

# **RISK MANAGEMENT AND CONTROL: HUMAN RESOURCES RISKS IN A MERGED ACADEMIC INSTITUTION**

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## **Abstract**

This paper measured the mood of College of Science, Engineering and Technology (CSET) academics following the merger between University of South Africa (UNISA), Vista University Distance Education Campus (VUDEC) and Technikon SA (TSA). The formulated statements, potential human resources related risks with association to the statements were articulated. The results obtained from the survey indicated that had the risk assessment been undertaken in CSET, the risk of losing/retaining critical skills, corporate memory, and the inability to attract these critical skills to CSET could have been higher on the risk dashboard following the post-merger of UNISA, VUDEC and TSA.

**JEL Classification:** M12, M54

**Key Words:** Merger, Risk Management, Human Resources Risk

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## **1. Introduction**

The term risk remains variously defined. For instance, the Government of Ontario in Canada (2001) risks encompasses all potential obstacles, consequences and opportunities impacting on the abilities of an enterprise to meet its objectives. This definition is also supported by the Committee of Sponsoring Organisations of the Treadway Commission (COSO, 2004), where risk is defined as the process effected by the Board of Directors which is designed to identify potential events that may affect the organisation's ability to achieve its strategic objectives.

According to the Institute of Internal Auditors in the Professional Practices Framework as far back as 2004 (IIA, 2004), risk is defined as the possibility that an event will occur, which will impact an organisation's achievement of objectives. For Moloi (2009), risk is concerned with the potential opportunity or threat that may impact or disturb an organisation's ability to meet its objectives.

In all these definitions it is clear that risk is a strategic phenomenon concerned with organisational strategic matters. This statement is supported by the latest King III Report on Corporate Governance, where risk is placed at the nerve centre of the company's strategic decision makers. In this instance, the King III Report on Corporate Governance makes it the focal point of the board where risk management has been made the responsibility of the board of directors (IOD, 2009).

## **2. Purpose, Scope and Limitations**

It has been indicated in the introduction that risk is a strategic phenomenon concerned with organisational strategic matters. In an enterprise wide setting, risks will typically include, amongst others, the strategic risks, information technology (IT) risks, financial risks, operational risks, regulatory/ legal risks, reputational risks, sustainability risks, and personnel risks (Human Resource risks).

The primary purpose of this paper was to investigate the management of human resource (HR) risks following the merger between the University of South African (UNISA), Vista University (VUDEC) and Technikon South Africa (TSA) using the College of Science, Engineering and Technology (CSET) as a unit of measurement.

The main limitation of this study is that the other colleges that existed within these institutions were not measured. Measurements were conducted in the CSET once the merger process had been completed i.e. CSET in the merged university called the UNISA. An additional limitation of this study is that it measured the HR related risks in CSET.

## **3. Review of Relevant Literature**

Government has identified engineering related studies as one of the scarce areas in South Africa. For instance, quoting from the Engineering Council of SA (ECSA), Money-web (2014) indicated that, as of 2005, South Africa had one engineer per 3 166 of the

population, in comparison which is well behind Brazil with 227 per 3 166, the UK with 311 per 3 166, Australia with 455 per 3 166 and Chile with 681 per 3 166. It was however; observed that South Africa was well ahead of other African states such as Tanzania with one per 5 930 and Zimbabwe with one per 6 373.

Even though the Engineering Council of South Africa has indicated that South Africa was behind the developed countries when it comes to the ratio of engineers to the population, these types of shortages appear to be common across the globe. For instance in Australia, Sloan (1997) argued that there were shortages in the sciences and engineering studies and this appeared to be more severe on the academic side (i.e. there were fewer academics in this field). Sloan (1997) suggested that universities had a responsibility to nurture young talents to ease pressure.

In dealing with the shortages in this field, the College of Nanoscale Science and Engineering (CNSE) of the University at Albany in New York (CNSE, 2008) initiated multi-level programs that encourages science awareness in grades K-12 to help ensure the United States science and technology workforce of the future.

In South Africa, Money-web (2014) indicated that the South African government and ECSA were working on ensuring that the country addresses the identified chronic shortages through programmes such as the National Programme for Artisan Development. According to Money-web (2014) this National Programme for Artisan Development is aimed at ensuring that South Africa has an additional 50 000 artisans by 2015.

Based on the above observation, the paper argues that a college such as CSET in a higher education institution has an important role to play in assisting government to achieve its objectives. Therefore managing HR related risk in a scarcity area such as CSET ought to be deemed vital by the university.

To manage this risk, Govender (2008) suggested that universities in South Africa were now paying academics in this field handsomely to entice them to stay. This paper argues that in addition to monetary benefits, there are some factors that need to be considered to entice academics to stay, in particular following an event such as the merger, where for instance in a newly merged institution the conditions of service, the organisational culture would have changed.

Following the merger, the newly merged CSET consisted of three Schools, namely, the School of Engineering, the School of Computing and the School of Science which is still the case. This study measured the management of human resource, thus highlighting human resources risks following the merger between the University of South African (UNISA), Vista University (VUDEC) and Technikon

South Africa (TSA) using the College of Science, Engineering and Technology (CSET) as a unit of measurement.

#### **4. Research methodology**

To address the main objective of this study, the purposive sampling method was used. According to Haslam and McGarty (2003) purposive sampling is a method used when a sample is collected by selecting only those elements from the population that has particular characteristics. Purposive sampling was found to be relevant for the purpose of this paper, as the paper aims at highlighting human resources risks following the merger between the University of South African (UNISA), Vista University (VUDEC) and Technikon South Africa (TSA).

For the purpose of collecting data, a questionnaire was designed and administered so that data could be collected from the targeted academics in CSET. It is important to note that the designed questionnaire also include those academics that had exited CSET following the merger.

Participants were requested to indicate whether they strongly agreed (SA), agreed (A), cannot say (C), disagreed (D) and strongly disagreed (SD) with the researchers pre-determined sets of statements. There were eleven (11) sets of statements that were prepared where participants had to select their preferred option and these, together with the purpose of the statement are presented in Table 1 below.

**Table 1.** Formulated Statement, Purpose of Statement and Potential Associated Risk

Statement	Purpose of the statement	Potential risk
<b>Statement 1:</b> Merger made academic work in CSET easy to execute	<b>Purpose 1:</b> The statement aimed to measure whether academics in CSET found it easier to execute their tasks following the merger	<b>Potential Associated Risk 1:</b> The inability to execute tasks could result in the failure to deliver results including delivering on the strategic imperatives of the college and the university
<b>Statement 2:</b> Harmonisation of conditions eased CSET academics' conditions	<b>Purpose 2:</b> The statement aimed at measuring whether the harmonisation of working conditions following the merger eased CSET academics working conditions	<b>Potential Associated Risk 2:</b> The inability to harmonise working conditions satisfactorily raised a potential of alienating those whose conditions changed drastically following the merger
<b>Statement 3:</b> Feeling of worthiness/ valuable by academics in CSET	<b>Purpose 3:</b> The statement aimed to measure whether academics in CSET felt valued by the new institution following the merger	<b>Potential Associated Risk 3:</b> The inability to ensure that academics felt valued raised a potential to feel alienate
<b>Statement 4:</b> Merger acknowledged academic work as a core business of the university	<b>Purpose 4:</b> The statement aimed at determining whether academics perceived the merger process as acknowledging of the fact that academic work was a core university business	<b>Potential Associated Risk 4:</b> The inability to acknowledge the importance of academic work as the core business of the university raised a potential for low morale, which could have had an impact in delivering on the strategic imperatives of the college and the university
<b>Statement 5:</b> Academics thinking of resignation	<b>Purpose 5:</b> The statement aimed to measure the risk of losing skills/ corporate memory through resignation	<b>Potential Associated Risk 5:</b> Loss of critical skills raised a potential of failing to achieve the strategic imperatives of the college and the university as well as the loss of corporate memory
<b>Statement 6:</b> Conditions of service improved from the previous ones	<b>Purpose 6:</b> The statement aimed to measure whether academics in CSET found the new conditions of service better compared to the previous ones	<b>Potential Associated Risk 6:</b> Loss of critical skills and corporate memory as academics move to organisations where they believed that conditions of service were better. It also raised a potential for reputational damage for the university
<b>Statement 7:</b> Conditions of service were prepared by people who understood academia	<b>Purpose 7:</b> The statement aimed to measure whether academics in CSET felt that the new conditions had been prepared by people who understood academia	<b>Potential Associated Risk 7:</b> Loss of critical skills and corporate memory as academics move to organisations where they believed that conditions of service were better. It also raised a potential for reputational damage for the university as well as confidence in the system
<b>Statement 8:</b> Post-merger conditions of service attracted more new academics into the department	<b>Purpose 8:</b> The statement aimed to measure whether academics in CSET felt that the new conditions contributed in the attraction of talent into the college	<b>Potential Associated Risk 8:</b> The inability of CSET to attract skills
<b>Statement 9:</b> Post-merger conditions acceptable to existing CSET academics	<b>Purpose 9:</b> The statement aimed to measure whether existing academics in CSET found the post-merger conditions acceptable	<b>Potential Associated Risk 9:</b> Loss of critical skills and corporate memory as academics move to organisations where they believed that conditions of service were better. It also raised a potential for reputational damage for the university as well as confidence in the system
<b>Statement 10:</b> Post-merger conditions were a catalyst of more resignations	<b>Purpose 10:</b> The statement aimed to measure whether there are academics in CSET that resigned following the implementation of post-merger conditions of service	<b>Potential Associated Risk 10:</b> Loss of critical skills and corporate memory as academics move to organisations where they believed that conditions of service were better. It also raised a potential for reputational damage for the university
<b>Statement 11:</b> Post-merger conditions contributed to a decline in a number of CSET academics from designated groups	<b>Purpose 11:</b> The statement aimed to measure whether there were losses of academics from designated groups that resigned following the implementation of post-merger conditions of service	<b>Potential Associated Risk 11:</b> Loss of critical skills and corporate memory of academics from designated groups as they move to organisations where they believed that conditions of service were better.

## 5. Research Findings and Interpretation

The research findings presented below demonstrated the consolidated results of the responses received from CSET academics.

**Table 2.** Consolidated Analyses of Results

Category	*SA	**A	***C	****D	*****SD
Merger made academic work in CSET easy to executive	0	0	0	9	5
Harmonisation eased CSET academics work	0	0	0	10	4
Feeling worthy of CSET academic work	0	1	3	4	6
Merger reflected academics business as Unisa's core	0	0	1	7	6
Thought of not resigning from Unisa came to mind	0	0	0	0	14
Service conditions for academics improved from the previous one	0	0	0	0	14
Merger service conditions were prepared by people who knew academia	0	0	0	0	14
Post-merger conditions attracted more academics	0	0	0	0	14
Merger service conditions led to more resignations in CSET	14	0	0	0	0
Merger service conditions were welcomed by CSET academics	0	0	0	0	14
Merger led to a decrease in designated academics	11	3	0	0	0

\* Strongly Agree \*\* Agree \*\*\* Can't say \*\*\*\* Disagree \*\*\*\*\* Strongly disagree

It is clear from the analysed results in Table 2 that the risk of losing/ retaining critical skills, corporate memory, and the inability to attract these critical skills to CSET was higher following the post-merger of UNISA, VUDEC and TSA. The result obtained further indicated the potential of reputational risk for the merged institution, UNISA.

## 6. Conclusion and Recommendations

The paper surveyed the mood of CSET academics following the merger between UNISA, VUDEC and TSA. From the formulated statements, potential human resources related risks with association to the statements were articulated. The results obtained indicated that had the risk assessment been undertaken in CSET, the risk of losing/ retaining critical skills, corporate memory, and the inability to attract these critical skills to CSET should have been higher on the risk dashboard following the post-merger of UNISA, VUDEC and TSA. The result obtained further indicated that the potential of reputational risk for the merged institution, UNISA should also have been rated higher. As such, it would have been important at the time that management

formulated the mitigation actions to mitigate against the identified risks.

As a recommendation, during the development of talent plans, risks associated with acquiring, developing, managing and retaining talents should be identified and managed. Ideally, this should be done at a departmental level (i.e. for each department) and this will flow through to the college overall risk register. As part of managing these risks, climate surveys should be undertaken on an on-going basis to measure the climate within the departments as well as for the college at large. In addition to this, there should be mitigation strategies for these risks. As a procedure, the risk registers containing risks associated with acquiring, developing, managing and retaining talents should be discussed at a departmental level (should be on the Chair of Department's standing agenda). In this instance, the departmental risk register (DRR) is to be reviewed. Further, discussions are to flow through to the college management committee (management risk reports - MRR are to be reviewed) and finally the college executive committee (executive risk summary - ERS is to be reviewed).

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