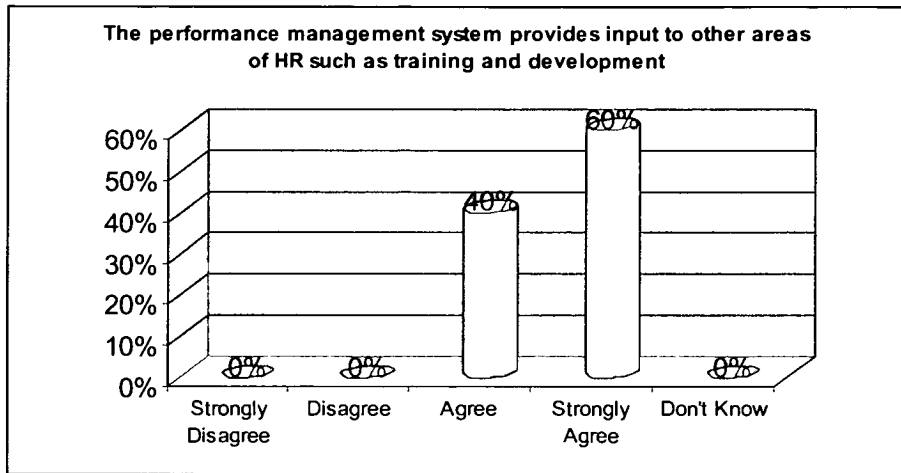


FIGURE 4.1.7.5: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED THE PERFORMANCE MANAGEMENT SYSTEM PROVIDED INPUT TO OTHER AREAS OF HUMAN RESOURCE MANAGEMENT SUCH AS TRAINING AND DEVELOPMENT

4.1.7.6 Formal Review Process

Dealer principals were asked if there was a formal review process within the performance management system. 60% of successful dealerships strongly agreed, while 40% of successful dealerships agreed that there was a formal review process within the performance management system (refer to figure 4.1.7.6).

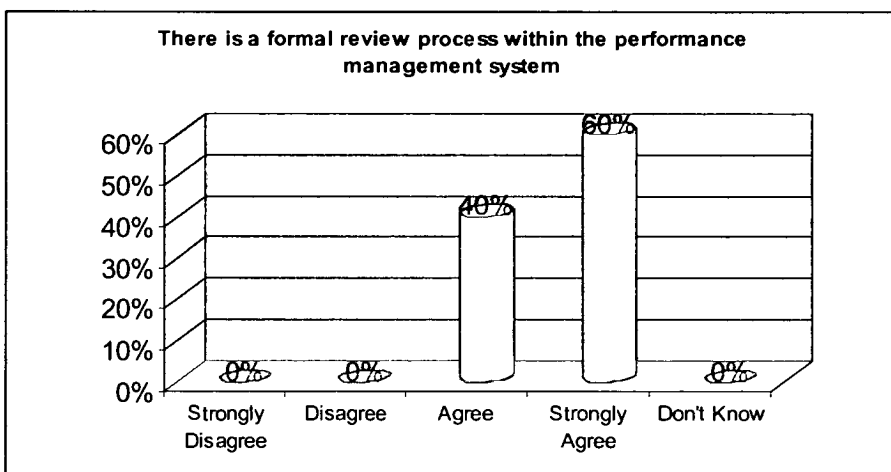


FIGURE 4.1.7.6: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF THERE WAS A FORMAL REVIEW PROCESS WITHIN THE PERFORMANCE MANAGEMENT SYSTEM

4.1.7.7 Performance Objectives

Dealer principals were asked if a vision of objectives is communicated to employees. 30% of successful dealerships strongly agreed, while 70% of successful dealerships agreed that a vision of objectives is communicated to employees (refer to figure 4.1.7.7).

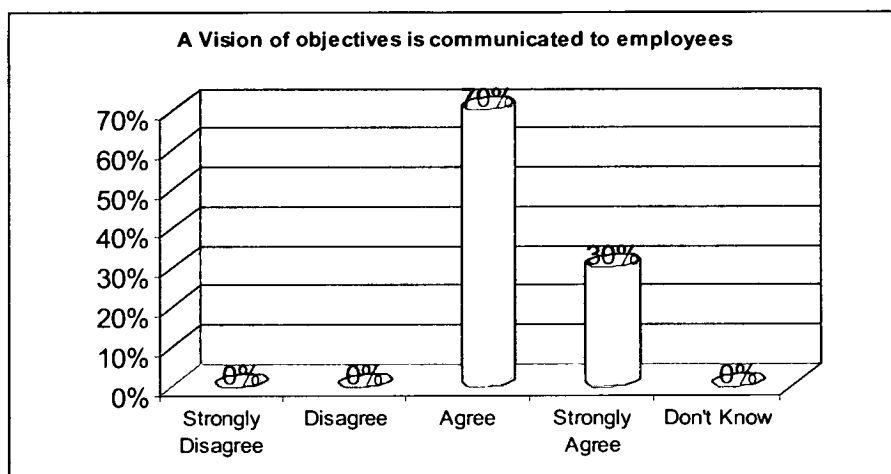


FIGURE 4.1.7.7: RESPONSES FROM SUCCESSFUL DEALERSHIPS, WHEN ASKED IF A VISION OF OBJECTIVES WAS COMMUNICATED TO STAFF

4.1.8 Ranking of Human Resource Management Function

The respondents to the questionnaire were requested to rank, in order of importance, the seven main areas of human resource management. As with the analysis of the other questions from the questionnaire, the responses to the ranking of the seven human resource management functions were separated between responses from dealerships with above average financial performance and dealerships with below average financial performance. Table 4.1 shown below reflects the responses of dealerships with above average financial performance

Table 4.1 below shows the number of respondents who ranked similar human resource management functions in the same rank order.

Table 4.1: Showing Rank order of HR Functions with number of respondents per function

HR FUNCTION	RANK ORDER						
	1	2	3	4	5	6	7
Health and Safety	1	1	1	1	3	0	1
Compensation and Benefits	2	0	1	0	1	4	0
Performance Management	4	2	2	0	0	0	0
Human Resource Development (HRD)	0	2	3	1	0	1	1
Human Resources Planning, Recruitment and Selection	1	0	0	2	2	0	3
Human Resource Information Systems	0	0	0	3	1	2	2
Labour Relations Management	0	3	1	1	1	1	1

The human resource management functions were ranked in order of importance on a scale of 1 to 7, where 1 was ranked as most important and 7 ranked as least important.

Based on the table shown above, it can be stated that, in order of importance, the human resource management functions as applied by successful dealerships are:

1. Performance Management
2. Labour Relations Management
3. Human Resource Development
4. Human Resource Information Systems
5. Health and Safety
6. Compensation and Benefits
7. Human Resource Planning, Recruitment and Selection

4.2 Interpretation of Analysis

This section will provide a summary of the analysis of the results under each of the seven main human resource management evaluation headings. These headings are the same headings as those used in the questionnaire, which were derived from the literature

review in section 2.6. The human resource management areas and key issues that were analysed are those that were derived from the literature review of this dissertation under section 2.6.1

4.2.1 Human Resource Planning, Recruitment and Selection

Generally speaking it can be said that the respondents to the survey either agree strongly or agree to the various evaluation criteria in this section. Where there is a significant percentage that have responded as either disagree or do not know it could be that the terms used in the questionnaire, such as job analysis are foreign terms to the respondents and therefore resulted in a “don’t know” response. Alternatively it is possible that certain processes do exist within the organisation but are not applied consistently. One example of this might be the “disagree” response to the question relating to a defined induction process for new employees.

Notwithstanding the few instances where there are deviations from either a “strongly agree” response or an “agree” response, statistically speaking there is a general trend that shows clearly that successful dealerships do in fact implement effective human resource management practices in the area of human resources planning recruitment and selection based on the key issues that were assessed in the questionnaire.

4.2.2 Human Resource Development

As with Human Resource Planning Recruitment and Selection there is clear statistical evidence that indicates that successful dealerships do in fact implement effective human resource management practices in the various areas that were assessed in the questionnaire.

4.2.3 Compensation and Benefits

Again statistically speaking it can be stated that successful dealerships implement effective human resource management practices and processes in the area of compensation and benefits. There are a few anomalies in terms of the responses that were received from the successful dealerships, however these anomalies could possibly be attributed to the respondent being unfamiliar with the terms used in the questionnaire resulting in the anomalous responses.

4.2.4 Health and Safety

Statistically speaking there is general consensus that successful dealerships implement effective human resource management practices in areas related to dealing with employee wellness and employee mind, body and soul. There is however a significant indication that not too many successful dealerships have provided facilities such as employee assistance programs, stress management and so forth for their employees.

The same trend is noted in the responses to the proactive management of HIV and AIDS in the workplace. With regards to the former issue it is possible that even successful employers have shunned this practice largely due to the high cost associated with this practice. On the latter issue it is possible that employers are not aware of the additional steps that can be taken to proactively manage HIV/AIDS in the workplace given that the issue of HIV/AIDS, while at pandemic proportions in South Africa, is still a relatively new issue in terms of human resource management. However it is more likely that the management of HIV/AIDS is a difficult issue for management given that employers need to be very cautious about how this issue is approached and dealt with in the workplace. The constitution of South Africa protects all employees against any form of discrimination. It is possible that while an employer might have the good intention of managing HIV/AIDS in the workplace it could be construed as being discriminatory practice, thus employers will naturally deal cautiously with the issue.

4.2.5 Labour Relations Management

It is not surprising to find that successful dealerships are implementing effective human resource management criteria in the area of labour relations management, given that the industrial relationship is the subject of legal compliance and not really an option.

It is impressive to note the significant portion of successful dealerships that “strongly agree” that there is a defined process to manage strikes within their organisation. While it is a constitutional right for an employee to strike, it does cost the employer significant amounts of money, the presence of a plan to manage strikes indicates a responsibility of the dealership to its stakeholders to plan for an eventuality that could be severely detrimental to the dealership.

4.2.6 Human Resource Information System

It would appear from the analysis that from the group of successful dealerships there is not a large percentage that applies effective human resource management practices in the area of human resources information system. Most dealerships recognise that there exists a central system that houses all employee information, however most dealerships simply use this system to compile mandatory plans and profiles such as employment equity profiles and workplace skills development plans. Other than meeting the bare minimum legally required systems there appears to be a trend that even among successful dealerships little emphasis is placed on harnessing the immense management potential that resides in a human resources information system

4.2.7 Performance Management

There is a very strong trend, based on the analysis of the responses, that successful dealerships display exemplary human resource management practices in the area of performance management.

It is this factor that probably contributes significantly to the dealerships having above average financial performance given that it is of critical importance to link performance to the achievement of organisational strategy. Successful dealerships it would appear have a formal performance management system with reviews that are not only formal but, managers are trained to carry out these reviews thus ensuring that the value to be derived out of the process is not diluted by poor reviews. The results of the analysis show that in successful organisations objectives that are measurable are clearly communicated to the employees and each employee has a set of specific measurable objectives with their line manager.



As indicated by the results of the analysis it would appear that successful organisations use the performance management system as a vehicle for culture change thus ensuring that change in the dealership is effective and sustainable and most importantly the results from the performance management system will feed other human resource management functions such as training and development, remuneration, labour relations management and so forth.

4.3 Conclusion

The evaluation and interpretation of the research findings as presented herein are based on the responses to the questionnaires and the subsequent analysis and interpretation of the data. The fourth objective of this dissertation as documented in section 1.3 of this dissertation has been met.

CHAPTER 5 CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises the dissertation by reviewing the objectives, which were introduced in chapter 1, examining the context of human resource management as delineated in chapter 2 and then finally drawing on the analysis and interpretation of the research as discussed in chapter 4. Recommendations will then be made for managers in the motor industry, which in all likelihood will be applicable to managers in any industry where the factors that create competitive advantage are no longer specific to product, price or other tangible advancements.

5.2 Reviewing the Objectives

As stated in chapter 1 the objectives of this dissertation were:

- 5.2.1 To determine, through literature, the various components of Human Resource Management (HRM).
- 5.2.2 To determine, through literature, the contribution of Human Resource Management to organisational effectiveness.
- 5.2.3 To deduce from literature, criteria that can be used to evaluate the effectiveness of the HRM function of an organisation.
- 5.2.4 To establish, by applying the human resources management evaluation criterion, the consistency of application between successful organisations and human resources management practices.

The literature review in chapter 2 ensured that objectives 5.2.1, 5.2.2 and 5.2.3 as stated above were achieved. The results of the literature then generated the evaluation criteria that were used for the research questionnaire. The results of the research survey was then analysed and interpreted in chapter 4.

The research as stated in chapter 1 was both of an exploratory and cross sectional study. A homogenous (by way of product, branding, pricing and marketing) sample of motor vehicle dealerships were used for the achievement of objective four. The research conducted on the dealership network as documented in chapter 4 of this dissertation, shows that, generally speaking, when all things are equal successful organisations apply effective human resource management practices.

The result of meeting the stated objectives is more than likely a body of work that will provide some insight into the role the human resources have to play in the competitive advantage of organisations.



5.3 The Context of Human Resources and Human Resource Management

As the rate of competition escalates on a daily basis it is more important now than ever before that organisations take into consideration the strategic importance of effectively managing their human resources.

With the increasing pace of globalisation, technology and reducing trade barriers companies in the new world of work can no longer afford to maintain or achieve competitive advantage through the innovation of products or by reducing the cost of production through improved technology. Production processes and systems can all too easily be duplicated by competing organisations at very little expense and any advantages that were resident in product superiority are soon eradicated.

It is within this context that organisations, if they intend achieving and maintaining sustainable competitive advantage, need to look elsewhere for the one differentiating factor that separates them from their competitors. As this research shows this differentiating factor can reside in the human resources of the organisation.

Human resource management is of such importance in organisations that there should be a fundamental paradigm shift in the minds of stakeholders that views the management of human resource as important if not more important than the management of all the other resources of the organisation such as capital and raw materials.

It has been shown in the chosen sample base that successful motor vehicle dealerships appear to differentiate themselves from their competitors by applying effective human resource management practices.

5.4 Recommendations

The cost of acquiring human resources in South Africa is significantly high. South Africa by virtue of its history has had to play “catch up” with the rest of the world. Stakeholders place enormous responsibilities on organisations while still expecting that the organisation maintain its competitive advantage, profitability and ensure growth. All this must be achieved in a highly competitive environment within a global marketplace and increasing customer sophistication that demands service and product excellence.

Needless to say the challenges are huge and continuously increasing. Never before has the human factor been of greater importance than today. The human resources of the organisation therefore represent the only source of competitive advantage to organisations in the future.

This research has shown that where specific emphasis is placed on effectively managing the human resources of an organisation competitive advantage can be achieved and maintained.

The following recommendations, in no particular order, are made to managers and stakeholders:

- Human resource management needs to be viewed as an investment into the future and not an expense item of the organisation. Human resource management costs can be much higher than what the initial benefit would appear to be, however as an investment in an asset with a useful working life of approximately 35 years the probability is much higher that your people will be around long after your equipment has been replaced.
- Human resource managers need to start playing a more strategic role in the organisation. As opposed to the traditional role of “policy police” human resource managers need to strategically align the systems and processes of the management of people to ensure that the organisations objectives are met and that the human resources of the organisation are prepared for the objectives required to be met in the next 5 or even ten years.
- Investments need to be made in the human resources, which as stated earlier, are costly to acquire. These resources need “upgrades” and “maintenance” in order to function at optimal level. The associated costs with the “maintenance” and “upgrading” of the human resources should be treated in exactly the same manner as one would treat the costs of upgrading or maintaining any other system, that is, a cost necessary for the organisation to generate the revenue that it does.

5.5 Concluding Remarks

This research has explored the relationship between competitive advantage and the effective management of human resources. Based on the analysis of the research data it is clear that there is a distinct link between the two.

This research represents an analysis in one moment in time, while most of the literature study will remain valid for some time, advancements and changes in human resource management practice in the motor industry and in particular the motor dealerships will probably bring new insights to the results of this research. It is requested that managers stay up to date with the latest developments in all areas of human resource management.



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Appendix 1 Research Questionnaire



RESEARCH PROJECT QUESTIONNAIRE

Dear Sir / Madam

I am currently researching the role of an effective human resource management function within an organization in order to determine and share effective practices on this topical and important issue. This research is part of the requirement for the completion of my MBA, which is administered by the University of Wales.

Your impression and or expertise on the subject matter will be of immense value to this research. I am aware of the need to treat the findings with the utmost confidentiality. No source, individual or organizational, or comment will be attributed without the express permission of the originator.

I kindly request, therefore, that you participate and answer this questionnaire.

Your participation in this survey is highly appreciated.

Yours sincerely

Zubair Munshi

Tel: 083 259 3237

Fax: 011 789 3551 or 011 673 0089

EMail: zmunshi@orbicom.com

1. Dealership Name _____

2. Location: _____

Please rate the following HR practices in your organisation as indicated below. Where,

1 = Strongly Disagree 2 = Disagree 3 = Agree 4 = Strongly Agree
5 = Don't Know

Please place an **X** in the appropriate box.

3. Human Resources Planning, Recruitment and Selection	SD	D	A	SA	DK
3.1 Human resource planning is a systematic process in this organisation.	1	2	3	4	5
3.2 The process ensures that the right number of people with the right skills are available when needed.	1	2	3	4	5
3.3 The human resource planning process starts with the organisational strategy.	1	2	3	4	5
3.4 The human resource planning process is reviewed at least twice a year.	1	2	3	4	5
3.5 Job analysis is undertaken before recruitment takes place	1	2	3	4	5
3.6 Job analysis provides line managers with detailed job descriptions and job specifications	1	2	3	4	5
3.7 Job Analysis, begins with the organisation's strategy	1	2	3	4	5
3.8 Before a position is filled other options such as contractors, temporary worker etc are taken into account.	1	2	3	4	5
3.9 There is a defined process for recruiting a new employee	1	2	3	4	5
3.10 There is a defined process for selecting a new employee	1	2	3	4	5
3.11 Once and employee has been selected there is defined induction process that the new employee undergoes.	1	2	3	4	5

1 = Strongly Disagree 2 = Disagree 3 = Agree 4 = Strongly Agree 5 = Don't Know					
4. Human Resource Development (HRD)	SD	D	A	SA	DK
4.1 HRD in this organisation is a continuous process to improve the competency levels in the organisation	1	2	3	4	5
4.2 The training of employees has 3 distinct phases i.e needs assessment, relevant training and evaluation	1	2	3	4	5
4.3 A detailed analysis of poor performance is undertaken before embarking on training programs	1	2	3	4	5
4.4 Training interventions are clearly measurable	1	2	3	4	5
4.5 There are 4 levels assessed when evaluating the effectiveness of training i.e Reaction, Learning, Behaviour and Results	1	2	3	4	5
5. Compensation and Benefits	SD	D	A	SA	DK
5.1 The objective of the remuneration system is to attract, retain and motivate employees	1	2	3	4	5
5.2 Performance is tied to the achievement of critical business goals	1	2	3	4	5
5.3 Rewards are linked to levers of organisational change	1	2	3	4	5
5.4 Competencies that are measurable are rewarded	1	2	3	4	5
5.5 Incentives are matched to the company culture	1	2	3	4	5
5.6 Group incentives are clear and simple to understand	1	2	3	4	5
5.7 Reward strategies are constantly communicated to staff	1	2	3	4	5
5.8 Employees are recognized for the work they do and the contribution that they make e.g. most valued employee, salesperson of the month etc	1	2	3	4	5
6. Health and Safety	SD	D	A	SA	DK
6.1 Health and Safety programs are geared towards employee wellness	1	2	3	4	5
6.2 Health and Safety programs deal with the employee's mind, body and soul	1	2	3	4	5
6.3 The health and safety program incorporates issues such as work life balance, readiness for emergencies, occupational mental health, stress management programs, employee assistance programmes etc.	1	2	3	4	5
6.4 There is a specific action plan for the proactive management of HIV / AIDS in the workplace	1	2	3	4	5

	1 = Strongly Disagree	2 = Disagree	3 = Agree	4 = Strongly Agree	5 = Don't Know
7. Labour Relations Management	SD	D	A	SA	DK
7.1 The organisation complies to the relevant labour legislation ✓	1	2	3	4	5
7.2 The organisation has a defined process to manage strikes. ✓	1	2	3	4	5
7.3 The organisation has trained line management on the impact of the employment relationship arising from the labour laws ✓	1	2	3	4	5
7.4 The organisation promotes equity and non-discrimination in its employment policies and procedures ✓	1	2	3	4	5
8. Human Resource Information Systems	SD	D	A	SA	DK
8.1 There exists a human resource information system	1	2	3	4	5
8.2 The human resource information system is an extensive database for a wide range of employee information	1	2	3	4	5
8.3 The human resource information system has a significant data sensitive historical capacity	1	2	3	4	5
8.4 The human resource information system can compile a profile of the workforce in compliance to the employment equity act	1	2	3	4	5
8.5 The human resource information system can compile a report on the skills development of employees	1	2	3	4	5
8.6 The human resource information system can compile the organisation's equity plan.	1	2	3	4	5
9. Performance Management	SD	D	A	SA	SK
9.1 The performance management system is a process for strategy implementation	1	2	3	4	5
9.2 The performance management system is a vehicle for culture change	1	2	3	4	5
9.3 There is a specific set of measurable objectives between manager and employee.	1	2	3	4	5
9.4 Managers have been trained to carry out performance reviews	1	2	3	4	5
9.5 The performance management system provide input to other HR areas such as training and development, remuneration etc	1	2	3	4	5
9.6 There is a formal review process within the performance management system	1	2	3	4	5
9.7 A vision of objectives is communicated to employees.	1	2	3	4	5

10. Please provide a ranking of the importance (from 1 to 7 where 1 is most important and 7 is least important) of the HR functions in the table below as practiced in your organisation.

HR MANAGEMENT FUNCTION	RANK ORDER (FROM MOST IMPORTANT TO LEAST IMPORTANT)
Health and Safety	
Compensation and Benefits	
Performance Management	
Human Resource Development (HRD)	
Human Resources Planning, Recruitment and Selection	
Human Resource Information Systems	
Labour Relations Management	



Appendix 2 Dealership Responses



HIGHER THAN AVERAGE FINANCIALLY PERFORMING DELAERSHIPS						
Question	Strongly Disagree	Disagree	Agree	Strongly Agree	Don't Know	
3.1	0%	0%	40%	60%	0%	
3.2	0%	0%	70%	30%	0%	
3.3	0%	0%	30%	70%	0%	
3.4	0%	10%	20%	60%	10%	
3.5	0%	10%	30%	50%	10%	
3.6	0%	0%	50%	50%	0%	
3.7	0%	0%	40%	50%	10%	
3.8	0%	40%	40%	20%	0%	
3.9	0%	0%	30%	70%	0%	
3.10	0%	0%	50%	50%	0%	
3.11	0%	20%	40%	40%	0%	
4.1	0%	0%	10%	80%	10%	
4.2	0%	0%	50%	50%	0%	
4.3	0%	10%	50%	40%	0%	
4.4	0%	0%	50%	40%	10%	
4.5	0%	0%	60%	20%	20%	
5.1	0%	0%	10%	90%	0%	
5.2	0%	0%	30%	70%	0%	
5.3	0%	10%	20%	50%	20%	
5.4	0%	10%	30%	60%	0%	
5.5	0%	0%	70%	30%	0%	
5.6	0%	0%	70%	30%	0%	
5.7	0%	0%	20%	70%	10%	
5.8	0%	0%	30%	70%	0%	
6.1	0%	0%	70%	20%	10%	
6.2	0%	0%	80%	10%	10%	
6.3	0%	30%	50%	10%	10%	
6.4	0%	20%	60%	10%	10%	
7.1	0%	0%	30%	70%	0%	
7.2	0%	10%	40%	50%	0%	
7.3	0%	0%	70%	30%	0%	
7.4	0%	0%	30%	70%	0%	
8.1	10%	10%	20%	50%	10%	
8.2	10%	10%	20%	50%	10%	
8.3	10%	0%	20%	50%	20%	
8.4	0%	0%	40%	50%	10%	
8.5	0%	0%	40%	50%	10%	
8.6	0%	0%	30%	50%	20%	
9.1	0%	0%	40%	60%	0%	
9.2	0%	0%	70%	30%	0%	
9.3	0%	0%	40%	60%	0%	
9.4	0%	0%	70%	30%	0%	
9.5	0%	0%	40%	60%	0%	
9.6	0%	0%	40%	60%	0%	
9.7	0%	0%	70%	30%	0%	