



Measurable Operational Risk in Human Capital Development in the South African Service Sector

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Abstract

The contemporary global business, political, technological and social arena is fraught with challenges, rapid development, continuous change and turbulence, which impact on all employees and the manner in which they are led and managed. Organisations in developed as well as emerging and developing economies, such as South Africa (SA), whether they offer goods or services, are especially affected by radical shifts in operational processes that often impede strategic success. Leaders and managers try to mitigate gaps in performance caused by such turbulence, via change management, organisational development and training and development interventions; however, they have to be extra vigilant of the operational risks that are associated with business operations and human capital development (HCD). Empirical research was conducted to understand and explain the perspectives of South African managers operating in the service sector on the measurable operational risks associated with their investments in HCD initiatives. Qualitative semi-structured interviews were conducted with leaders and managers who were responsible for HCD in selected organisations. Responses were analysed thematically to seek for common patterns and profound narratives. The key finding indicate that the top five risks in HCD are: poor staff retention; lack of learning transfer; misaligned training needs; disengaged trainees; and budget constraints. Risks ranked as high are: staff retention; lack of transfer; competitors; misaligned training; training aversion; limited budget; changing landscape; and training without impact. Further research is recommended to explore whether managers, HCD professionals and training providers measure specific risks, as well compare the operational effectiveness and risks of human capital development.

Keywords: service sector, measurement, human capital development (HCD), risks, operational, South Africa

Introduction

The Expectancy Theory as originated by V.H. Vroom in 1964 states that performance is improved when employees perform for just rewards; while the goal setting theory states that clear, meaningful and purposeful job indicators results in increased performance (Taylor, 2015). The current turbulent business environment creates multiple socioeconomic and political dynamics that impact on employee performance. There are continuously evolving performance gaps that demand regular human capital development in the form of training, skills development, mentoring and coaching. Human capital development interventions are intended to increase performance at all occupational levels, including elementary employees and top managers. Although there



are many benefits from employee development, there are many risks associated with it also. Organisational strategic imperatives require that employees learn continuously hence managers need to plan for human capital development roles, financial resources, frequency, and measure the HCD return on investment (ROI) and risks on an annual basis. The question is: Are South African (SA) HCD professionals, managers and training providers measuring HCD risks, especially operational HCD risks?

The literature reveals that there is a research gap and limited empirical evidence on the measurement of operational risks relating to human capital development in SA (Mayombe & Lombard, 2015). The research question of this paper is as follows: What are the measurable operational risks of human capital development in SA? The research purpose was to gather and report on empirical evidence of current operation risks in a sample of SA organisations in the service sector. The research objectives were to explore the benefits, frequency, roles and budget for development initiatives; to identify and rank the human capital development risks, threats and inefficiencies; as well as to explain the management and impact of such risks.

This research contributes theoretically by adding new perspectives to the body of knowledge on risk management in HCD, especially in an emerging economy such as SA. The research contribution lies in the innovative use of qualitative interviews to not only gather the actual voices of leaders and managers on the operational risks of HCD in SA; but to create awareness of the importance of identifying and measuring development risks to maximise operational efficiencies. The practical contribution of this paper lies in the pragmatic use of the identified HCD risks presented to SA managers and leaders, as well as training and development providers. The findings confront training challenges, expand training evaluation concepts, highlights training measurement, and makes policy recommendations. This paper consists of the introduction, literature review, research method, findings, discussion, implications and conclusion.

Literature Review

The literature is presented under these HCD operational risk areas: risks in HCD roles; risks in HCD interventions; risk in HCD budget; risk in HCD frequency; and HCD threats and benefits.

Risk in HCD Roles

The differences in economic progress and wealth creation among countries may be explained by the stock of human capital and the extent to which this particular factor of production is either leveraged to the benefit or detriment of the whole nation (Cinnirella & Streb, 2017). Education and training have been found to be one of the elements contributing most to some nations, such as, USA, Canada and New Zealand becoming rich versus others, such as, Peru, Mexico and Columbia, remaining poor (Acemoglu, Gallego & Robinson, 2014). The contribution of these scholars is not new and in fact incorporates research of scholars dating back to the 1950s. Mankiw, Romer and Weil (1992) stated that human capital development can be an enhancement to production and technology resulting in wealthy nations such as the first world countries; versus a lack of HCD resulting in poorer nations, such as those countries in Africa and the developing world.

Theorists such as Becker (1962), Mincer (1958) and Schultz (1962), termed training as human capital development and their theory held that employees are capitalists as they acquire knowledge and skills that hold personal investment value to them (Chung, Park, Jeoung Lee & Kim, 2015). In this regard, limited worker output or poor productivity is a



function of the lack of human capital of each individual, i.e. their skills, knowledge and competencies. While human capital theory is concerned with investments in the capacity building of individuals, organisations and at country level (Connel & Stanton, 2014), broadly speaking, human capital development is concerned with the knowledge, skills and abilities possessed by individuals that contributes to personal, social and economic prosperity (Sablok, Stanton, Bartram, Burgess & Boyle, 2017).

Human capital development was found to be strongly correlated with increased innovation, capability and income (Cinnirella & Streb, 2017). Human capital development from a country perspective, states that it enhances labour productivity and in turn national productivity. On a smaller scale, in organisations, knowledge creation and continuous learning are important for innovation and innovation is important to survive global competitiveness (Kong, 2015). Conversely, a lack of HCD or the inability to identify, quantify and manage HCD risks results in reduced global competitiveness.

Risk in HCD interventions

Any actively arranged transfer of skills, knowledge and competencies or abilities may be considered to be human capital development, according to Milhem, Abushamsieh and Pérez- Aróstegui (2014). HCD interventions are referred to as any corporate effort to enhance or improve employee behaviour by means of educational activities. These interventions are initiated with the aim of improving the effectiveness of individual employees and collectively of the organisation as a whole (Kennedy, Chyung, Winiecki and Brinkerhoff, 2013).

It is expected by the Chief Executive Officer, Chief Financial Officer and shareholders, that the issue of training effectiveness or ineffectiveness will be raised, considering the emphasis on accountability, value for money and impact evaluation (Roberts, 2017). Yet, despite the critical need to create value or eliminate any risks from HCD investments in any competing organisational project, the true business value received from training interventions is not even measured by most organisations (Topno, 2012). The results are that spending on training is often reduced in times of uncertainty, and human resource (HR) practitioners are unable to prove the true impact of the interventions on organisational performance (Roberts, 2017). This further enhances the risks of the HCD interventions, especially during budget cuts (Weil, 2014).

HCD interventions may or may not increase employee personal competencies, career mobility, market value and job satisfaction. Increased organisational value and learning may result by the creation of high-quality human capital that will improve productivity and ensure a competitive advantage. Conversely, the absence of a precise measure of ROI (return on investment) results in management inability to accurately predict business growth, efficient use of resources and the extent to which new knowledge is applied to challenging job changes (Jasson & Govender, 2017).

Risk in HCD Budget

Annual expenditure on training and development is an indication of the importance the organisation places on the development of its stock of human capital (Sablok *et al.*, 2017). Universities as research institutions and the providers of higher education resort under services, as classified by United Nations' The International Standard Industrial Classification of All Economic Activities (UN Statistics Division, 2008). In this sector wages are a big expense and the continued increases in the wage bill in South Africa have resulted in wages in excess of inflation. Since the 2008/2009 recession investments in training and development have been significantly reduced as a result, even in industries such as information technology (IT), where normally training expenditure is



above the norm (Computer Economics Report, 2014). Recent budget cuts are a major risk for HCD.

In the South Africa (SA) context organisations are mandated to demarcate skills development levies as training budgets making HCD a basic right for employees. The SA New Growth Path, National Skills Accord and skills legislation (South Africa, 2011a; 2011b) calls for organisational innovation in HCD policy, procedures and practices. The role of business, government and educators as per the triple helix partnership approach prompts the Sector Education and Training Authorities (SETAs) in SA to encourage managers and training professionals to budget for and meet set targets for scarce and critical skills gaps (Govender & Taylor, 2015). A reduction in bureaucracy and wasteful expenditure, such as, delays in contracting training providers and appointing unaccredited, unprofessional training providers, is necessary to minimise the risks associated with achieving a competitive advantage in this regard.

The SA skills legislation creates measures to import scarce skills from Africa and other countries across the globe by streamlining the work permit and visa system for foreign expertise. Human capital development interventions must be innovative, practical and allow for skills transfer opportunities to ensure that local skills development is also stimulated. In order to mitigate the HCD spending risks, the “development package” is envisaged as a coordinated set of macroeconomic strategies, microeconomic measures and line manager commitment to drive citizen, organisational, national, continental and global skills development, employment and economic growth (Gribble, Blackmore & Rahimi, 2015).

Risk in HCD Frequency

Training frequency or how often training is conducted in an organisation is dependent on the culture and strategic objectives within the organisation. Training occurs either daily, monthly, quarterly, biannually, annually, ongoing or ad hoc (Mitchel, Obeidat & Bray, 2013). Different industries spend different amounts and at different intervals on training and development. It was found that service organisations train more frequently and spend more than manufacturing organisations, and in particular, based on the demand and supply of specialized skills of information technology or finance experts for example, such organisations spend more time and money on training and development (Sablok *et al.*, 2017).

In the SA context, HCD for every employee is mandated to be conducted at least once annually so that it may be reported on individually in the Personal Development Plan (PDP) and collectively in the Workplace Skills Plan (WSP) and Annual Training Report (ATR). The risks in HCD frequency includes the following: no training occurs due to cost implications; training is postponed in some divisions and redirected to other divisions in order to meet urgent organisational development imperatives; complacency of managers; and SETA inefficiency in monitoring that planned training occurs as per the WSP and ATR alignment (Erasmus, Loedolff, Mda & Nel, 2011).

HCD threats and benefits

The role of human resource practices such as training and development has been receiving increasing attention as an important contributor to organisational success and failure (Mitchel *et al.*, 2013). Research attention globally has gradually been focusing more on maximizing the effects of human capital on organisational objectives while proponents of the resource-based view, such as Barney (1991) conducted research focused more on acquiring organisational specific knowledge and competencies that are difficult to imitate (Chung, Park, Jeoung Lee & Kim, 2015). Knowledge acquisition is also



considered to be vital for building aggregated organisational human capital and in turn provides a strategic advantage over competitors (Kong, 2015).

Formal education as provided by schools and universities prepare employees for the labour market and the higher the education realisation, the higher the wages earned (Loomis, & Rodriguez, 2009). One of the HCD risks or threats is that there is a disparity in educational opportunities in the UK, Europe India, East Asia and SA, despite efforts to make access to education equally available to all employees (Mincer, 1958; Erasmus *et al.*, 2011). An educated workforce is one of the benefits of human capital development, which not only creates “capital” and the opportunity for social inclusion for the employee, but also for the organisation that can increase productivity and the country that is pursuing the Millennium Development Goal (MDG) of education for all (Anderson, 2012). In South Africa, there is disparity between the formal and informal education levels of certain groups of employees. There are risks associated with having employees perform similar jobs with dissimilar skills sets, for example, chefs or hotel managers. Perhaps adult education interventions introduced by the HR division may be able to minimize the risks associated with these skills gaps (Mayombe & Lombard, 2015). The alignment of HR practices such as training and development with the achievement of overall strategic objectives of the organisation is one of the crucial roles of HR (Mitchel *et al.*, 2013). If HR does not play the role of developing the organisation’s human capital, this could deter the organisation from achieving a competitive advantage (Sablok *et al.*, 2017).

Performance management is one of the HR practices that can be linked to human capital development. The purpose of performance management is to give recognition for outstanding performance, and to address deficient performance on an individual and organisational level (Taylor, 2015). The use of a performance system is underscored by the expectancy theory (Vroom, 1964) and Porter and Lawler (1968), as well as goal setting theory (Locke & Latham, 2002). This expectancy theory holds that performance is improved when employees’ performance is linked to rewards, while goal setting theory reasons that clear and meaningful goals motivate increased performance (Taylor, 2015). Gaps in performance may result when knowledge is lacking, perhaps of a new method or procedure, or employees are uncertain of the expectations placed on them, or employees may lack the ability or capacity to meet performance expectations (Jaenke, 2013). HR then tends to want to close the performance gap using training and development, which may not be the correct solution if the core reason for the gap was not accurately determined (Banker, Bu & Metha, 2016).

Another HR practice emerging from recent research is employee engagement, which, according to Colby and Dobni (2016) organisations may facilitate by giving employees challenging and ongoing personal development opportunities, which will make them enthusiastic and committed to their organisation. Employees who are excited about coming to work become the strategic, inimitable competitive tool with which the organisation can compete successfully (Chung, Park, Lee & Kim, 2015).

According to Coetzee, Oosthuizen and Stoltz (2016), in South Africa, factors such as training and development opportunities, compensation and career opportunities influence the rate of employee retention, engagement and commitment. Employees with combined highly developed skills and the ability to perform at high levels are in increasingly high demand, scarce and decidedly mobile (Department of Higher Education, 2014). Employment equity and affirmative action government policies aimed at reducing the imbalances of employment opportunities between previously advantaged (white) employees and previously disadvantaged (black) employees result in skilled black employees being in high demand. At the same time, their short supply results in high job mobility and presents a challenge to organisational ability to retain these



employees (Joao & Coetzee, 2014). Organisations therefore risk losing such employees if they do not have strategies aimed at retaining them, including competitive pay, human capital development and utilisation, work-life balance and career opportunities (Joao & Coetzee, 2014).

Methodology

The research method is presented under these subheadings: research design and paradigm; sample and participants; instrument and procedure; analysis; ethical considerations; and limitations.

Research design and paradigm

The research was a qualitative, semi-structured interview design. The ontology (nature of reality) and epistemology (nature of knowledge) is grounded in the interpretivistic paradigm. Interpretivism was selected as the appropriate research philosophy for this study as it allows researchers to acknowledge the human perspective of their participants. The new knowledge that resulted from this study brought to light the subjective understanding and interpretation of research participants (Creswell, 2015; Gringeri, Barusch & Cambron, 2013).

Sample and participants

The research population consisted of all operational managers in South Africa. The sample population consisted of selected human capital managers at junior, senior and executive levels (n=28). The sampling strategy was a combination of purposive and convenience sampling (Babbie & Mouton, 2011; Welman, Kruger & Mitchell, 2010).

Instrument and procedure

The research instrument was the semi-structured interview (Creswell, 2015). The interview guidelines consisted of three sections as follows: interviewee consent; biographical data; and HCD and risks questions. The main part of the interview guide, the HCD and risk section, consisted of eight semi-structured questions posed to each participant.

The research followed the procedure of one-on-one interviews that lasted for approximately one hour. Consent was sought, the interview questions were posed and the responses were recorded either in written, audio or both formats. Individual interviews were terminated when data saturation was reached.

Analysis

The study followed an inductive thematic analysis approach. Responses were categorised according to the nine themes identified for this study. Common and profound responses were highlighted as significant findings (Emmel, 2015)

Ethical considerations

This research study abided by these ethical considerations in conducting the research: consent; confidentiality; anonymity; research purpose; verification of data; and protection of data. Approval for the research study was gained from the research institution. Consent was granted by each participant prior to the interview. Participants were assured that their personal identity will be protected, that all responses will be treated as confidential, and that data gathered will be used for research and development purposes only and that they could withdraw at any time should they feel a need to do so. Data gathered was verified as authentic by participants after the interviews. All data was stored safely at all times in a locked safe and electronic data was password protected.



Limitations

The limitations of this research study involved gaining access to participants, time limitations, and the generalisability of the findings. Participants who were approached did not always grant interviews and they had limited time available for the interviews. The results of this study may not be generalised to all sectors of all organisations in SA.

Findings

The findings are presented under these subheadings: biographical data; HCD and performance measurement; HCD benefits; HCD frequency; HCD roles; HCD budget; HCD risks, threats and inefficiencies; ranking HCD risks; managing HCD risks; and the impact of HCD management on operations.

Biographical data

The study was restricted to the services sector and the number of participants per sector is reported in brackets for each of these industrial sectors: public sector (10); university and educational institutions (9); corporate sector (6); and retail sector (3). Participants held these positions in the human capital development field: manager (12); practitioner (9); and director (7). Participants belonged to these management levels: senior/ middle management (12); junior/ first level management (12); and executive management level (4). Participant gender was as follows: females (17) and males (11). According to the South African population grouping, 15 participants belonged to the majority African or black population group; 5 participants belonged to the coloured population group; 4 belonged to the white population group; and 1 participant was Indian. A few participants (3) did not respond to this biographical question.

Majority of the participants (10) were in the 26 to 35 age category; 8 participants were in the 36-45 year category; 4 were younger than 25 years; 3 were in the 46-55 year age category; and 3 were above the age of 56. Participants reported on their years of experience as follows: 11 participants had between 5 to 10 years of work experience; 6 had 1 to 4 years of experience; 5 had greater than 15 years of work experience; 3 had 11 to 15 years of experience; and 3 had less than 1 year experience. The highest qualification of majority of the participants (12) was a university degree; 5 participants each held a diploma, honours degree or masters degree; and 1 participant had a doctorate degree.

HCD and performance measurement

Participants were asked whether HCD formed part of their performance measurement process and how it was rated. Majority of the participants (21) responded that HCD was part of their performance contract; 6 participants responded negatively and 1 participant was unsure whether HCD was part of their performance measurement process. Majority of the participants (11) reported that their HCD performance was measured using the job key performance areas (KPA's); 9 revealed that their outputs reflected how their HCD was measured; and 8 participants were unsure how their HCD management was rated.

HCD benefits

The majority of the participants (15) reported benefits as improved performance. Eight participants revealed HCD benefits as employee job satisfaction. Seven participants revealed that benefits accrued from employee engagement. Six participants reported that skills development was a benefit; while 5 participants reported that succession



planning was a benefit to HCD; and 4 participants reported these as being a benefit: career path; increased productivity; empowerment and reskilling. In the voice of some participants (P), HCD benefits include the following:

“Job satisfaction for the employee. Increased performance for the organisation, individual ... job engagement for employee ...” (P3)

“Building and growing your own timber.” (P11)

“HCD is important for capacity building and for the participants to be empowered to perform at the required level. Also, HCD enables us to build a pipeline of candidates who can fill positions to meet the institution’s succession strategy. The other benefit is also that we are growing our own timber.” (P21)

“Internally, it helps us to build and maintain a leadership pipeline for succession, HR management and strategy execution. Externally it helps us to grow the business. One of our strategic imperatives is to ensure that for sustainability the organisation is sufficiently staffed and the workforce sufficiently developed. Able to keep leadership pipeline full. Forecasting supply and demand. Succession and having some people on the bench in the group.” (P24)

HCD frequency

The majority of the participants (14) revealed that the frequency of HCD was ongoing; 8 stated that HCD was ad hoc; 5 stated that HCD took place monthly; 4 stated that HCD was held daily; 4 stated that HCD was conducted annually; 3 conducted training bi-annually; and 2 conducted HCD quarterly. In the voice of participants, the frequency of HCD occurred as follows:

“Frequently if and when necessary.” (P8)

“...have an annual plan in the form of a workplace skills plan, so continually throughout the year.” (P19)

“On a daily basis in order to meet monthly, quarterly and yearly targets.” (P1)

HCD roles

The majority of the participants performed these roles in HCD: skills or training needs analysis and workplace skills planning (14); designing and delivering HCD interventions (10); advising HCD stakeholders (9); meet performance management gaps (8); and aligning HCD to business objectives (4). Three participants revealed these as their HCD roles: career counselling; conducting assessments; and serving on skills committees. Two participants stated that they measure and monitor HCD activities and procure training providers. In the words of research participants, HCD roles include the following:

“I engage line managers to do skills analysis and workplace skills plan then send it to TETA [SETA]” (P9)

“Part of skills committee, workplace skills plan compilation, also the bursary, internship and learnership committees ... co-deciding on the programmes and selection of employees ...” (P18)

HCD budget

The majority of the participants (11) reported that their HCD budget was part of the skills development levies; 9 reported that HR and line managers budgeted for HCD; 4 stated that their HCD was budgeted for internally within each department; 3 reported that their HCD budget was derived from SETA grants; and 2 reported that the organisational



finance division made HCD funds available. As per the participant voices, HCD is budgeted for as follows:

- “...one percent of the compensation of employees budget is directed to HCD as per [skills] legislation ...” (P2)
- “...each department budgets for its employees. Generic training such as safety, diversity, etc. is budgeted for centrally.” (P5)

HCD risks, threats and inefficiencies

The majority of the participants (17) stated that poor retention was the main risk in HCD; (12) stated a lack of learning transfer as the main risk that presented HCD threats and inefficiencies; 8 reported that misaligned training needs analysis was a prevalent risk; 7 stated that peer negativity, non-attendance and disengagement was seen as a risk; 6 participants reported budget constraints or mismanagement as risks; 4 participants reported these as their risks: fruitless expenditure, not meeting targets, inadequate training providers, and inefficient systems and non-compliance. The top five operation risks of HCD in SA as identified by this study and supported by other authors are presented in Table 1. In the voice of the participants, HCD risks, threats and inefficiencies include the following:

- “Risks that we have is employees leaving us and working for competitors. We also have employees that do not change or apply the training received.” (P4)
- “Employees leave the organisation (we require a 2 year tenure following the training, but after that we have no control) ... Researchers are poached based on their performance and publication ratings ... candidates lack the basic skills and experience normally present in people at certain levels and age categories. Meeting EE [employment equity] targets are a national imperative, but leads to organisational inefficiencies.” (P21)

Table 1: Top five operational risks of HCD in the South African Service Sector

Rank	HCD Risk	Participants (n)	Supporting literature
1 st	Poor staff retention	17	Joao & Coetzee (2014); Coetzee, Oosthuizen and Stoltz (2016)
2 nd	Lack of learning transfer	12	Kong (2015), Sablok <i>et al.</i> (2017) and Colby and Dobni (2016)
3 rd	Misaligned training needs analysis	8	Banker, Bu and Metha (2016); Jaenke (2013)
4 th	Disengaged trainees	7	Colby and Dobni (2016); Chung, Park, Lee & Kim (2015).
5 th	Budget constraints/ mismanagement	6	Weil, 2014.

(Source: Authors)

Ranking HCD risks

Table 2 presents the ranking of HCD risks in SA as identified by this study. HCD risks were rated as high by the majority of the participants (12) with regards to staff retention; 9 reported a lack of training transfer as high risk; 5 participants stated that these were high HCD risks: competitors, misaligned development interventions, and aversion to training. Three participants stated that limited or no budget was a high risk. Two participants reported that training without business impact and the rapidly changing landscape resulted in high HCD risk.

Medium HCD risks were reported by the majority (7) of participants as being limited budget and resources. Four participants reported that no training transfer, failure to attend or complete training, and staff retention were medium risks. Three participants stated that the failure to measure and evaluate HCD was a medium risk. Two participants stated these as their medium risks: no training needs analysis, fruitless expenditure, no succession plans, and haphazard and silo training.

Low HCD risks were reported as misaligned training needs analysis by 5 participants. Four participants reported that these were low HCD risks: poor productivity, poor quality training providers, and SETA inefficiencies. Three participants reported that complacency and a lack of seriousness for training by line managers were perceived as low risks. In the voice of participants, HCD risks were ranked as follows:

- “Budget constraints – highly ranked. Employees leaving organisation – medium risk. Low productivity – low risk.” (P6)
- “Risk of losing someone after training [high risk] ... competition [medium risk] ... inefficiency is the needs identification that takes long. We need to work on it [low risk].” (P24)

Table 2: Ranking of HCD Risks in South Africa

	High risk	Medium risk	Low risk
1.	Staff retention	Limited budget and resources	Misaligned training needs analysis
2.	Lack of training transfer	No training transfer, failure to attend or complete and staff retention	Poor productivity, and poor quality training providers
3.	Competitors, misaligned development interventions, and aversion to training	The failure to measure and evaluate HCD	Lack of help from SETA and SETA inefficiencies
4.	Limited or no budget	No training needs analysis, and fruitless expenditure	Complacency of line managers
5.	Changing landscape and training with no impact	haphazard and silo training, and no succession plans	A lack of support for skills development by line managers

(Source: Authors)

Managing HCD risks

The majority of the participants (9) reported that they managed their HCD risks using workplace and service contracts, commitment forms and restraint of trade agreements. Five participants stated these as their HCD risk management technique: gaining employee buy-in, aligning jobs to training needs, and providing training incentives. Four participants reported that calculating ROI and maintaining a risk register allowed them to manage their HCD risks. Other participants reported these as HCD risk management techniques: systems support; mentoring and coaching; succession planning; adequate HCD funding; line manager support; accredited training providers; and accountability. Figure 1 presents the risks that should be managed in the SA context. In the voice of participants, they manage risks in the following ways:

- “Succession planning is used to minimise risks. It helps identify possible flight risks and individuals who can be developed in order to replace those who leave the business.” (P7)
- “...[Employees] and managers sign [service level] contract prior to the training.” (P17)

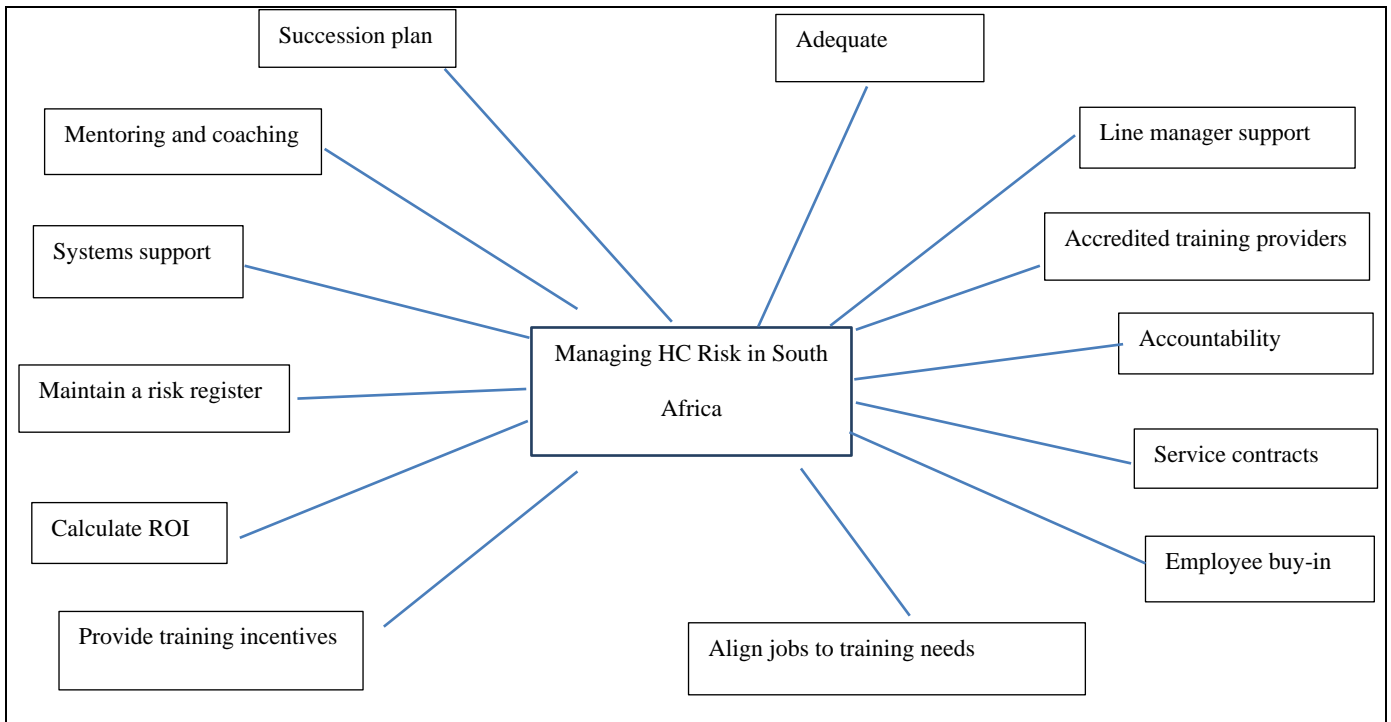


Figure 1: Management of HCD Risks in South Africa (Source: Authors)

Impact of HCD management on operations

Figure 2 presents a graphic display of the positive operational impact of managing HCD risks in SA. The majority of the participants (15) stated that improved operations resulted from managing HCD risks. Ten participants reported that performance increased as a direct impact from HCD risk operational management. Nine participants stated that inefficiencies were reduced and five participants stated that staff was more motivated after HCD risk management. Four participants provided these reasons for the positive operational impact of HCD risk management: increased opportunities for promotion and higher staff retention; improved skills transfer; increased ability to create a learning organisation; and accurate calculation of ROI and training needs analysis. As per the voices of participants, the following impact results from managing HCD risks:

“Minimises the risks of poor performance. Minimises the risks of customer dissatisfaction. Minimises the risks of reputational [damage]. Enhances the ability to achieve strategic objectives.” (P15)

“Reduces inefficiencies. Increases performance.” (P2)

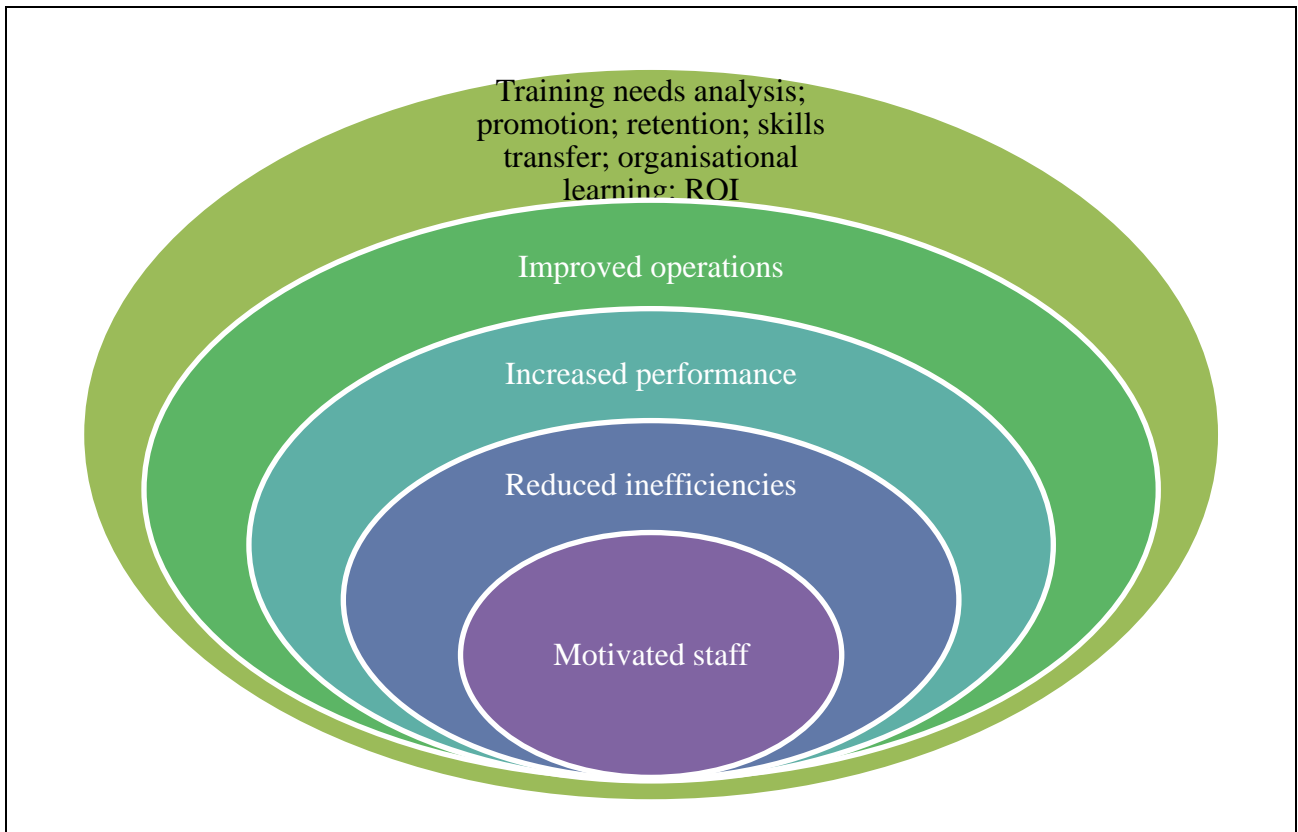


Figure 2: Positive operational impact of HCD risk management in South Africa (Source: Authors)

Discussion

The significant findings reveal that the HCD benefits include increased performance, job satisfaction and employee engagement. This finding is supported by Taylor (2015) that HCD addresses deficient performance; while Cinnirella and Streb (2017) state that job satisfaction is achieved when HCD is meaningfully linked to job performance. Colby and Dobni (2016) found that challenging and personal development opportunities allow employees to engage in an enthusiastic and committed way towards the organisation. The significant findings on the frequency of HCD as ongoing and ad hoc training is supported by Sablok *et al.* (2017). The significant findings for HCD roles include conducting training needs analysis, facilitating HCD interventions and advising HCD stakeholders as supported by Taylor (2015) and Mitchel *et al.* (2013).

This study found that HCD budgeting includes training funds derived from the skills development levy (SETA) grants or from HR and line manager budgeting. This significant finding is supported by Anderson (2012), Weil (2014) and Mayombe and Lombard (2015). On HCD risks, threats and inefficiencies, the significant findings include: poor retention, lack of learning transfer and misaligned training needs analysis as supported by Kong (2015), Colby and Dobni (2016), and Sablok *et al.* (2017).

The significant findings on managing HCD risks include signing employee service level agreements prior to training, gaining employee buy-in and aligning HCD to job requirements. These findings are supported by Chung *et al.* (2015) and Mitchel *et al.* (2013). On the positive impact of HCD risk management, the significant findings



include: improved operations, increased performance and reduced inefficiencies as supported by Mitchel *et al.* (2013), Kong (2015) and Roberts (2017).

The implications of these significant findings for business managers and leaders, training providers, policy makers and employees as citizens are that they must be aware that HCD has more than just economic benefits; in fact it has become a basic right in most countries. In SA specifically, employee development has become part of the employment contract. Policies and procedures are required in the form of KPAs for managers to measure, evaluate and report on how improved individual capabilities impact on business functioning after training and development.

Implications for SA service sector organisations are that at a localised and national level, managers must be held accountable for including human development as a basic right, ensuring that skills transfer turns capabilities into operational efficiencies, and use innovative perspectives to handle skills challenges and risks. For Africa, the implications are that service sector organisations must enable local and foreign skills transfer, especially for scarce and critical skills, as well as skills gaps. At a global level, the implications are that all managers and leaders should be aware of these top five operational risks in HCD when conducting business in SA: poor staff retention; lack of training transfer; misaligned training needs analysis; disengaged trainees; and skills budget constraints or mismanagement.

Conclusion

The turbulent business, socioeconomic, educational, political landscape demands innovative and new perspectives when managing the risks around HCD. Not only should the HCD benefits be measured; if the operational risks from HCD interventions are not managed, the investment in development and learning could be wasted. This paper reported on the empirical research that was conducted to explore manager perceptions on HCD benefits, budget, roles, frequency and operational risks.

The implications for business leaders and managers are that SA, Africa and the world at large benefits from measuring training risks in HCD as it has a positive operational impact on business results. The positive operational impact of monitoring, measuring and managing HCD risks are as follows: creates motivated staff; reduced inefficiencies; increases performance; improves operations; and allows for a measured approach to retention, promotion, skills transfer, organisational learning, ROI and training risks management.

This paper makes recommendations for further research on how the top five HCD risks identified for SA impact organisational performance, staff retention and skills transfer. The message of this paper is to influence and encourage HCD professionals and line managers to measure operational risks before, during and after training.

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