

Human resource development (HRD) practices in local vs foreign companies in South Africa: is there a difference?

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Abstract

People have become the most critical competitive asset of companies. With a growing scarcity of talent worldwide, companies are struggling to fill posts with suitably qualified employees. A key component is the development of employees through human resource development (HRD) interventions.

The purpose of this study was to determine whether differences in this area exists between local and foreign companies operating in South Africa, as companies in developed countries appear to be more successful in this regard. Survey responses were gathered from 61 local and 57 foreign companies with more than 200 employees.

From the findings it appears that foreign companies are more involved in having a written mission statement, business and HRM strategy, while numerous career development practices and performance appraisal data are used when employee career moves are considered. Foreign companies also use specific techniques to evaluate their training effort, and appear to have a lower staff turnover, while the percentage of their operating costs, accounted for by labour costs on average, appears to be much lower than for local companies.

Key phrases

different HRD practices; foreign companies; human resource development (HRD); local companies; South Africa

1. INTRODUCTION

It is an acknowledged fact that people have become the most critical competitive asset of companies (Chowhan 2016:112; Garavan 2007:11; Gelens, Hofmans, Dries & Pepermans 2014:159; Hamel 2012:145; Kaufman 2015:516; Mayo 2012:9; Schwab 2013:5; Tseng & McLean 2008:418). This is known in the literature as the resource-based view (Gottschalg & Zollo 2007:418; Kraaijenbrink, Spender & Groen 2010:349; Lavie 2006:638; Wang & Karia 2009:6; Wolfe, Wright & Smart 2006:111). A growing scarcity of talent worldwide has made it very difficult for companies to fill their posts with suitably qualified employees, directly affecting their bottom line (Allameh, Naftchali, Pool & Davoodi 2012:42; Grobler & Diedericks 2009:3; Lev-Ram 2014:13; The Boston Consulting Group and World Federation of People Management Associations (BCG & WFPMA 2012:3).

It is thus imperative that companies manage their workforces for the long term, as success in this regard will improve their competitiveness and their profitability, which will ultimately lead to the growth of the economy, resulting in more job opportunities being created (Gibb 2011:3; Hill, Miller & Adrienne 2006:8; Katou 2009:336; Werner, Schuler & Jackson 2012:245). Something which South Africa needs urgently with an official unemployment rate of 26.7% (Statistics South Africa 2016; Steinacker-Keys 2014:6).

A key component is the development of employees through human resource development (HRD) interventions (Gibb 2011:3; Kumpikaite & Sakalas 2008:63; Lee 2015:476; Sterling & Boxall 2013:228).

To address this issue, this article is structured into eight sections. In Section 2, after the Introduction, the South African scenario is briefly discussed, this is followed in Section 3, by the aim of the study. In Section four, the HRD concept, and its value is discussed. In Section 5, the research methodology is addressed, while Section 6 looks at the empirical results. In Section 7 the limitations of the study as well as the recommendations for further research are provided, while in Section 8, the managerial implications and in Section 9 the conclusions can be found.

2. THE SOUTH AFRICAN SCENARIO

According to the latest Global Competitiveness Report (2013–2014) (see Schwab 2013:346) – the report evaluates countries on 12 competitive pillars – South Africa’s overall position has not improved since the previous report (2012–2013), and the country remains ranked 53rd out of 148 countries participating in the survey (Schwab 2013:43). From the rating it was clear that serious concerns exist relating to the country’s workforce (Schwab 2013:43). For example, when looking at pillar 5 (Higher Education and Training) and pillar 7 (Labour Market Efficiency), South Africa’s rating is alarmingly low, i.e. 89 and 116 respectively, out of 148 countries (Schwab 2013:346). These ratings are of great concern.

In 2012 there was a total of 1,810 foreign companies operating in South Africa (Business Monitor International 2012:1). These companies are major employers such as BMW, Mercedes Benz, Volkswagen, Siemens and Coca-Cola, to mention but a few. They can thus play a leading role in the improvement of the skills dilemma South Africa faces (Mokgata 2014:18-20). For example, IBM South Africa has already invested R700 million in an equity empowerment programme to boost skills development and train more small business people (Mkhwanazi 2015:1).

The question which now arises is ‘how do the local companies in South Africa, compare with the international companies operating locally, as far as their HRD practices and strategies are concerned?’.

3. AIM OF THE STUDY

The aim of this article was to achieve the following objectives:

- to provide a brief overview of HRD theory;
- to empirically assess whether any statistically significant differences exist between local and foreign companies operating in South Africa as far as their HRD practices are concerned; and
- to make recommendations regarding the successful implementation of HRD activities within companies.

4. HUMAN RESOURCE DEVELOPMENT (HRD) DEFINED

Although numerous definitions relating to HRD can be found in the literature, it would appear that due to the complexity of the term, no single acceptable definition exists (Hamlin & Stewart 2010:199; Kumpikaite & Sakalas 2011:46; McGuire, Cross & O'Donnel 2005:xii; McCracken & Wallace 2000:281). The reason for this could perhaps be attributed to the fact that different stakeholders view the term from their own perspective – for example, authors living in different countries would define the term in a very ethnocentric way, which would serve their own interests (Gibb 2011:14-17; Hamlin & Stewart 2010:202). This makes the existence of a universal definition difficult.

A comprehensive, all-embracing definition of the HRD concept is however found in the article of Hamlin and Stewart (2010:213), which states:

HRD encompasses planned activities, processes and/or interventions, designed to have an impact upon and enhance organisational and individual learning, to develop human potential to improve or maximise effectiveness and performance at either the individual, group/team and/or organisational level, and/or to bring about effective, beneficial personal or organisational behaviour change, and improvement within, across and beyond the boundaries (or borders) of private sector (for profit), public sector/governmental or third voluntary sector (not-for-profit) organisations, entities or any type of personal-based, work-based, community-based, society-based, culture-based, political-based or nation-based host system.

Thus, improving individual/group effectiveness and performance, as well as improving organisational effectiveness and performance through the development of individual knowledge, skills and competencies, appears to be at the heart of HRD.

The value of HRD can thus affect not only the employee, but also the organisation itself. Numerous authors have identified a number of benefits which can accrue to both the employees and the organisation as a result of the presence of HRD (Allameh *et al.* 2012:43; Ferris, Perreve, Ranft, Zinko, Stoner, Brauer & Laird 2007:18; Garavan 2007:12; Katou 2009:336; Mondy & Mondy 2014:190; Shih, Chiang & Hsu 2006:743). For the employee, for example, these include adding new skills and abilities, higher wages, better job prospects, improved motivation, commitment and satisfaction; for the organisation, it results in improved

competitiveness, increased productivity, higher profitability, better retention of employees, lower absenteeism and the ability to create new products and services. Thus HRD matters, as it is integral to creating wealth and opportunity, for both the individual and the organisation.

5. RESEARCH METHODOLOGY

5.1 Methodology

The data gathered for this survey was obtained in South Africa during 2009/2010 as part of a worldwide survey of 35 countries (Grobler & Wörnich 2010:iv). The survey was co-ordinated by the Cranfield Network on International Human Resource Management (Cranet), a research unit at the Cranfield School of Management at Cranfield University in the United Kingdom, which conducts surveys approximately every four years on HRM. The 2014/2015 survey in South Africa has been delayed due to a lengthy postal strike of eight months.

5.2 Survey design and method

A structured questionnaire was used to collect mainly quantitative data. A five point Likert-type response scale was used to collect the majority of the data from the respondents. The questionnaires were posted to all those in charge of the HRM function in foreign and local companies operating within South Africa. To improve the response rate, a follow-up letter was sent to all the respondents, approximately six weeks after the initial questionnaires had been despatched. To test the differences between the two independent groups i.e. local versus foreign companies, use was made of nonparametric statistics (Zikmund, Babin, Carr & Griffen 2013:528). This method is appropriate when the variables being analysed, does not conform to any known or continuous distribution, and can thus be seen as distribution free (Zikmund *et al.* 2013:516). Data analysis of both nominal and ordinal scales are typically conducted by means of nonparametric statistical tests. The following nonparametric tests were utilised to analyse the data: Mann-Whitney U tests, Pearson's chi-square, Cramer's V test, t-tests, and cross tabulation (Pallant 2011:213-238).

5.3 Sample drawn and response rate

The requirement set by Cranet was that only organisations with a staff complement of 200 or more should participate (Rasmussen, Anderson & Haworth 2010:107). To comply with this requirement, all organisations with fewer than 200 staff members were initially eliminated from the individual databases used.

The final sample drawn and the response rate obtained are indicated in Table 1.

TABLE 1: Sample drawn and response rate

Databases used for the South African survey	Total number of companies with 200 or more staff	Companies not interested to participate	Number of companies participating	Actual number of questionnaires returned
(A) Foreign companies	372	95	277	58
(B) Local companies				
1. Listed	213	98	115	30
2. Unlisted	436*	176	260	32
Total:	1021	369	652	120
Response rate:				18.40%*
* Due to the large number of companies in this group a random sample was drawn				

Source: Foreign Companies in South Africa Yearbook 2007; McGregor's database of companies in South Africa. 2007:Internet; Profile's Stock Exchange Handbook June-Sept 2007

6. EMPIRICAL RESULTS

6.1 Profile of the companies

6.1.1 Age of companies

It would appear that the majority of participating companies, both local (71.7%) and foreign (66.7%), had been in existence since the 1950s. The companies were thus mature, and as such, should have had well-established processes, including HRM processes.

6.1.2 Size of companies

Both local (53.2%) and foreign companies (51.8%) could be seen as so-called 'large' companies, with more than 400 staff members. Approximately 26% of the companies (local and foreign) could be classified as 'small' companies (fewer than 200 employees), while approximately 21% of the companies (local and foreign) could be classified as 'medium' companies (201–400 employees).

6.1.3 HR department

The results indicated that 75.8% of the local, and 93.1% of the foreign companies, had an HR department. It is interesting that there was a tendency for almost all foreign companies to have an HR department in comparison with only three-quarters of the local companies.

6.1.4 Industry sector

Both local and foreign companies were fairly well represented across the different sectors. The industry group with the highest proportion of respondents in both cases (local 22.6% and foreign 25.9%) comprised the metal manufacturing, mechanical, electrical, instruments, engineering, office and data processing machinery sectors.

A further interesting finding was that the foreign companies (20.7%) also had a large proportion of respondents in the area of food, drink, tobacco, textiles, clothing, paper, printing and publishing, while the local companies (16.1%) had a fairly large proportion of respondents in the banking, finance, insurance and business services sector. This makes sense as the majority of participating banks and companies in the insurance sector were South African-owned.

6.1.5 Market characteristic

The majority of the companies (approximately 70% in both cases) operated in a growth market. Under such circumstances, it is essential that companies have well-trained staff, which will enable them to increase their market share. It is important that the workforce be

stable and well-motivated, as high staff turnover and a demotivated workforce will affect a company's bottom line negatively.

6.2 Strategic focus of the company

6.2.1 Mission statement

Regarding the companies' strategic focus, it would appear that 93.1% of the foreign companies, and 75.8% of local companies, had a written mission statement. Having an unwritten mission statement can be problematic, as the direction in which the company will be moving will be interpreted differently by the employees, which can affect the applicability of their training requirements. As Chowdhury (2002:89) remarks, "a mission statement establishes the purpose for being, and helps to assess how to properly deploy energies and resources".

6.2.2 Business strategy

An issue closely related to the mission statement, is a business strategy. A business strategy is formed from the overall mission statement. According to Price (2004:292), "a strategy is the means by which an organisation seeks to meet its objectives. It is a deliberate choice, a decision to take a course of action, rather than reacting to circumstances. It focuses on significant long-term goals, rather than day-to-day operating matters."

The results indicated that 82.8% (foreign companies), and 74.2% (local companies), had a written business strategy at the time of the research. These results are not surprising and tie in with the findings for the mission statement.

6.3 Human resource management activities within companies

The HRD function does not operate in isolation but forms part of the HRM activities, which are all clustered in the Human Resource Department (Martin & Whiting 2013:31). For the HRM function to make a valuable contribution to the company, it is essential that this function is well integrated within the overall company activities (Mayo 2012:18).

6.3.1 Personnel/HRM strategy

As far as the HRM component of the companies is concerned, it would appear that 61.3% (local), and 74.1% (foreign) companies, had a written personnel/HRM strategy. This sub-strategy is normally compiled once a business strategy is in place. Only 19.0% (foreign) and 24.2% (local) companies, had an unwritten personnel/HRM strategy, while 14.5% of the local and 6.9% of the foreign companies, had no HRM strategy at all. This could be problematic as the management of their workforces will be difficult, if not impossible, as there will be no proper direction for the provisioning, development and maintenance of their staff. As Mello (2015:150) remarks, “establishing a strong HR strategy that is clearly linked to the organisation’s strategy is not enough. The HR strategy needs to be communicated, practiced and perhaps most important, spelled out and written.” Mello remarks further, “a recent study by PricewaterhouseCoopers found that those organisations with a written HR strategy tend to be more profitable than those without one”.

6.3.2 Forums/Committees and trade union membership

It is interesting to note that the foreign companies (80.7%) made substantially more use of forums/committees to discuss labour issues with their staff than the local companies (59.0%). As far as trade union membership is concerned, it would appear that the employees in foreign companies (44.6%) were more inclined to belong to unions than those in local companies (38.3%). This is not surprising if one looks at the use of forums/committees for worker participation within foreign companies, as indicated earlier.

6.3.3 Operating costs

What was very interesting, however, was the finding that the percentage of the operating costs accounted for by labour costs on average, appeared to be much lower in foreign companies ($M=31.22$; $SD=18.717$) than in local companies ($M=44.33$; $SD=21.468$). It should be noted, however, that this question was completed by a smaller number of respondents (36 local and 29 foreign), which could have influenced the values.

6.3.4 Annual staff turnover

Other interesting findings included the annual staff turnover within foreign companies being slightly lower ($M=13.67$; $SD=7.779$) than in local companies ($M=14.05$; $SD=12.277$). This can perhaps again be attributed to foreign companies' general approach to labour relations as indicated earlier.

6.4 Percentage of annual payroll cost spent on training

To determine whether any statistically significant differences (at the 5% level of significance) existed between local and foreign companies, as far as the percentage of payroll cost spent on training is concerned, the student t-test for independent groups was used. The results indicated no statistically significant difference ($p=0.540$) between local and foreign companies, with both groups spending fairly similar percentages (4.37% [local] and 3.79% [foreign]) of their annual payroll budget on training.

6.5 Average number of days training provided for the different levels of staff

For this question, the questionnaire made provision for the following staff categories: management, professional/technical, clerical and manual.

From the findings, it would appear that taking the averages between the local and foreign companies into consideration, an average of 7.3 days training per year were spent on the management group, 10.9 days on the professional/technical group, 6.7 days on the clerical group, and an average of 9 days on the manual group. To determine whether any statistically significant differences (at the 5% level of significance) existed between local and foreign companies, the student t-test for independent groups was used. The results indicated that no statistically significant difference existed between foreign and local companies with regard to the annual:

- average days training for management staff ($p=0.907$);
- average days training for professional/technical staff ($p=0.678$);
- average days training for clerical staff ($p=0.783$); and
- average days training for manual staff ($p=0.500$).

Thus, from the findings it is clear that at the time of the study, a similar number of days training were provided by local and foreign companies for their different staff groups.

6.6 Communication methods used to discuss important issues with the employees

In the creation of a learning organisation, it is important to obtain the engagement of all workers. This is only possible if good communication practices are available (Gold, Holden, Stewart, Iles & Beardwell 2013:246).

The questionnaire made provision for the following methods of communication: through representative staff bodies, e.g. trade unions, verbally, written, direct to the employees, electronic communication, and team briefings.

To determine whether any statistically significant differences (at the 10% level of significance) existed between the local and foreign companies, the Mann-Whitney U test was used. This test can be used when two independent groups need to be compared based on a single variable. The test is also useful to apply when the sample from the population is small i.e. between 57 to 61 companies for each group as was the case in the present study, or if the data type is ordinal.

The results indicated that as far as the following two communication methods were concerned, i.e. communication through representative staff bodies (i.e. trade unions) ($p=0.082$) and team briefings ($p=0.056$), the foreign companies tended to use these methods frequently to discuss major issues with their employees.

With the exception of the local companies making greater use of verbally briefing their employees directly (mean rank 60.1), the mean ranks indicated that the foreign companies tended to use the remainder of the methods, i.e. through representative staff bodies (e.g. trade unions) (mean rank 61.7), written directly to employees (mean rank 61.4), electronic communication (mean rank 61.0), and team briefings (mean rank 62.1) more than local companies.

Many reasons can be given for this. Perhaps the popularity of the use of these methods can be ascribed to the important role trade unions play within the South African workplace. This finding is also in line with the earlier finding where it was indicated that foreign companies

were more unionised, and that they also made more use of other forums/committees to discuss labour issues than local companies did.

6.7 Employee categories briefed about company issues

For employees to make informed decisions regarding their HRD activities, it is essential that they be frequently informed about important issues pertaining to their organisations. This is necessary, as organisations are in a continuous state of flux to maintain their competitive advantage, necessitating changes to be made at regular intervals, which will affect the required behaviours and competencies of the workforce.

For the purpose of this study, the following aspects have been identified as important areas of information, which should be provided to employees, namely the business strategy, financial performance, and the organisation at work.

For the analysis of this data, the Pearson chi-squared test was used. This test is applicable in situations where the association between two nominal variables need to be tested (Rose, Spinks & Canhoto 2014:317). As there were instances where more than 20% of the cells had expected counts of less than 5, the test resulted in invalid Pearson chi-square values. In this instance, the Fisher exact test values was used, or the Cramer's V test, which measures the strength of association between nominal variables (Little 2013:121).

The results of the analysis indicated that, regarding the briefing of employees on issues related to the business strategy, financial performance and the organisation at work for all the categories of employees, no statistically significant associations existed between the country of origin (foreign or local). Thus, both the foreign and local companies briefed their respective employee groups similarly on each of these aspects, which can be seen as positive, and to the advantage of all stakeholders.

6.8 Methods employees use to communicate their views to management

It is essential in a learning organisation that a good working relationship exists between the employees and management. This will help facilitate the development of acceptable HRD strategies to the benefit of both parties. To achieve this goal, employees need to be able to communicate their views to their supervisors and management, and vice versa. This two-

way communication process is essential (De Janasz, Dowd & Schneider 2015:153). The questionnaire made provision for the following methods of communication: direct to senior managers, through immediate supervisors, union representatives, workforce meetings, team briefings, suggestion schemes, attitude surveys, and electronic communication.

To determine whether any statistically significant differences (at the 10% level of significance) existed, the Mann–Whitney U test was used. The results indicated that a statistically significant difference at the 10% level of significance existed between local and foreign companies with regard to the extent to which employees used the following methods to communicate their views to management:

- through their immediate supervisor ($p=0.086$); and
- through trade union representatives ($p=0.058$).

The mean ranks indicated that the employees in the local companies tended to a larger extent to communicate through their immediate supervisors (mean rank 64.84) than the employees in foreign companies (mean rank 54.74). As far as the second method is concerned, i.e. communicating through trade union representatives, the mean ranks indicated that employees in foreign companies tended to use this method to a larger extent (mean ranks 63.29) than local companies (mean ranks 52.10). This result is not surprising, seeing that the staff in foreign companies were more unionised than the staff at local companies. The finding regarding the local companies was also not surprising, as an earlier finding indicated that the local companies briefed their employees to a larger extent verbally; through the immediate supervisor.

6.9 Methods for career development

HRD activities play an important role in the career development process of an individual such as the provisioning of career self-management training workshops, mentoring, coaching and career counselling.

In this study, a number of career development methods were listed in the questionnaire, such as special tasks/projects to stimulate learning/on-the-job training, involvement in cross-organisational/disciplinary/functional tasks, participation in project teamwork, networking, formal career plans, development centres, succession plans, planned job rotation, high-flyer

schemes, experience schemes, secondments, coaching, mentoring and computer-based packages/E-learning.

To determine whether any statistically significant difference (at the 5% level of significance) existed between local and foreign companies regarding these methods, the Mann–Whitney U test was used.

The results indicated that a statistically significant difference at the 5% level of significance existed between the local and foreign companies as far as the following career development methods are concerned:

- special tasks/projects to stimulate learning/on-the-job training ($p=0.036$) (mean ranks – local 49.59, foreign 61.86);
- involvement in cross organisational/disciplinary/functional tasks ($p=0.031$) (mean ranks – local 48.96, foreign 61.62); and
- experience schemes (internal movement to another department, whether in the same country, or abroad) ($p=0.016$) (mean ranks – local 47.75, foreign 61.77).

At the 10% level of significance, the following method appeared to have a statistical significance:

- computer-based packages/E-learning ($p=0.064$) (mean ranks – local 49.53, foreign 60.26).

From the mean ranks indicated, it is clear that the foreign companies tended to use all the above methods to a larger extent than the local companies.

Thus, the greater use by foreign companies of the career development methods appears to have had a positive effect on the organisations as well as the individuals, when taking into consideration the earlier findings where the operating costs measured by labour costs were much lower in foreign companies, and the fact that the general staff turnover was also slightly less in foreign companies.

Thus, the greater use of HRD practices could have had a positive effect on the organisation and the individual.

6.10 Appraisal data used to inform decisions in the areas of pay, training and development, career moves and workforce planning

To fully implement HRD practices, it is important to confer with the employees about their performance and careers (Caplan 2013:153). Performance appraisal discussions are used to achieve this goal (Mello 2011:428). These discussions highlight training gaps, as well as excellent performance resulting in salary and bonus increases. Thus, appraisal information is important for supporting the HRD development intervention within the organisation and furthering employee engagement within the company.

To determine whether any association existed regarding the use of performance appraisal data, the Pearson chi-square test was used. The results indicated that a statistically significant association existed between the company origin (local or foreign) and whether appraisal data was being used to inform decisions in the area of career moves ($p=0.027$) ($p \leq 0.05$). From the cross-tabulation, it was clear that the foreign companies used the information in this area to a greater extent (yes=92.5%, no=7.5%) than the local companies (yes=76.6%, no=23.4%).

Although appraisal data was used by both local and foreign companies in areas related to pay, training and development, career moves and workforce planning, foreign companies used it substantially more in the area of career moves. This finding indicated that foreign companies placed a high premium on performance appraisal information results regarding career moves within their organisation. This is an important aspect, as it indicates that their employees were placed in the right jobs at the right time, to the advantage of both parties. It was thus not surprising, as indicated earlier, that the staff turnover in these companies was much lower than in local companies as the staff tended to have better job satisfaction than in local companies.

6.11 Evaluating the HRD process, and evaluation techniques used

As indicated earlier, HRD is a collective process, involving people and activities (Gold *et al.* 2013:186). It is a costly process for organisations, and thus its effectiveness needs to be evaluated constantly. Two popular methods to achieve this goal are the Kirkpatrick Evaluation Model, and the return on investment (ROI) method (Kirkpatrick 1959:3; Phillips &

Phillips 2016:299). The respondents were firstly asked whether they systematically evaluated the effectiveness of their training efforts.

6.11.1 Evaluation of training efforts

To determine whether any association existed, the Pearson chi-square test was used. The results indicated that no statistically significant association existed between company origin (local or foreign) and whether the systematic evaluation of the effectiveness of training took place ($p=0.487$). The cross-tabulation indicated a similar percentage for both local (61%) and foreign companies (67.3%). Thus, both groups of companies understood the importance of evaluating the effectiveness of their training programmes as this had an effect on the numerous HRD activities within the company, and could also have affected their bottom line.

6.11.2 Methods used in the evaluation of training

Having established that both groups of companies evaluated their training efforts, the next question which needed to be answered was 'What type of methods are used to achieve this?'

The following methods were included in the questionnaire:

- A - total number of days training undertaken per employee per year;
- B - meeting the objectives set out in the training and development plan;
- C - reaction evaluation immediately after training;
- D - measuring job performance before and immediately after training;
- E - measuring job performance before and some months after training;
- F - informal feedback from line managers;
- G - informal feedback from employees; and
- H - return on investment.

Items A to G above are related to the Kirkpatrick Evaluation Method, while item H is related to the ROI method.

To determine whether any association existed regarding the evaluation of training methods, the Pearson chi-square test was used. The results indicated that a statistically significant association existed between the company origin (local or foreign), and

- total number of days training undertaken per employee per year ($p=0.029$) at the 5% level of significance; and
- reaction evaluation immediately after training ($p=0.084$) at the 10% level of significance.

The cross-tabulation indicated that the foreign companies (56.7%) used the total number of days' training undertaken per employee, per year, much more than the local companies (29%), and the same applied to the reaction evaluation immediately after training, in terms of the foreign companies (88.6%) and the local companies (71.9%).

One reason for the foreign companies using the number of training days as an evaluation tool more than the local companies, could be related to the fact that it is far less complicated to calculate the cost per employee as no use of statistical methods are required. Unfortunately, this approach does not indicate the contribution of the training effort to the organisation's overall performance.

The *reaction evaluation method* can be seen as an internal driver to evaluate the effectiveness of the training, here, data can be collected from the trainees immediately after the training from so-called 'happy sheets' (Gold *et al.* 2013:189). The reasons for using this technique are varied, for example it can measure an emotional response from the employees, which although not scientifically proven as accurate, can give the organisation a relatively quick answer regarding the effectiveness of the training intervention. It is also a cost-effective approach to use rather than a more time-consuming and complicated process, such as the ROI. Both these methods fall in the Kirkpatrick domain of evaluation (Gold *et al.* 2013:186).

It is important to remember that in an integrated HRD process, further evaluation of the training effort takes place during the performance appraisal discussions, when the performance of the individual is evaluated against the goals set for the particular job. During this process, it will be evident whether the training provided achieved its goals or whether there are still gaps which need to be addressed (Bratton & Gold 2012:299). At an

organisational level, the achievement of the overall goals of the company will also be an indication of whether the HRD interventions were successful or not (Gibb 2011:3-4).

7. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

In carrying out the research, a number of limitations to the study became obvious which could not be anticipated initially. The research was undertaken soon after the 2008 worldwide financial crisis which had a ripple effect on all companies (Teague & Roche 2014:176). Many companies which qualified to participate initially with 200 and more employees, as indicated on the database used, had in the interim, reduced their operations, and staff. These companies thus declined to participate once they received the questionnaire. Besides this, as indicated in Table 1, a large group of companies also initially declined to participate before the launch of the project, citing issues such as being overworked, end of the financial year, and company policy. Against the above limitations of the study, the following recommendations for future research are made:

- *firstly*, although the participants in the study were from various sections of the economy, the sample size used was quite small. Thus, further studies should be conducted using much larger samples, for example, using companies with a minimum of 100 staff members, instead of 200, to get a true reflection of the situation in South Africa; and
- *secondly*, the small sample size, may have affected the results of the study, restricting the generalizability of the findings. It is suggested that follow-up studies be conducted to confirm the findings of this study, especially in the light of the absence of published information regarding the use of HRD practices by foreign companies in South Africa.

8. MANAGERIAL IMPLICATIONS

Despite the limitations of this study, the results do have a number of managerial implications. *Firstly*, managers in local companies need to integrate their human resource management function horizontally with the organisation's mission and business strategy through the development of a suitable human resource strategy. This will then give direction to the

design of a suitable HRD strategy. As Blanchard and Thacker (2013:51) remark: “Data collected from more than 2400 firms show that when HR systems achieve operational excellence, and are aligned with the firm’s strategic goals, the market value of the firm increases by 20 percent”.

Secondly, HR managers in local companies need to ensure that the HR function is vertically integrated as is the practice in the foreign companies. This will enable the function to achieve its full operational potential. For example, when information from one HR activity such as performance appraisal, is utilised to identify further HRD interventions, and assist an employee with proper career development, it will increase the contribution of the employee to the organisation, and ultimately ensure that the company gains the competitive advantage it desires. Following this strategy will result in positive outcomes for both the company, and their employees resulting in lower staff turnover.

9. CONCLUSIONS

In virtually all sectors of the economy, South Africa is faced with a skills shortage. In many instances, limited budgets are available for HRD interventions. It is thus important for the public and private sector organisations, to benchmark themselves against those organisations that excel in HRD practices. Generally, the developed world has been successful in this regard. It is for this reason that this study was undertaken, namely to understand how local and foreign companies operating in South Africa, have been implementing their HRD practices. Any important differences found, needed to be evaluated and considered for possible implementation, and this has been the focus of this article.

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