

# Environmental influences, employee resourcing strategies and small and medium-sized enterprises performance: Case of South African small restaurants

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**Dates:**

Received: 24 July 2018  
Accepted: 29 May 2019  
Published: 30 Sept. 2019

**How to cite this article:**

Mupani, H., & Chipunza, C. (2019). Environmental influences, employee resourcing strategies and small and medium-sized enterprises performance: Case of South African small restaurants. *SA Journal of Human Resource Management/SA Tydskrif vir Menslikehulpbronbestuur*, 17(0), a1104. <https://doi.org/10.4102/sajhrm.v17i0.1104>

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**Orientation:** Small businesses' contribution to economic growth and employment creation cannot be disputed in South Africa, amid operating in an environment that is highly competitive and reports of small and medium-sized enterprise (SME) high failure rates, in general. In view of this, and to our knowledge, no known theoretical study has been conducted in South Africa examining how certain environmental factors might influence the use of appropriate resourcing strategies for improved small businesses' performance.

**Research purpose:** This theoretical article investigates the relationships between environmental influences, employee resourcing strategies and business performance among South African small restaurants.

**Motivation for the study:** There is a paucity of literature that has explored whether a relationship exists between the three variables among small restaurant businesses in South Africa, justifying the need for such an investigation.

**Research approach/design and method:** This article, which is conceptual in nature, adopted a systematic literature review which entails combining all existing research literature related to the three variables so as to arrive at logical inferences.

**Main findings:** The research contends that a relationship exists between the three variables.

**Practical/managerial implications:** Small businesses need to be aware of the environmental influences that may contribute to business failure so that they attune employee resourcing strategies to the environment to achieve high performance.

**Contribution/value add:** The article contributes to extant literature on the interplay between environmental factors, resourcing strategies and firm performance in small restaurant businesses of emerging economies.

**Keywords:** employee resourcing; sustained competitive advantage; firm performance; external environment; internal environment; resource based view; restaurants.

## Introduction

Pressures of globalisation and international competition have compelled large and small organisations to design and implement employee resourcing strategies to fit the global, cultural and institutional and/or structural contingencies in their local context (Aycan, 2005; Bacon & Hoque, 2005). In view of these complex environments, virtually every organisation, small or large, is actively seeking effective and efficient strategies of engaging the right people with right capabilities in the right jobs and striving to retain them (Mahapatro, 2010). The continual search for best employee resourcing strategies assumes that people possess attributes that are rare, valuable, difficult to imitate and hard to substitute, and organisations that are able to attract, select and retain this resource should outperform those that do not have these attributes (Burke & Cooper, 2005). Extant literature on small business performance (Fatoki, 2011; Matchaba-Hove & Vambe, 2014; Mbizi et al., 2013; Radipere & Dhliwayo, 2014) has not adequately included other factors, such as employee resourcing strategies, which is about the acquisition, retention, development and effective utilisation of people that a business needs (Armstrong, 2011). The reason why employee resourcing strategies have not been of concern to small businesses is because human resources functions are usually not given prominence in this sector, yet they take place daily (Nyamwanza, 2014). The interest in small restaurants stems from the background that, like other small businesses in other sectors, in South Africa, the sector has grown and is contributing immensely to the country's gross domestic product (GDP) (Zwane, Du Plessis, & Slabbert, 2014).

Despite this need for employee resourcing strategies among both small and large organisations, research by Gamage (2014) acknowledges the poor state of employee resourcing strategies among the small restaurant businesses. Small restaurants' lack of an established tradition of legitimate human resource activities implies that they often rely on a network of informal personal relations often tied to family connections, friendship and acquiescence. This is in line with Nyamwanza's (2014) view that most small business owners recruit their relatives and church members. With regard to source of information about prospective jobs, Ghanaian small business owners and/or managers tended to rely exclusively on traditional sources, such as relatives and friends (Asiedu-Appiah, Aduse-Poku, & Abeeku-Bamfo, 2013). Therefore, employee resourcing is done in *ad hoc* manner and this compromises the realisation of important organisational outcomes. Yet, the adoption of proper employee resourcing strategies, such as doing succession planning, formalising recruitment and so on, is one way of ensuring the success Itika, 2011). This article, therefore, argues that the pathway to improved firm performance demands small and medium-sized enterprises (SME) managers and/or owners to adopt a systemic, holistic approach to resourcing strategies – one in which organisational resourcing capabilities are attuned to environmental factors (both internal and external) to maximise competitive advantage and improve organisational performance.

## Background of the study

Small and medium-sized enterprises in the hospitality industry, including small restaurant businesses, are critical drivers of developing economies (Chimucheka, 2013; Kishore, Majumdar, & Kiran, 2012) and South Africa is no exception. The hospitality industry in South Africa (Zwane et al., 2014) has experienced significant growth, thus contributing immensely to employment creation. The industry is dominated by small businesses (Zwane et al., 2014) and it offers more employment opportunities because of the diverse nature of the industry. The industry is expected to create 1 709 000 jobs (10.7% of total employment) by 2021 from 1 334 000 jobs (10.1% of total employment) in 2011 worldwide (World Travel and Tourism Council [WTTC], 2011). Indeed, the hospitality industry is extremely labour intensive and a significant source of employment (International Labour Organisation, 2010). Zwane et al. (2014) observe that the industry plays a significant role in the economy and remains a large contributor to South Africa's GDP. Notwithstanding the criticality of this industry and spirited efforts by the South African government in assisting small businesses realise critical organisational outcomes through establishment of a dedicated ministry, there have been reports of poor performance by small businesses in the country (Cant, Erdis, & Sephapo, 2014; Mbonyane & Ladzani, 2011; Olawale & Garwe, 2010). For example, Cant et al. (2014) observed that two out of seven new small businesses in South Africa survive in their first year, while the rest experience constraints. In an attempt to find reasons why small business fail, several factors have been suggested: lack of managerial competencies, lack of resources, and inability to

respond to internal and external environmental changes (Obasan, 2014). In terms of resources, known studies on small business performance (Fatoki, 2011; Matchaba-Hove & Vambe, 2014; Mbizi et al., 2013; Radipere & Dhliwayo, 2014) have not included other factors such as employee resourcing strategies. In addition, in view of the central place of hospitality SMEs in the developing imperatives of African countries, their employee resourcing strategies are a critical element of human resource function to investigate, irrespective of the size, structure or activity of these firms (Armstrong, 2011). Previous studies by Katua, Mukulu and Gachunga (2014) on employee resourcing strategies determined employee resourcing strategies in large hospitality firms; however, a grey area still exists regarding whether generalisability of employee resourcing strategies found in the hospitality industry in large firms in advanced economies can be extended to small hospitality firms in emerging economies such as South Africa. This is particularly important, as hospitality SMEs are considered to have traits that may not be extrapolated to those in other economic sectors in the same region. For instance, hospitality industries are well known for having a lot of human resourcing challenges as they usually employ staff on short-term basis (International Labour Organisation, 2010). Furthermore, the ability of these small hospitality businesses to respond to internal and external environmental changes is still questionable. Njuguna-Kinyua, Munyoki and Kibera (2014) argue that the characteristics and quality of the environment determine whether a firm will perform well or not. For example, an economic boom or downturn might have serious implications on the performance of small restaurant businesses. Similarly, Fatoki (2014) identifies internal factors – such as lack of management experience, lack of functional skills, poor staff training and development and poor attitudes towards customers – and external factors – such as competition, rising cost of doing business, lack of finance and crime – as impeding small businesses' ability to expand and grow in South Africa. Based on all this evidence, it can be argued that there is still scope for further research in understanding the interplay between environmental factors, employee resourcing strategies and business performance among small restaurant businesses in developing economies.

## Problem statement

Despite efforts by various scholars to document about small hospitality businesses' challenges, as well as governments' efforts to capacitate them, small restaurant businesses in South Africa are still marred by a disturbing high failure rate (Cant et al., 2014; Mbonyane & Ladzani, 2011) and this has been a cause of concern for policymakers. Njuguna-Kinyua et al. (2014) posit that businesses' failure could be attributed to a number of factors, such as the inability to respond to the environmental uncertainty for increased performance. While this evidence can be applauded, the extent to which small restaurant businesses understand and respond to environmental imperatives for organisational performance is still a grey area to be explored in South Africa. Not only is an understanding of the environment by small restaurant businesses is important, but also, in today's competitive

business world, adopting the best employee resourcing strategies is always seen as contributing to the competitive advantage and increased business performance (Mahapatro, 2010). However, what we currently know in the hospitality industry, especially small restaurants in South Africa, is that exploitation of labour, casual, seasonal and part-time employment, is predominant in this industry (Mwando et al., 2014). To that effect, *ad hoc*, rather than proper and well-structured, human resourcing strategies are adopted by small businesses, which results in high staff attrition because of low pay, long working hours, lack of training and career development, low productivity and business shrinkages (Omolo, Oginda, & Oso, 2012). In addition, finding talented, competent and skilled workforce, retaining them and turnover remain a challenge among these businesses (Zwane et al., 2014). Furthermore, establishing formal resourcing strategies is an insurmountable task among South African SMEs, where such practices are often implemented arbitrarily, blindly ignored or paid lip service affecting the bottom line (Nzozzo & Matashu, 2014). While there is growing literature that explores human resourcing activities (Armstrong, 2011; Pilbeam & Corbridge, 2010), there is a paucity of literature that explores the influence of human resource management (HRM) strategies, such as employee resourcing, on SMEs performance. Therefore, research that explores the employee resourcing strategies of small restaurant firms in particular contributes to the intellectual debate on small restaurant business' human resource practices and performance in developing economies (Ateljevic, 2007; Kibassa, 2012). Interestingly so, employee resourcing strategies, such as workforce planning and succession planning, have remained a grey area in small restaurant business research. While there is convergence of literature on the contribution of environmental factors such as manager's expertise and experience, institutional support, quality of human resources, economic growth, corruption and political stability to leveraging the adoption of effective employee resourcing strategies (Adisa et al., 2017; Česynienė, Diskienė, & Stankevičienė, 2013; Ogunyomi & Bruning, 2016; Punia & Sharma, 2015) and the value of environmental influences in heightening business performance (Kraja & Osmania, 2015; Njuguna-Kinyua et al., 2014), there is limited research that explores the interplay among environmental influences, employee resourcing strategies and performance of small restaurant businesses in a developing context. Actually, literature search has revealed that there is a paucity of literature that explores whether a relationship exists between environmental influences, employee resourcing practices and SME performance. This theoretical article tries to close this gap by addressing the following research question: what is the relationship between environmental influences, employee resourcing strategies and performance of small restaurant businesses in South Africa?

## Objectives of the study

The objectives of the study were:

- to identify, from the literature, the environmental factors that have implications for employee resourcing strategies among the small restaurant businesses in South Africa

- to explore employee resourcing strategies employed by small restaurant businesses in South Africa
- to ascertain the environmental factors that influence small restaurant businesses' performance in South Africa
- to identify specific environmental factors and employee resourcing strategies that could be adopted by small restaurant businesses in South Africa for increased business performance.

## Theoretical underpinnings

An appreciation of the relationship between environmental influences, employee resourcing strategies and small firm performance is grounded in the resource based view (RBV) that seeks to explain sources of sustained competitive advantage. The RBV was propounded in the mid-1980s by Wernerfelt (1984), Rumelt (1984) and Barney (1986) and has been used extensively in the analysis of organisational performance. The RBV has become one of the most salient theories in HRM that provides a new view on sources of sustained competitive advantage. Thus, the RBV theory is relevant in assessing what small restaurant businesses could consider when choosing the best employee resourcing strategy which culminates in business performance. After all, the RBV framework implies that human resources may be of greater significance for smaller firms, as they often have to do more with fewer resources in order to remain competitive (Sheehan, 2013). The RBV theory posits that the success or failure of a business lies in the calibre of its employees as well as the quality of their working relationships (Ekwoaba, Ikeije, & Ufoma, 2015). This could also be applicable in the service industry including restaurant businesses where the success of the business depends on, among other resources, its employees (Kusluvan et al., 2010). In the restaurant business, human resources are the first point of contact between the organisation and its customers and that first interaction is very vital as it determines future interactions (Kusluvan et al., 2010). For example, if employees are rude and not friendly to customers, the business' performance might be affected. Thus, small restaurant businesses that are able to acquire talented and cheerful staff and retain them through better remuneration, training, career development programmes and giving them higher responsibility are likely to perform better than those that do not have these attributes (Coetzee & Stoltz, 2015). This is further supported by Fugar, Ashiboe-Mensah and Adinyira (2013) who argue that an organisation's stock of skills and knowledge can only be increased through proper staff attraction, education and training. Indeed, the RBV asserts that an organisation can gain a sustained competitive advantage by attracting, developing and retaining best human resources and the extent to which it controls its strategic resources (people working in the organisation) will determine its ability to obtain superior organisational performance (Chidi, 2013).

The RBV theory helps to examine the competitive environment facing the small restaurant business because of its focus on the role of the internal environment in guaranteeing SME performance. The theory identifies a



business' internal resources, core competencies and distinctive capabilities as important in the formulation of resource strategies that are needed to achieve important organisational outcomes (Zubac, Hubbard, & Johnson, 2010). The theory regards an organisation's internal resources as key determinants of positive business performance. Halmaghi, Iancu and Bcil (2017) identified owners, managers and leadership, employees, material resources and culture as constituting the internal business environment. Within the context of small restaurant businesses, it is possible to argue that the business' internal resources are likely to give return on capital if owners and/or managers are able to identify, develop, protect and deploy resources and capabilities residing in the business that will allow them to perform better than their competitors (Zubac et al., 2010).

One of the reasons why the RBV is important for small restaurants small businesses is its focus on the internal environment of a business in order to manage business uncertainties rather than merely capitalising on the business opportunities that are presented by the turbulent external environment (Burton & Rycroft-Malone, 2014). This is a marked departure from previously perceived sources of sustained competitive advantage as outlined in studies by Porter (1980, 1985) which are only based on the external business environment, an approach which tends to isolate an organisation's business opportunities and threats. Yet, literature argues that the exploitation of a business' opportunities requires that the critical resources should be valuable, rare, inimitable and non-substitutable (VRIN) if positive results are to be realised. Small restaurant businesses in this instance need to ensure VRIN attributes reside in the business venture itself (Zubac et al., 2010). It means that the small restaurant business' internal resources and capabilities, especially their human resources, could be regarded as valuable only if they are likely to bring about sustained organisational performance. Nyamubarwa, Mupani and Chiduro (2013) concur that an organisation's human resources are a key source of organisational performance, as they resultantly add value, are rare in the marketplace, difficult or impossible to imitate and cannot be easily substituted. The RBV theory emphasises that organisations must strive to be successful in obtaining and managing available valued resources (Oghojafor, Muo, & Aduloju, 2012). Within the context of small restaurant businesses, this entails that human resources should be effectively and efficiently identified, nurtured and utilised. This implies that human capital assets, such as employee knowledge, skills, experience, ability, personality, internal and external relationships, attitudes and behaviours, should be utilised appropriately to produce quality service, customer satisfaction and loyalty to ensure the availability of competitive advantage and successful organisational performance (Kusluvan et al., 2010). Thus, the RBV establishes the possibilities for small restaurant owners and/or managers to invest in human resources.

The contingency theory was also roped in to explain the influence of external environmental factors on employee resourcing strategies and small business performance.

According to Dropulić (2013), the external environment is a powerful contingency variable that is at the foundation of contingency-based research and the most widely researched aspect of the environment is uncertainty. Today's businesses are operating in a turbulent macro-economic environment and this could explain why there is a high mortality rate of small businesses (Muzenda, 2014). Obason (2014) opines that in order to survive, businesses need to keep a close tab on the various activities that determine their continuity. In line with the argument, it can therefore be suggested that an organisation should be able to respond to environmental uncertainty if it is to survive in this environment (Njuguna-Kinyua et al., 2014). Thus, adopting effective employee resourcing strategies could be a critical factor that enhances adaptation of small restaurant businesses to an increasingly complex and uncertain business environment in which they operate. The ability of owners and/or managers of small restaurant businesses to make good analysis of the unpredictable business environment by attracting and retaining critical staff is what eventually separates successful businesses from failing businesses.

## Methodology

The researchers adopted a systematic literature review recommended by Ahmed, Ahmad, Ahmad and Zakaria (2018) which is a repeatable process of combining all existing research literature related to environmental influences, employee resourcing strategies and SME performance. This was done to establish concepts, constructs, definitions and relationships of variables drawn from the literature to make logical inferences. To capture as many relevant studies as possible, the researchers conducted both automatic and manual search (Frank & Hatak, 2014). The researcher conducted automatic search in the main business source database of ScienceDirect, Google Scholar, Emerald and SpringerLink. A manual search was conducted in relevant peer-reviewed journals, such as, among others, *African Journal of Business Management*, *African Journal of Hospitality, Tourism and Leisure*, *European Business Review*, *European Journal of Business and Management*, *Global Advanced Research Journal of Management and Business Studies*, *Interdisciplinary Journal of Contemporary Research in Business*, *Interdisciplinary Journal of Contemporary Research in Business*, *International Business & Economics Research Journal*, *International Journal of Academic Research in Business and Social Sciences*, *International Journal of Business Management*, *International Journal of Manpower*, *Journal of Small Business and Enterprise Development*, *Journal of Small Business Management*, *Problems and Perspectives in Management*, *SA Journal of Human Resource Management*, *Southern African Business Review*, *The International Journal of Human Resource Management* and *The Journal of Applied Business Research and Tourism Management*. The researchers also utilised sources from conference papers, PhD theses and book chapters for the research. Finally, to get a broader perspective, the researchers used a variety of keywords to identify environmental factors (both internal and external), employee resourcing strategies (including workforce planning, recruitment and selection and staff retention) and

firm performance (including growth, profitability and performance). Although the researchers managed to get abundant literature on firm performance that qualified for inclusion in the review, they were more interested in studies that focused on SMEs.

## Literature review

### Restaurant businesses in South Africa

Stats SA (2013) defines restaurants (whether small or large) as those enterprises which are involved in the sale and provision of meals and drinks, ordered from a menu, and prepared on the hospitality premises for their immediate consumption while the consumers are seated. The South African restaurant sector is represented by the Restaurant Association of South Africa (RASA), which is a coalition of eating and drinking establishments. Membership is drawn from fast food outlets, independent restaurants, coffee shops, casual dining establishments, hospital canteens, quick service restaurants, mobile restaurants and major franchise groups.

The different restaurants in South Africa (small and large) all provide convenient meals and there is a shift in the lifestyle of the people of South Africa and the general growth in the disposable income (Oni & Matiza, 2014). Senik, Said and Khalili (2012) attribute the sharp increase in the number of people visiting fast food restaurants, fine-dining or casual dining eateries to the fast-paced and busy life style schedule of people in South Africa. On the other hand, Oni and Matiza (2014) attribute the growth of fast food consumption in South Africa to the growth of the black middle class, with an increased household income and the participation of South African women in the labour force. While the growth in customer base of restaurants grows, the level of competition is also high among members in this industry, from retail chain stores to supermarkets and convenience stores which also offer ready-made food (Senik et al., 2012). Despite this competition, GAIN, Food Service – Hotel Restaurant Institutional South Africa HRI Sector Report 2016 still contend that the South African food and beverage industry has generated total income that has increased by 11.5% in October 2014 as compared to October 2013, despite the recent global economic recession. What this means is that the restaurant business is a major contributor to the South African economic growth and development, especially employment.

As a result, the nature of employment prevalent in the restaurant businesses in South Africa is critical to comprehend because the industry seems to create many employment opportunities (Makumbirofa & Saayman, 2018). As mentioned previously, the seasonal nature of a restaurant business renders it labour intensive (Vettori, 2017). The labour intensiveness of the hospitality industry, according to Jinnah and Cazarin (2015), makes the employees make or break the success of restaurant businesses as they become part and parcel of the whole intangible product range and are at the heart for excellent and prompt service delivery. Coupled with this labour intensive nature, the industry, in countries like

South Africa, is characterised by irregular and increased working hours during holiday periods as consumers demand services, mostly after normal working hours and almost around the clock (Makumbirofa & Saayman, 2018). This situation exposes the restaurant business to unstable employment, casualisation of labour, low job status, long antisocial working hours and low pay and in some instances litigation cases pertaining to employment issues (Jinnah & Cazarin, 2015). All these challenges make employee resourcing for this industry a complex issue.

### Employee resourcing strategies

Employee resourcing is the attraction, selection and retention as well as effective and efficient utilisation of human talent to achieve organisational goals (Armstrong, 2011). It is postulated that good choices of human resources of businesses trigger firm performance or sustained competitive advantage (Katou & Budhwar, 2009). Thus, employee resourcing should not be restricted to recruitment and selection (attracting employees) but rather developing and retaining high-quality people for certain skills in an organisation as well. Armstrong (2011) asserts that employee resourcing strategies exist to provide the employees with skills required to support the business strategy and this culminates in achievement of firm performance. Thus, small restaurants and other organisations need to craft employee resourcing strategies that will ensure the obtaining and retention of people they need to employ. Adoption of employee resourcing strategies such as workforce planning, recruitment, selection and retention is likely to culminate in sustained organisational performance.

### Employee resourcing strategies and small and medium-sized enterprises performance

Previous studies have shown that there is congruence between employee resourcing and firm performance (Armstrong, 2011; Katou, 2011; Omolo et al., 2012). A study conducted by Kotey and Slade (2005) reported a positive association between HRM practices and performance of SMEs. Ojokuku, Sajuyigbe and Ogunwoye's (2014) research regarding the interplay of HRM practices and the performance of Nigerian SMEs reported that HRM practices have significant impact on business performance. The authors (Ojokuku et al., 2014) explained that the weak impact of selection processes could be attributed to the often arbitrary and subjective nature of the personal judgements of the owners and/or managers during selections. By the same way Chidi and Okpala (2012) established a positive relationship between recruitment practices and organisational performance.

Noe et al. (2006) established that there is a positive relationship between employee retention rates and employee performance. It can be inferred that retaining employees sustainably allows employees to internalise procedures and processes of effective task accomplishment, allowing them to gradually build the critical mass of skills and competencies relevant to

superior performance. An empirical research conducted by Katou and Budhwar (2009) on 178 organisations operating in the Greek manufacturing sector revealed that employee skills, attitudes and behaviour had an impact on firm performance. By the same token, such possession of skills and appropriate attitudes can be traced back to the appropriateness of recruitment strategies. However, it is not clear whether the employee resourcing strategies used in big organisations in previous studies apply to small restaurant businesses in the hospitality industry in developing contexts.

What is known in some developing countries, such as South African SMEs, is that they also regard employee resourcing strategies as critical to firm performance. For example, a study conducted by Neneh and Van Zyl (2012) on achieving optimal business performance through business practices in SMEs in the Free State province of South Africa established that those organisations that were implementing business practices, such as e-HRM, had higher chances of achieving better organisational performance. In contrast, however, Nzonzo and Matashu (2014) attributed the poor performance of South African small businesses to lack of clear employee resourcing policies and procedures where staff attraction is done through family lines and referrals. One may conclude that such practices make SMEs struggle to recruit and retain knowledge workers, and this might result in poor organisational outcomes. This assumption provides a strong case for small restaurant businesses to adopt employee resourcing strategies to achieve key organisational outcomes. We can, therefore, infer that employee resourcing strategies influence performance of small restaurant businesses within the hospitality industry.

### **Influence of internal and external environmental factors**

A reasonable proxy for exploring the challenges of adoption of employee resourcing strategies of SMEs and firm performance is to interrogate the key determinants of human resourcing strategies in SMEs. While there are a number of factors that shape such practices, they can be examined from a hierarchical perspective, namely *personal factors* (such as personal experience and professional exposure), *institutional factors* (e.g. ownership structure, firm size and established legitimate practices) and *environmental factors* (e.g. the sector to which SMEs belong and the level of unionism in the sector). These are elaborated in subsequent sections of this article.

#### **Personal experience and professional exposure**

The professional background, education and prior exposure to employee resourcing strategies of small restaurant business owners and/or managers tend to influence their keenness to embrace formalised HRM practices. Ateljevic's (2007) study on New Zealand small tourism firms reported that a more formalised approach to management of the business appears to be strongly associated with the owner and/or manager professional profiles and personal motivation of those

involved in the tourism industry. Nzonzo and Matashu (2014) argue that managerial competencies of South African small business owners influence the extent to which they adopt workforce planning initiatives and formal staffing policies and procedures. The majority of these owners lacked secondary, let alone post-secondary, educational qualifications and training and this explains why most of them struggle. Asiedu-Appiah et al. (2013)'s research on the recruitment and selection practices of SMEs in Ghana highlighted that owners' and/or managers' little or lack of expertise in contemporary recruitment and selection practices accounted for unsystematic and inconsistent implementation of such practices by small firms. Previous experience in working in formal setting exposes the owners and/or managers to the benefits of employee resourcing strategies and they will likely implement formal resourcing practices (Ovadge, 2010). This implies that owners and/or managers of hospitality SMEs with graduate education and who exited corporate organisations with strong employee resourcing strategies are more likely to imagine the corporate value of establishing and implementing formal human resourcing practices than their counterparts with lower levels of education and without exposure or experience with such practices. We infer from these studies that (1) managerial competencies influence adoption of formal employee resourcing strategies in SMEs culminating in firm performance and (2) owners and/or managers of hospitality SMEs with prior expertise and exposure to employee resourcing strategies are more likely to embrace and promote these practices in their businesses than those without such expertise and exposure.

### **Institutional considerations**

#### **Ownership structure**

Compared to non-family-owned businesses, the employee resourcing strategies of family-owned businesses tend to be more exposed to the arbitrary whims of family members because of fragmented reporting structures and *ad hoc* managerial processes. Al-Jabari (2011) investigated on HRM practices of Palestinian family-owned SMEs and found that firms rarely utilise a full and complementary range of human resource practices but relied on traditional patriarchal authoritarianism and denied their workers performance appraisal, training and development, promotion and healthcare. The research also established that SMEs relied on traditional methods of recruitment and selection such as word-of-mouth method by family members and promotions were riddled by favouritism and nepotism and appraisals that often targeted non-members exclusively. This has implications on the bottom line, suggesting the need for SMEs to distinguish management from ownership.

#### **Constraints of firm size**

The smallness of hospitality businesses such as restaurants has some strong implications for the human resourcing budget and resourcing practices at large (Nyamwanza, 2014). Funding is considered critical for staffing of highly trained personnel with critical skills and competencies vital to



organisational success. Ovadje (2010) acknowledges that SMEs often have limited financial resources to meet the upfront yet substantial costs of implementing these human resourcing practices. Ojokuku et al.'s (2014) study on the human resourcing practices of south-western Nigerian SMEs revealed that firm size has significant influence ( $\beta = 0.320$ ,  $p < 0.01$ ) on HRM practice adoption. This implies that the implementation of HRM practices differs between firms with different sizes. They elaborated that compared to SMEs, larger firms are more inclined to develop complete and sophisticated human resource systems because of the need to spread out their costs, their higher level of managerial control and image consciousness because of their higher visibility in society (Ojokuku et al., 2014). It can be inferred from these studies that firm size often has implications for the human resources budget as well as the extent of formalisation of human resources practices in firms including SMEs.

### Established legitimate practices

Small and medium-sized enterprises often lack a firm foundation upon which to base their HRM practices. This lack of an established tradition of legitimate employee resourcing strategies by small firms implies that they often rely on a network of informal personal relations often tied to family connections, friendship and acquiescence (Asiedu-Appiah et al., 2013). These SMEs lack systematic and formalised employee resourcing procedures such as well-defined recruitment and selection policy and their performance appraisal was largely informal and owners and/or managers often struggle to attract qualified employees (Asiedu-Appiah et al., 2013). Ovadje (2010) concurs and argues that small firms are often characterised by informality in relationships among employees and owners or managers, in systems, structures and people management practices. This could explain why SMEs face viability challenges as staffing is done in an *ad hoc* manner.

## External factors

### Nature of the sector

The hospitality industry is a service industry and the calibre of the employees has a bearing on the attainment of important organisational outcomes, more so in the small restaurant businesses where products are produced and consumed simultaneously and are made tangible in the personality, attitudes and behaviour of employees. The employees are part of the product, represent the organisation and help in shaping its image in the service industry (Kusluvan et al., 2010). Employee resourcing strategies used by the restaurant business have a bearing on the attainment of important organisational outcomes. This implies that if the business hires a wrong person for the job, this will make it vulnerable to failure. Thus, the business should be able to attract skilled workforce who are capable to provide good customer care and efficient service, culminating in superior business performance.

Njuguna-Kinyua et al. (2014) argue that the characteristics and quality of the environment will determine whether an

SME will perform well or not. For example, Oni & Matiza (2014) posit that the growth rate of the restaurant industry is directly proportional to employment and consumer income. This implies that the restaurant industry depends on environmental influences such as individual customers' disposable income, meaning that during economic prosperity there is greater spending at restaurants and in recessionary periods spending dwindles. Thus, there is a need for SMEs to be responsive to these attributes to enhance customer satisfaction and loyalty that are key ingredients for business survival, and South Africa is no exception.

### Economic environment

High interest rates, low growth rates, declining exchange rates and high inflation rates affect an organisation's ability to expand and operate and also the demand for goods and services (Fatoki, 2011). Additionally, Orogbu, Onyeizugbe, & Chukwuma (2017) opine that economic environmental factors such as government tax revenue, exchange rate, interest rate and inflation rate have a significant negative effect on the performance of SMEs. It is not easy for SMEs in South Africa to flourish, as the country's financial and operating environment is not supportive in terms of access to capital, regulations and policies. This explains why there is a high mortality rate of SMEs in South Africa during the start-up phase. South Africa has one of the highest start-up failure rates in the world – as about 75% of new SMEs do not become established firms (Olawale & Garwe, 2010). This could be because of resource scarcity and unfriendly economic environment which force owners and/or managers of SMEs to settle for unskilled workforce and it affects their performance. It becomes critical therefore for small SMEs to be aware of the economic factors which influence adoption of employee resourcing strategies as it has important implications on the bottom line.

## Observations and reflections

Full comprehension of the association among environmental influences, employee resourcing strategies and performance of small restaurant businesses demands an analysis of the external and internal environment in which these firms operate. In particular, the internal environment can be divided into two aspects: *individual* and *institutional* influences. Individual influences on the formalisation of human resourcing strategies depend in part on the prior experience and exposure of the owner and/or manager to formalised employee resourcing strategies. We envisage that those owners and/or managers who come from large corporations with established tradition of HRM practices, or those who discern the value thereof, are more inclined to introduce formalised employee resourcing strategies than their counterparts without such experience. More so, personal experience in a formal setting is often considered to be perhaps the most important factor influencing the decision to adopt employee resourcing strategies (Ovadje, 2010).

A number of institutional practices, such as business ownership structure, the size of the firm and established legitimate

employee resourcing strategies, have a significant influence on the chances of formalisation of employee resourcing strategies by small restaurant firms in South Africa. In terms of *ownership structure* of the business, family-owned businesses which are run on paternalistic, authoritarian approach by individual founders are less likely to develop human resourcing strategies. This is because family values, desire for consensus among powerful family members and cohesion may interfere with the need to establish impersonal, professional HRM processes. The dominance of informal family loyalties may generate a sense of mutual obligation requiring few sophisticated HRM practices (Bacon & Hoque, 2005; Baines & Wheelock, 2000) and knowledge transfer into family-owned businesses may be constrained by their reluctance to bring in few outside managers with additional HRM skills, experience or knowledge (Bacon & Hoque, 2005).

The firm size may limit the capacity of restaurant SMEs to employ HRM managers or HRM consultants who can widen the organisations' familiarity with and wider scale rollout of formalised employee resourcing strategies. The budgetary constraints associated with SME firms may also limit organisational capacity to adopt computerised or electronic HRM practices, acquisition of HRM electronic software and ability to offer continual training including competitive compensation. The size of the organisation significantly shapes the organisation's capacity to implement what Lepak et al. (2006) regard as skill-enhancing HR practices, motivation-enhancing HR practices and opportunity-enhancing HR practices.

The presence of external influences, such as the nature of SME sector and the level of unionism, may also shape the decisions to and extent of adoption of employee resourcing strategies. Regarding the nature of the market, while there can be low barriers to entry for small restaurant firms, higher competition because of lack of product differentiation among such firms can negatively impact their financial returns, which invariably complicate the adoption of employee resourcing strategies. The complex government regulations can also shape the corporate governance and control systems, which influence the extent of uptake of formalised employee resourcing strategies.

It is clear from the literature that employee resourcing strategies play a pivotal role in ensuring that SMEs achieve a sustained competitive advantage. However, we noted that there is a lack of formal employee resourcing strategies in SMEs and those firms that adopt them normally implement them in an *ad hoc* manner. Most SME owners and/or managers are used to traditional patriarchal authoritarianism and they lack a firm foundation upon which to base their employee resourcing strategies. Regarding recruitment and selection, SMEs rely on relatives and affinity-based networks (e.g. church members) who will not question managerial authority and are not recruited for their skills but loyalty.

Small and medium-sized enterprises also face challenges of resource paucity because of smallness, which forces them to

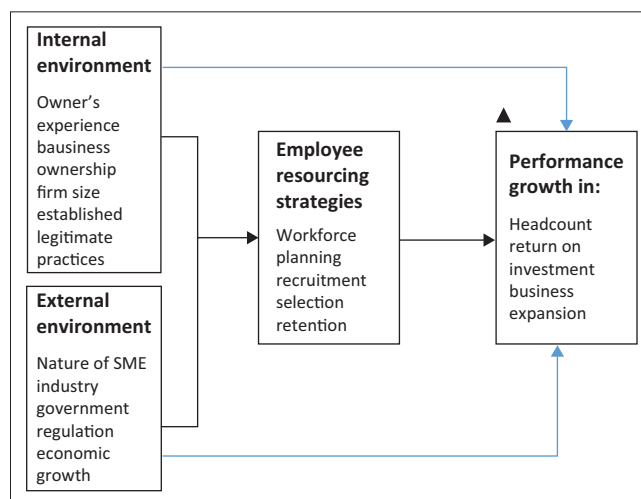
rely on informal employee resourcing strategies, and this may impede their performance. Employees tend to have no voice in the management of the firm and the owners are inclined to make unilateral executive decisions. We noted from the literature that those SMEs with formal employee resourcing strategies like recruitment and selection are better able to withstand the vagaries of the turbulent macro- and institutional environment. This calls for a paradigm shift in the way SMEs owners and/or managers conduct their business – in particular a need to adopt those employee – resourcing strategies that impact important organisational outcomes. It was also affirmed that as most owners and/or managers of SMEs often lack prior exposure to and experience in employee resourcing strategies, their businesses tend to struggle to embrace formal employee resourcing strategies, which are regarded mistakenly as the preserve of large hospitality firms. However, the informal structures and hierarchies prevalent in SMEs may give them greater flexibility to adapt to the ever-changing environment unlike big businesses; therefore, there is a need to adopt a strategy that gives SMEs leverage as blind adoption of formal employee resourcing policies may yield unintended consequences. They may need to blend informal and informal policies contingent on the external and internal environments.

As Figure 1 illustrates, the proposed framework hypothesises that the environmental factors inform the adoption of employee resourcing strategies, culminating in increased business performance.

## Relationship between environmental influences, employee resourcing strategies and firm performance

### Evaluation of contribution

This study makes contribution to the literature on SME performance in a developing context by investigating the



SME, small and medium-sized enterprise.

FIGURE 1: Conceptual framework.



relationship among environmental factors, employee resourcing strategies and performance of small restaurant firms. To our knowledge, while there is abundant literature on employee resourcing strategies, it is based extensively on the experiences of big organisations. There is limited research that explores the relationship among environmental factors, employee resourcing strategies and performance of restaurant SMEs. In this theoretical article, we established that superior organisational performance in SMEs is a function of convivial endogenous and exogenous work environment which will inform the adoption of employee resourcing strategies, culminating in realisation of important organisational outcomes.

The research noted that there is a general lack of enthusiasm by SME owners and/or managers to adopt strong employee resourcing strategies, especially in family-owned SMEs where businesses tend to be run on a paternalistic authoritarian approach by individual founders. These rigidities and informality tend to undermine viability and sustainability of these businesses. To survive in this turbulent macro-economic environment, small restaurant businesses should adopt formal employee resourcing strategies that give firms a competitive advantage and guarantee increased organisational performance. Furthermore, we propose that the employee resourcing strategies and firm performance relationship hinges on the following antecedent variables: personal experience and professional exposure, ownership structure, constraints of firm size, workforce skills mix, established legitimate practices, nature of the sector and the level of unionism.

### Limitations

This research focused on congruence between environmental influences, employee resourcing strategies and firm performance and discovered some limitations. It was noted that firm performance is a function of many other factors besides employee resourcing strategies, such as (un) availability of resources and leadership style among other factors. Furthermore, the research emphasised particular HRM practices (mainly recruitment, selection and retention) leaving out reward management, employee relations and performance management, which are also critical for firm performance. Furthermore, the study was carried out in the restaurant businesses in the Free State province of South Africa and it may be difficult to generalise the findings to restaurant businesses in other towns and cities in the country. Future studies in this industry may need to increase the geographic location of the study by including more provinces so as to increase the generalisability. We also acknowledge that the article is a theoretical study and therefore there is a need to undertake future research to ascertain the extent to which these findings can be tested empirically.

### Conclusion

The research addresses the challenges of establishing and implementing formal resourcing strategies in restaurant SMEs to achieve superior organisational performance. It calls for the blending of internal and external environmental factors, which informs employee resourcing strategies, culminating

in competitive advantage which if sustained consistently can trigger superior organisational performance. Increased competition demands that SME owners and/or managers adopt systemic, holistic approaches to resourcing strategies by attuning organisational resourcing capabilities to the environmental factors to maximise competitive advantage and improve organisational performance. Thus, the adoption of formal employee strategies will give restaurant SMEs a competitive advantage, which can bring about optimal firm performance. The fact that most struggling SMEs do not have formal HRM activities like employee resourcing calls for urgent adoption of formal resourcing strategies to turn around their fortunes. Further research is needed to ascertain if resourcing strategies can be generalised to other industries.

## Acknowledgements

The authors would like to thank Central University of Technology for their assistance in conducting this research.

### Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

### Authors' contributions

The article was extracted from the student's (H.M.) research which is being supervised by C.C. who is doing a sterling work in shaping and providing direction to the thesis.

### Ethical considerations

Ethical clearance has been provided by the Faculty Research and Innovation Committee in view of the CUT Research Ethics and Integrity Framework, 2016 with reference number MSc113/2114.

### Funding information

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

### Data availability statement

Data sharing is not applicable to this article as no new data were created or analysed in this study.

### Disclaimer

The views expressed in this article are that of the authors and not an official position of the Central University of Technology.

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