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Employee-resourcing strategies in family-owned small restaurants in South Africa: Do environmental influences matter?

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Abstract

The small restaurant business (SRB) sector is applauded for promoting economic growth and employment creation in developing economies. Despite the spirited efforts by developing nations to capacitate the sector to sustainably contribute to economic growth, it is often flawed by a high inflation failure rate, especially in South Africa. The failure rates have been attributed, among many other factors, to the inability of small restaurant businesses to respond to environmental uncertainties with appropriate employee-resourcing strategies. The literature search shows that there is a dearth of research on the nexus between environmental influences and employee-resourcing strategies in South African small restaurant businesses. To address this gap, the study attempts to interrogate employee-resourcing strategies among family-owned small restaurants through the prism of environmental influences. A quantitative research approach was used, and the ex post facto research design was adopted. A convenient sample of 221 owners/managers of family-owned accommodations and Small Restaurant Businesses was conveniently selected. Structural Equation Modelling (SEM) was employed to confirm the congruence between observed and reproduced data in testing the hypothesized relationships. The inquiry established a positive relationship between internal environmental influences and employee-resourcing strategies in SRBs. Additionally, a positive and strong relationship between the external environment and employee-resourcing strategies was also established. Considering the vitality of small businesses in driving today's economies and employment growth, this study recommends that owners/managers identify internal and external forces that attenuate small business failures. The study also emphasizes that SRBs must understand their external and internal environments for more productive employee-resourcing strategies.

Keywords: Employee resourcing, External environment, Internal environment, Recruitment and selection small business, South Africa, Workforce planning.

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1. Introduction

Small and medium enterprises (SMEs) are known to contribute tremendously to the economic growth and employment creation of developing countries, such as South Africa [1-4]. This explains why small businesses in developing countries continue to attract attention from policymakers and researchers. Notwithstanding the criticality of this industry and spirited efforts by the South African government to assist small businesses in realizing critical organizational outcomes, there have been reports of poor performance by small businesses [2, 5, 6]. For example, Bushe [2] observes that over 70% of new small businesses in South Africa close shop within the first 5-7 years of inception. To find reasons why small businesses fail, several factors, such as a lack of managerial competencies and resources and the inability to respond to internal and external environmental changes, have been suggested [7].

In terms of resources, studies on small business performance [8-12] have not included other factors such as employee-resourcing strategies, which involve the acquisition, retention, development, and effective utilization of the people the business needs [13]. These strategies could be critical to ensuring business performance. The reason why employee-resourcing strategies have not been a concern for small businesses could be that human resources functions are usually not given prominence in this sector, despite taking place daily [14]. Similarly, little research has investigated internal and external environmental aspects, such as innovation, firm size, owner's expertise, managerial competencies, economic growth, electricity, inflation, institutional support, and political situation, and how they influence small business performance in South Africa. The interest in small restaurant businesses stems from the fact that, like other small businesses in other sectors, the restaurant business in South Africa has experienced significant growth and is contributing immensely to the country's Gross Domestic Product [15].

Other researchers have noted that in today's competitive business world, adopting the best employee-resourcing strategies is always seen as holding a competitive advantage, which can lead to increased business performance [16]. Consequently, virtually every organisation, regardless of its size, actively seeks the most effective and efficient strategies for engaging the right people with the right capabilities for jobs and finding the best ways to retain them. However, finding the right employees for small businesses is an area that has not received much attention, both in literature and practice. This lack of attention is not surprising, as human resources functions, in most cases, do not have a dedicated division, and most of these functions are performed by owners/managers.

Interestingly, employee-resourcing strategies such as workforce planning and selection have remained a grey area in small business research. Even in South Africa, where growth in small businesses is recorded to be exponentially increasing [15], the nature of employee-resourcing strategies used in small businesses is still sparse. In the hospitality industry, especially in SRBs, it is known that they face many employment challenges as they usually employ on a short-term basis [16]. To this effect, ad hoc rather than proper and well-structured human resourcing strategies are adopted, resulting in high staff attrition due to factors such as low pay, long working hours, a lack of training and career development, low productivity, and business shrinkages [17]. Therefore, it is undeniable that the need to expand discussions on employee-resourcing strategies in SRBs cannot be overemphasised. This raises the contention that the extent to which small restaurant businesses understand and respond to environmental imperatives can be regarded as a grey area that needs further interrogation. SRBs in developing countries like South Africa share common characteristics in terms of using ad hoc approaches such as walk-ins and relying on family acquaintances for employee resourcing [14, 18, 19]. The aim of this study is to examine the role of environmental factors in the utilization of employee-resourcing strategies among SRBs.

Making sense of the above arguments, the main contribution of this paper is the nuanced interrogation of the influence of environmental factors on the adoption of employee-resourcing strategies in SRBs in South Africa. Given the limited existing discussions on these themes in South African context, the study aims to provoke genuine discussions and enhance understanding of the influence of environmental factors on employee-resourcing strategies among SRBs, specifically within South African context. With this analysis, the study is grounded in the understanding that the narrative of SRBs conveys its importance, and this is uniquely relevant for understanding the discourse on employee-resourcing and environmental factors within the largely overlooked realm of SRBs in the SMEs literature.

Based on the existing literature, conceptualisations were developed about the perceived relationship between environmental influences and employee-resourcing strategies, which led to the formulation of two specific research hypotheses. A sample of 221 owner/managers of SRB in South Africa provided information on the relationship between environmental influences and employee-resourcing strategies. The hypotheses were evaluated using Structural Equation Modelling (SEM). Following a comprehensive review and discussion of the internal and external environmental factors and employee-resourcing strategies within the context of SRBs, the paper then proceeds to outline the different methodological approaches employed. Subsequently, the research findings are explicitly highlighted and discussed, with the final section focusing on the implications of the study.

2. Literature Review and Hypotheses Development

2.1. *The Internal Environment and Employee-Resourcing Strategies in South Africa*

There are factors in the internal environment that are crucial in determining the adoption of formal human resource management, including employee-resourcing strategies, in small businesses in South Africa [20], including restaurants. While the internal environmental factors that influence employee-resourcing strategies are manifold, this research focuses specifically on the examination of owner's expertise and experience, business ownership, firm size, and workforce-skills mix to establish their effect on the adoption of employee-resourcing strategies used by SRBs. These factors were selected for this research as existing literature identifies them as crucial in determining firm performance in the hospitality industry [21-23].

2.1.1. Owner/Manager's Expertise and Experience

There is a high rate of failure among small businesses in South Africa, despite the availability of numerous small business programmes aimed at supporting their sustainability [5, 24]. This raises critical questions regarding the capabilities and competencies of individual owner/managers to ensure superior organisational performance. Managerial competencies entail sets of knowledge, skills, behaviours, and attitudes necessary for the survival and growth of small businesses, as defined by [Olawale and Garwe \[5\]](#). According to [Chinomona \[25\]](#), managerial competencies or expertise refer to the knowledge, skills, and abilities possessed by small business owners that can potentially lead to positive performance when utilised. The lack of sound managerial competencies may culminate in the organisation attracting inappropriate individuals for the job. For example, [Chimucheka \[26\]](#) deduced that a lack of management skills and expertise is hampering the growth of small businesses in South Africa, particularly in terms of human resources. This implied that for restaurant SMEs, effective planning and proper staffing of their businesses with qualified and competent employee resources require managers with sound managerial competencies.

[Neneh and van Zyl \[27\]](#) attribute the high failure rate of small businesses in South Africa to the dearth of managerial skills and a lack of education and training. This finding aligns with the conclusion drawn by [Fatoki and Odeyemi \[28\]](#), who stated that the distinguishing factor between high growth and low growth small firms in South Africa is the education, training, and experience of managers. Thus, it can be inferred that training and skill development play a critical role in ensuring the survival of SRBs in South Africa. This inference is supported by the findings of [Nzonzo and Matashu \[19\]](#), who discovered that the managerial competency of South African small business owners influences their adoption of workforce planning initiatives, human resource development initiatives, and formal staffing policies and procedures, all of which have critical implications for their growth and development.

2.1.2. Business Ownership

The nature of ownership in SRBs might have strong implications for business performance and the adoption of formal employee resourcing strategies. This holds true in South Africa, where the majority of SMEs are privately owned family businesses [29]. Research shows that employee resourcing strategies in family-owned businesses are susceptible to the arbitrary decisions of family members, given the presence of fragmented reporting structures and informalized managerial processes. For example, [Ogunyomi and Ojikutu \[30\]](#) suggest that recruitment in small businesses often occurs informally, relying on a network of family members, friends, and neighbours, particularly for unskilled and semi-skilled labour, which is common in the restaurant sector.

Research conducted by [Visser and Chiloane-Tsoka \[18\]](#) on family businesses and SMEs in South Africa revealed that these businesses often do not utilize a comprehensive range of human resource practices. Instead, they rely on traditional patriarchal authoritarianism, where hiring and firing tend to prioritize the interests of the family rather than the business. The findings further indicated that the traditional methods of recruitment and selection by family members, such as word-of-mouth method and promotions, are marred by favouritism and nepotism. Additionally, performance appraisals often focus solely on nonfamily members, highlighting the need to differentiate management from ownership. These findings support [Fatoki \[24\]](#) observation that there is often a lack of distinction between ownership and control of small businesses, and their success or failure hinges on skills and abilities possessed by the owners. Small business owners who are able to make this distinction are more likely to achieve superior organisational performance and longevity [31].

These different observations indicate that there is a lack of consistency in adhering to established rules, procedures, and control processes in SRBs, leading to a high degree of informality in their operations. This informality is further supported by [Hung, et al. \[20\]](#), who argued that SMEs heavily rely on networks of highly informal personal relationships. This over-reliance on informal networks can have significant implications for their bottom line, as decisions are often made intuitively rather than based on sound and rational business considerations. Many small businesses in South Africa may struggle to gain a competitive advantage as owners hold onto these highly informal networks [28]. Considering this, it is possible to conclude that the nature of ownership in SRBs has strong implications for their bottom line, as owners/managers may end up hiring the wrong individuals for positions based solely on family networks.

2.1.3 Firm Size

Given the small size and relative simplicity of many SRBs, there is a paucity of formal research on employee-resourcing strategies specific to these businesses. [Chipangura and Kaseke \[32\]](#) highlight the challenges faced by small businesses, with approximately 50% of them closing within the first three years of operation due to factors such as newness, smallness, or a lack of skilled human capital. [Hung, et al. \[20\]](#) argue that while human resource activities, including employee resourcing, are crucial for the performance of small businesses in South Africa, their size often poses significant constraints. Many small businesses do not have formal human resources departments or professionals, which can contribute to early failure. Additionally, [Fatoki and Odeyemi \[28\]](#) assert that small businesses tend to have short-term visions, goals, and strategies due to their size, potentially hindering the adoption of formal employee-resourcing strategies and impacting business performance.

[Hung, et al. \[20\]](#) conducted a study that revealed the significant influence of firm size on the adoption of human resource management practices. This implies that the implementation of activities related to human resource management, such as employee resourcing, may vary among businesses of different sizes. For example, SRBs typically have informal human resource management structures and hierarchies, which provide them with the flexibility to adapt to changing environments. In contrast, larger organisations tend to develop formal human resource management systems as they have the resources to implement employee-resourcing strategies [20].

One could argue that informal human resource activities are better suited for small businesses, suggesting that formalisation in employee-resourcing strategies may not be in their best interests. However, informality in restaurant SMEs exposes them to inconsistencies in the application of established rules and regulations (best practices) in employee resourcing, which could be costly to the business. According to [Neneh and van Zyl \[27\]](#), even a small judgmental error can lead to the demise of a small business without giving it an opportunity to learn from its mistakes. Thus, the size of the business may have a negative impact on the adoption of employee-resourcing strategies.

2.2. Hypotheses Development

2.2.1. Employee-Resourcing Strategies

[Armstrong \[13\]](#) provides a definition of employee resourcing as the process of acquiring, retaining, developing, and effectively utilising the people that an organisation needs. It is important to note that employee resourcing goes beyond the mere attraction and retention of employees; it involves leveraging this resource to achieve important organisational outcomes. This is particularly important for SRBs, as the sustained competitive advantage of any business stems from its human resources [\[33\]](#). Consequently, employee resourcing should not be restricted to the recruitment and selection of employees alone; it should also encompass the development and retention of high-quality individuals with specific skills and behaviours within an SRB. Therefore, it can be suggested that employee resourcing should include workforce planning, recruitment, selection, and retention of staff.

Proper workforce planning always ensures that every department within the organisation has effective and efficient personnel as well as an appropriate workload. [Punia and Sharma \[34\]](#) provide an explanation of workforce planning as a process that involves analysing and identifying the need for human resources and assessing their availability, with the ultimate goal of enabling the organisation to meet its objectives. It is crucial to exercise great care in employee resourcing through workforce planning, as it has implications for business performance, particularly in SRBs where capital is scarce. Despite the undeniable importance of workforce planning [\[13, 34\]](#), it is accompanied by implementation challenges [\[35\]](#). These challenges can discourage small businesses from implementing workforce planning, even though it is considered crucial in avoiding waste resulting from an insufficient or excessive supply of human resources, along with associated costs, according to [Pilbeam and Corbridge \[36\]](#). [Nzonzo and Matashu \[19\]](#) observed that strategic workforce planning in South African small businesses was severely undermined due to a lack of management skills and the absence of a supportive organisational culture.

Recruitment is an important function in human resource management, as it plays a significant role in shaping an organisation's effectiveness and performance. [Saifalislam, et al. \[37\]](#) observe that effective recruitment can contribute to increased profitability and productivity in both profit and non-profit organisation. On the other hand, poor recruitment becomes a cost to organisations, leading to waste, inefficiency, and ineffectiveness [\[34\]](#). In a study aimed at examining the influence of recruitment, selection, training, and development on the organisational performance of the Jordanian Public University, [Makumbirofa and Saayman \[38\]](#) found that effective recruitment and selection processes attract the right quality and quantity of individuals, develop the knowledge, skills, and abilities of employees, and contribute to employee retention. It can be argued that effective recruitment is an essential ingredient in ensuring effective selection in SRBs, which are known for employing ad hoc recruitment methods. It appears that, when it comes to staff attraction, recruitment enables small restaurant businesses to attract the right candidates.

The selection process is considered very critical in small businesses due to the direct correlation between performance and the organisation's workforce. According to [Punia and Sharma \[34\]](#), selection is the process of choosing individuals with the right qualifications needed to fill positions within an organisation. The process involves evaluating and appointing the best and most suitable candidates from those who have submitted their profiles for a particular position. The selection process begins after the recruitment process has attracted a few applicants for the vacancy. The task of selection is a very critical decision that the human resource management department or any manager needs to make, as the success or failure of an organisation often relies on its employees, who use their skills and competencies to achieve organisational goals [\[37\]](#).

2.2.2. Workforce-Skills Mix

The success of any business enterprise hinges on the people working there [\[1\]](#). Therefore, it is important for South African small businesses to equip workers with the appropriate skills [\[39\]](#). According to [Dumbu \[31\]](#), incompetent human capital can adversely influence the continuation of small businesses. However, in South Africa, small restaurant businesses may find it challenging to attract highly skilled staff due to financial constraints, preventing them from competing with larger businesses such as Nando's and Kentucky Fried Chicken. As a result, they may end up settling for incompetent human capital, which can have an impact on critical organisational outcomes.

[Saifalislam, et al. \[37\]](#) posit that small businesses suffer from resource poverty, which hinders their ability to attract specialist managerial expertise critical for enhancement of organisational performance. This limitation may arise from experiences of greater external uncertainty, which often leads to a more informal management style in small businesses [\[20\]](#). The informality could have negative implications for small restaurant business performance, as owners/managers may pay limited attention to important human resource management concerns such as employee skills, competencies, work attitudes, and commitment, which are needed for attaining organisational outcomes.

Based on the above discussion, there is a relationship between the internal environment and employee-resourcing strategies. Therefore, in the context of small restaurant businesses, it is hypothesised that:

H₁: There is a significant effect of the internal environment on employee-resourcing strategies.

2.3. External Environment and Employee-Resourcing Strategies in South Africa

The influence of external environment on businesses, whether small or large, in South Africa is considered critical for adopting organisational strategies needed to achieve positive organisational outcomes [20, 40]. Within small businesses, which usually operate with limited budgets, failure to adapt to the environment may lead to business failure [41]. Therefore, this paper considers several external factors crucial to the discussion of employee-resourcing strategies, including economic, political, regulatory, and social factors. These factors have been chosen based on previous evidence demonstrating their impact on business operations [7, 42].

2.3.1. Economic Factors

The economic environment, in the context of this research, refers to the totality of economic factors that significantly influence the performance of SMEs. Previous research has shown that economic conditions, such as high interest rates, low growth rates, high inflation rates, and declining exchange rates, as well as economic policies (fiscal, monetary, industrial, and export-import policies) and the economic system of a country, have a bearing on the functioning of businesses in South Africa Chimucheka [26]; Fatoki [24]. Olawale and Garwe [5] argued that economic environmental factors, such as government tax revenue, exchange rates, interest rates, and inflation rates, have a significant negative effect on the performance of small businesses. Therefore, it is important for SRBs in South Africa to understand economic conditions, economic policies, and the prevailing economic system in the country, as their survival may depend on such understanding. Recognising these economic factors is critical since they are known to influence consumer spending patterns [43] and the adoption of formal human resource management, including employee resourcing, in small businesses [20].

Despite having the second-largest economy in Africa and the largest gross domestic product in SADC, South Africa still faces challenges of unemployment, poverty, and low international competitiveness [24]. The rise in unemployment rate in South Africa is due to an economic slowdown characterized by weak consumer demand, falling business investment, policy uncertainty, and prolonged drought [44]. This situation has the potential to influence employee resourcing in SRBs, as it creates a large pool of job seekers who may be willing to accept low wages and precarious employment [45], resulting in low wage demands. In other words, labour becomes cheap, and engaging job seekers in low-skilled elementary occupations, such as cooking and cleaning, may be the reason why SRBs under-invest in staff development.

2.3.2. Political Factors

South Africa has well-established democratic institutions and a widely respected constitution, which create an enabling environment for small restaurant businesses to flourish. Taal [46] argues that political stability is essential for effective and efficient operation of businesses by attracting and retaining critical staff. South Africa is a constitutional, multiparty democracy characterized by free and fair elections since its democratization in 1994. The country enjoys political stability, with the African National Congress (ANC) as the dominant political party. The ANC has formed a tripartite alliance with the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP). This alliance has led to the passage of progressive legislation promoting labour equity and fair labour standards [45], facilitating the adoption of employee-resourcing strategies by small hospitality businesses. Since the establishment of a democratically elected government in 1994, the South African government has been committed to achieving economic equality and social justice [45]. Policies aimed at empowering previously marginalized groups and promoting equity and distributive justice in the workplace have been enacted. The Black Economic Empowerment (BEE) Act and Broad-Based Black Economic Empowerment (B-BBEE) Act, passed by the African National Congress-led government in 2003 and 2013, respectively, were implemented to achieve these objectives.

2.3.3. Regulatory Factors

The Constitution of the Republic of South Africa is the supreme law of the country, and all other laws are subordinate to it. It ensures the protection of fundamental human rights, including labour rights. Employee-resourcing strategies that a SRB may need to adopt are expected to be in line with the laws of South Africa. As mentioned previously, there are existing labour laws that regulate employment relationship in South Africa. They cover issues like recruitment of staff, minimum wages, discrimination at the workplace, equal opportunities, fair treatment, collective bargaining, formation of trade unions, the right to strike, and termination of employment contracts, among others. For instance, the Employment Equity Act (Act 55 of 1998) aims to promote and achieve workplace equity by eradicating all forms of unfair discrimination. The main purpose of the Employment Equity Act is to advance economic development, social justice, and industrial democracy in both small and large businesses [47]. However, these laws alone cannot eliminate inequalities at the workplace, as there are other forces that impact these relations, especially in the hospitality industry. Some of the employee-resourcing strategies employed in this sector violate labour laws of the country. For example, Adeoye and Elegunde [45] investigated the exploitation of migrant labour in the hospitality industry in South Africa. The research established that, despite South Africa boasting of a progressive constitution that provides every employee the right to fair labour practices, migrant workers in this sector are severely prejudiced and exploited by employers. In fact, businesses in this industry evade regulatory compliance costs by casualising their staff, who can be easily laid off when demand slackens [45].

Labour laws in the country seem to hinder small business growth as they make it difficult for employers to terminate contracts of employment, obligating them to continue paying employees whose services they no longer require [43]. This lack of flexibility in hiring and firing does not incentivize small businesses to create jobs, which they have the potential to do [5]. In addition, small businesses in the restaurant sector must comply with the Occupational Health and Safety Act, the Compensation for Occupational Injuries and Disease Act, and the Employment Equity Act. The sector also has a bargaining

council, namely the Tearoom, Restaurant, and Catering Bargaining Council, which is responsible for dispute resolution, labour policy formulation, and collective bargaining. Furthermore, on November 26, 2018, the National Minimum Wages Act was enacted, setting minimum wages for small businesses at R20 per hour. This is likely to have an adverse impact on workers in rural small businesses, as they are more susceptible to job losses [44]. As a result of these restrictive and prohibitive measures, small restaurant businesses in South Africa face challenges that indirectly impact their employee-resourcing strategies.

2.3.4. Social Factors

South Africa is facing challenges due to its high crime rate, which significantly influences the performance of SRBs. Hung, et al. [20] argue that crime is regarded as a major macro-environmental variable affecting South African small businesses. This is because financial capital, which could have been used by small restaurant businesses to attract competitive staff, is being diverted towards the protection of businesses. As a result, SRBs often settle for cheap and unskilled labour, which has negative implications for their bottom line. Existing literature also indicates that crime and violence have a significant and growing effect on business in South Africa, with a greater effect on small businesses [5, 6].

Immigration to South Africa has increased, and the hospitality industry has become a major employer of immigrant labour Vettori [44]. Immigrant labour continues to be a prominent feature of the South African labour market, and the issue of employee resourcing for immigrants will remain relevant in the foreseeable future [45]. The South African restaurant business has certainly benefitted from the influx of semi-skilled and unskilled immigrants from Zimbabwe, Mozambique, and Zambia, due to poor economic and political conditions in their countries [44]. Undeclared labour is prevalent in this sector, clandestinely attracting foreign workers who are exposed to unsafe working conditions, job insecurity, and long working hours. The hiring of immigrants has created tensions, as local South Africans feel that these foreign workers are taking away their jobs [45]. However, contrary to the main narrative that small business owners/managers prefer foreign labour over employing locals, Kumar [48] found that the majority (70.9%) of small-scale, rural-based agricultural firms in South Africa did not employ foreign labour. This suggests that foreign labour may not be a key factor in employee resourcing in certain sectors in South Africa.

Thus, based on the literature above and the specific context of SRBs in South Africa, the following hypothesis is formulated:

H₂: There is a significant effect of the external environment on employee-resourcing strategies.

3. Methodology

The current study employed a quantitative approach to explain and predict the influence of internal and external environmental factors on employee-resourcing strategies. The ex post facto research design was adopted as it was deemed the most appropriate for making predictions and providing explanations regarding the nature of relationships between the variables. The target population consisted of owners/managers of SRBs in the Free State province, South Africa. A total of 221 questionnaires were completed by owners/managers of SRBs in the province. The convenience sampling method was adopted due to factors such as accessibility, availability, and willingness of owners/managers to participate in the study. Convenience sampling involves collecting data from elements of the population who are conveniently available and willing to participate in the research. This method was chosen to ensure a reasonable representation of geographically diverse population subjects in the final sample.

A questionnaire was adopted for this research, providing respondents with an opportunity to answer questions without interference from the researcher. It was chosen for its low cost factor, the anonymity of respondents, and the provision of adequate time for well-thought-out responses [49]. The questionnaires were pre-coded for statistical analysis. A five-point Likert-scale was used to measure the items related to internal and external environmental factors and employee-resourcing strategies. The questionnaire was developed in simple English, assuming that English language nuance was understood by owners/managers of most restaurants in South Africa. The questionnaires were hand-delivered in the Free State province, to be collected the following day after completion.

The Cronbach's alpha was used to measure the reliability of each construct. A Confirmatory Factor Analysis (CFA) was employed to ascertain the extent of relationship between environmental factors and employee-resourcing strategies. SEM was further employed to test a conceptual model that explains the relationship between environmental factors and employee-resourcing strategies.

4. Research Findings

4.1. Confirmatory Factor Analysis (CFA)

To assess the measurement model used to establish the relationship between environmental factors and employee-resourcing strategies, a Confirmatory Factor Analysis was employed. According to Bryman and Bell [50], confirmatory factor analysis can be used to test theories or hypotheses concerning the underlying structure of a set of variables. The measurement model shown in Figure 1 was constructed and estimated, and subsequently, the SEM table was generated to determine the relationships and their statistical significance.

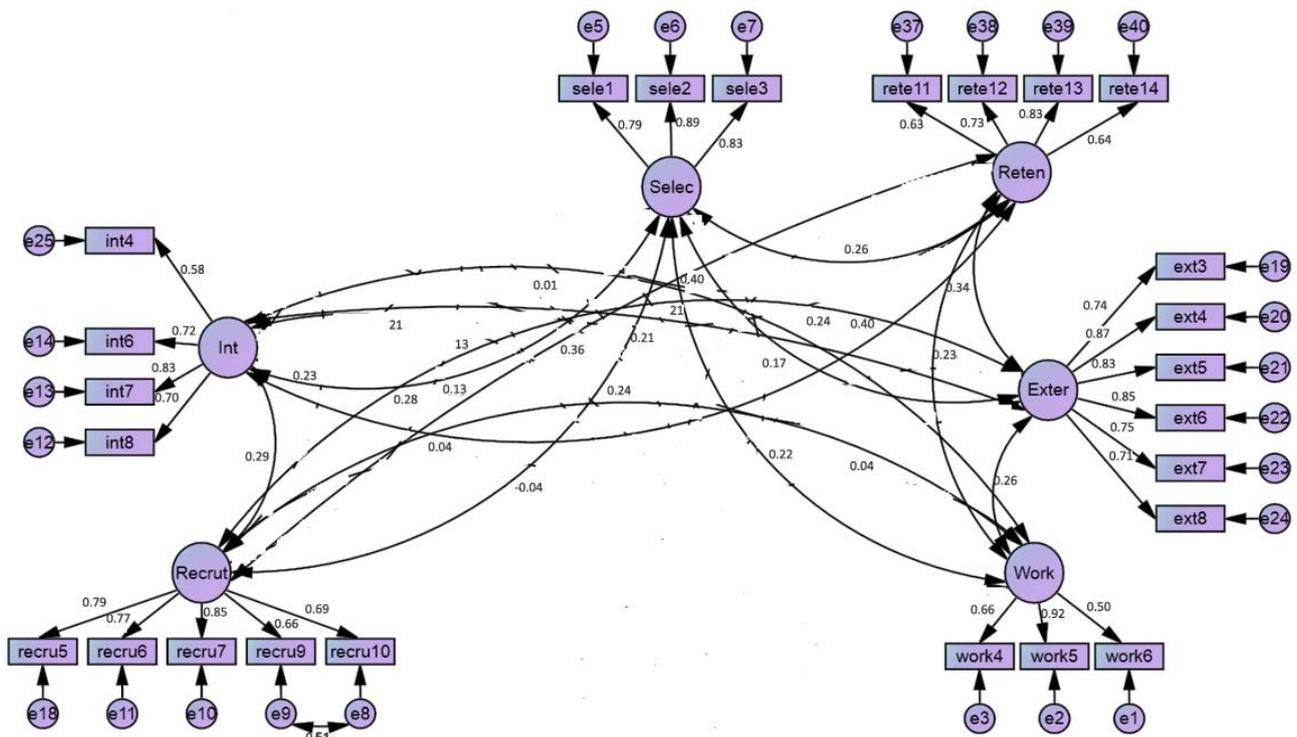


Figure 1. Measurement model.

4.2. Interpretation of the Measurement Model

The bigger circles in the diagram represent the latent variables used in this research. “Reten” represents Retention, “Selec” represents Selection, “Extern” represents External environment, “Work” represents Workforce planning, “Recruit” represents Recruitment, and “Int” represents internal environment.

The fit indices of the initial estimation of the CFA for all the observed variables and their indicators were found to be unacceptable. As a result, the model was refined by keeping only 4 out of 8 items for the internal environment construct due to validity concerns. It is assumed that all the items included in the measurement model are valid in the context of this research, and this validity was further confirmed through the reliability and validity tests.

The factor loading of each item indicates its contribution to the construct. A factor loading above 0.5 is considered acceptable, while anything below 0.5 suggests a poor measure. For example, the factor loading of the item "Sele1" is 0.79, which means that it measures Selection at 79% (0.79 x 100). Error terms are associated with each item to account for the margin of error when measuring abstract constructs. For instance, in the case of Selection, the error term for the item "Sele 1" is represented as "e5".

The coefficient values of double-headed arrows indicate the bivariate correlation coefficients between constructs. For example, the correlation coefficient between “Recruit” and “Selec” is .04, indicating that when one of these two variables increases by 1 standard deviation, the other variable also increases by 4% of its own standard deviation. The correlation table will later specify whether these correlations are statistically significant or not.

After refinement of the model ($\chi^2 = 642.629$; P value= .000 and df = 460), the model presented satisfactory fit indices: χ^2 / Chi-Square Value (CMIN)/df = 1.397. Adjusted Goodness Fit Index (AGFI) = 0.820; The Tucker-Lewis Index (TLI) = 0.943. Comparative Fit Index (CFI) = 0.950. Bentler-Bonett Normed Fit Index (NFI) = 0.848. RMSEA = 0.042) and these were all better than the recommended values for Root Mean Square Error of Approximation (RMSEA)<.05, χ^2 /CMIN/df< 3, AGFI>.80, TLI>.80, CFI>.80 and NFI>.80.

Overall, these fit indices surpassed the recommended values for good model fit, indicating that the refined model adequately represents the relationships between variables.

4.3. Reliability Analysis, Convergent and Discriminant Validity Assessment

Cronbach's alpha was used to measure the reliability of each construct. As argued by Hair, et al. [49], Cronbach's alpha measures the internal consistency of the construct, with a cut-off value of 0.7, although 0.6 can sometimes be permissible. In this study, as recommended by Bryman and Bell [50], convergent validity was assessed using factor loading (standardized estimates) expected to be above 0.5. Average Variance Extracted (AVE) was expected to be above 0.5, and Composite Reliability (CR) was expected to be above 0.7, with 0.6 sometimes considered acceptable.

The overall results indicated good reliability for all the scales involved in this research, as the Cronbach's alphas and composite reliability coefficients were both above 0.7, as recommended by Bryman and Bell [50]. The factor loadings of all constructs exceeded the recommended threshold of 0.5. This finding is supported by Samwel [51], who recommends a threshold of 0.5. The Average Variance Extracted (AVE) for all constructs exceed the usual cut-off of 0.5, which agrees with

the recommendations by Bryman and Bell [50]. These findings have convergent validity for all constructs in the measurement model. This means that the items significantly converged towards their respective constructs.

Discriminant validity was assessed by comparing the Square Root of the AVEs with the correlation coefficients. Table 1 below shows the correlation and square root of AVEs Matrix.

Table 1.
Correlation & square root of AVEs matrix.

Variable	Work	Selec	Recrut	Int	Reten	Exter
Work	0.715					
Selec	0.217	0.836				
Recrut	0.235	-0.042	0.754			
Int	0.402	0.127	0.283	0.713		
Reten	0.229	0.261	0.361	0.401	0.711	
Exter	0.256	0.172	0.232	0.452	0.33	0.792

Table 1 shows that there is no concern regarding discriminant validity in the measurement model, as all the correlation coefficients are lower than the square root of the AVEs for their respective constructs. For example, the correlation between Work and Reten (0.229) is lower than the square root of the AVE of Work (.715) and the square root of the AVE of Reten (0.711). The same comparison principle applies to the remaining constructs in the measurement model. With satisfactory results obtained from the confirmatory factor analysis (CFA), the researchers proceeded to the structural model.

4.4. The Structural Equation Model (SEM)

Using SEM, the researchers sought to test a conceptual model that depicts the relationship between environmental factors and employee-resourcing strategies. The structural equation model depicted in Figure 2 below was tested using maximum likelihood estimation performed with Analysis of Moment Structure (AMOS) 24.

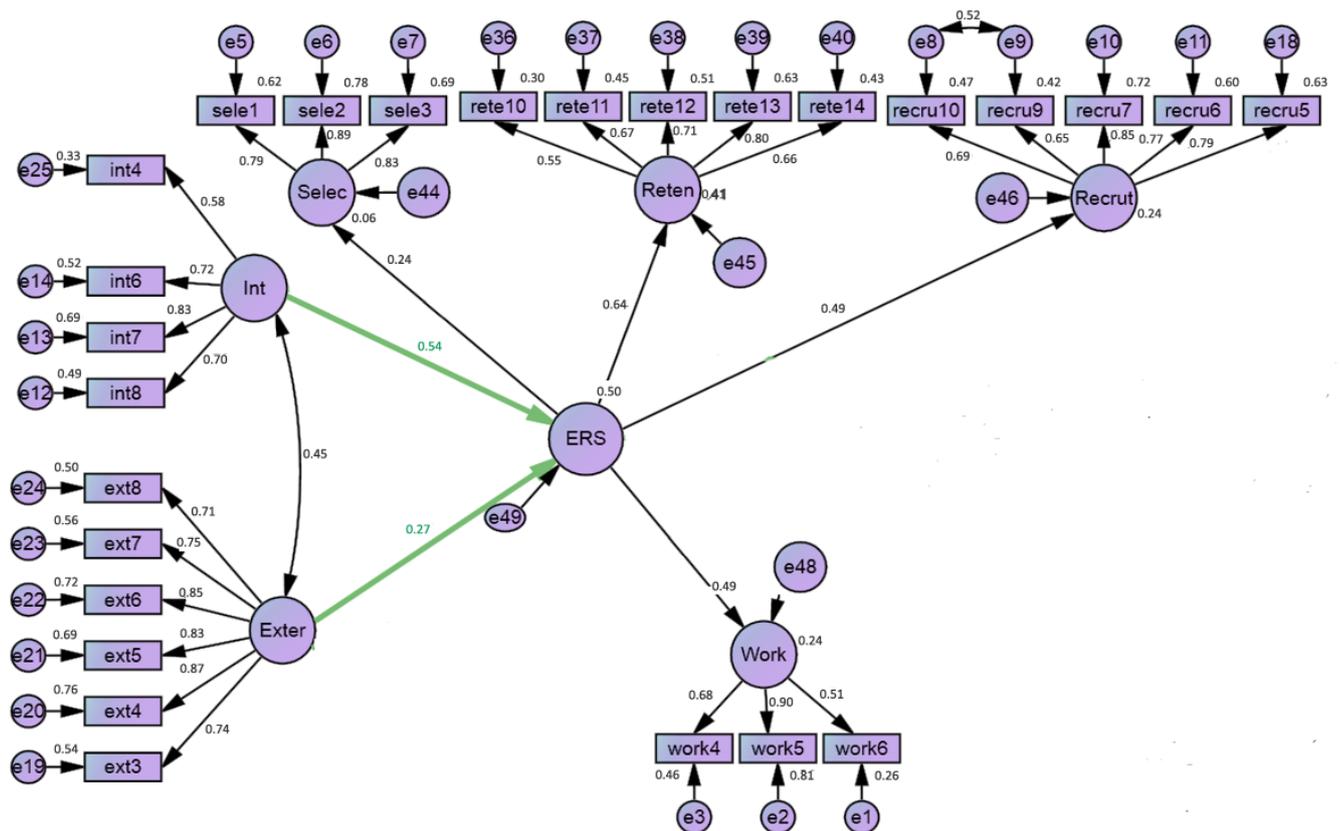


Figure 2. Structural model.

A model is considered to fit well if the reproduced covariance matrix closely approximates the observed covariance matrix [52]. In this case, the structural model ($\chi^2 = 733.251$; P value = .000 and df = 512) displayed satisfactory fit indices: (χ^2/df (CMIN/df) = 1.432. GFI = 0.840; TLI = 0.935. CFI = 0.941. NFI = 0.830. RMSEA = 0.44. PCLOSE = 0.906). In view of the above, it was concluded that the structural model fits the data satisfactorily. Therefore, the researchers can confidently draw conclusions regarding the research hypotheses.

4.5. Regression Analysis

After fitting the structural model, regression analysis was performed to determine the relationships between internal and external environmental factors and employee-resourcing strategies in SRBs. A summary of the hypothesised relationships and the regression weights are shown in [Table 2](#).

Table 2.

Regression weights and hypotheses.

Dependent variables	Independent variables	Estimate	P value	Hypothesis conclusion
Employee-resourcing strategies <---	Internal environment	0.538	***	Accepted
Employee-resourcing strategies <---	External environment	0.273	0.012	Accepted

Note: *** p-value less 0.001.

[Table 2](#) above shows the overall relationship between employee-resourcing strategies and the internal environment. The results of the research indicate a positive and significant effect of the internal environment on employee-resourcing strategies, as evidenced by the p value (***) being lower than 0.05. This means that when internal environment goes up by 1 standard deviation, the employee-resourcing strategy also goes up by 0.538 of its own standard deviation. Similarly, the results reveal a significant positive effect of external environment on employee-resourcing strategies, with a p value of 0.012, indicating that when the external environment goes up by 1 standard deviation, the employee-resourcing strategy also goes up by 0.273 of its own standard deviation.

5. Discussion of Findings

5.1. Internal Environment versus Employee-Resourcing Strategies

This section discusses findings pertaining to the first hypothesis, which proposes a significant effect of the internal environment on employee-resourcing strategies. The strong correlation between internal environment and employee-resourcing strategies is in consonance with results of studies conducted in India, Nigeria and Indonesia [37, 53]. The findings could be interpreted as follows: internal factors such as high wage demands, business size, the existence of established legitimate HR practices, and the availability of institutional support have a positive and significant effect on employee-resourcing strategies such as workforce planning, recruitment, selection, and retention in SRBs. This is also supported by [Saifalislam, et al. \[37\]](#), who argued that employee-resourcing strategies of an organisation are influenced by their environment and circumstances.

The findings show that SRBs' employee-resourcing strategies are shaped by their internal environment, which seems to determine the calibre of staff to be recruited and how they are retained in the organisations. These findings concur with the observation by [Olawale and Garwe \[5\]](#) that the effectiveness of HR practices depends on how closely they fit with the external and internal environments of the organisation. It can be suggested that the importance of internal factors in determining the crafting of employee-resourcing strategies among SRBs in South Africa cannot be overemphasised. The results imply that employee-resourcing strategies seem to be more efficient when linked to the internal environment of the small restaurant business.

By implication, the results also indicate that SRBs' understanding of the internal environment helps them come up with effective workforce planning policies that are internally consistent with the organisations' mission statements. This is considered important, as [Tabassum \[54\]](#) argues that proper manpower planning will ensure that every business department has an effective and efficient staff and an appropriate workload at all times. However, extant literature [14, 30] contradicts the findings when it posits that workforce planning could be a challenge in small businesses, especially when there is a mixture of family and non-family employees who may not share the same vision and lack established legitimate human resources management practices. This often results in workforce planning being done arbitrarily and in an ad hoc manner. Most small businesses, including SRBs in South Africa, could be failing to gain a competitive advantage as owners hold onto networks of a highly informal nature [18].

Perhaps, this could explain why small businesses have a high mortality rate, as they face challenges in forecasting the demand and supply of human resources [55]. Literature shows that the smallness of hospitality businesses (e.g., lodges, bed and breakfast (B&BS), restaurants) has some strong implications for the human resourcing budget and resourcing practices at large. Funding, which is scarce, is considered critical for the recruitment, placement, and retention of highly trained personnel with critical skills and competencies vital to organisational success [19, 20]. This could be different from big organizations with fully-fledged human resource departments, which follow formal workforce planning procedures and recruitment and selection processes, and can easily attract skilled personnel because of their good brands [14].

This finding that the internal environment strongly influences employee-resourcing strategies also confirms existing studies. For example, small businesses are struggling to attract competent human resources because they are hamstrung financially, forcing them to settle for mediocre staff [26]. Authors such as [Adeoye and Elegunde \[45\]](#) assert that knowledge workers in countries such as South Africa shun small hospitality businesses, including restaurants, because of their inability to pay better remuneration, and this acts as a constraint to their growth and development. Considering this evidence, it can be suggested that SRBs' internal factors, such as a lack of finance, can influence the process of employee-resourcing strategies.

5.2. Employee-Resourcing Strategies Versus the External Environment

This section discusses findings pertaining to the second hypothesis, which proposes a significant effect of the external environment on employee-resourcing strategies. The results presented in Table 2 above show that the external environment has a positive and significant effect on employee-resourcing strategies, as indicated by a p-value of 0.012, which is lower than 0.05. The findings show that the external environment influences SRBs' adoption of certain employee-resourcing strategies. This is in line with the view that external factors can inadvertently constrain the growth of a business [40]. This also implies that factors such as prevailing interest rates, economic growth rates, inflation rates, and competition from big organisations, political stability, and the political ideology of the ruling party could be used to predict the adoption of employee resourcing strategies in SRBs.

The findings of the current study also support research carried out by Saad [35] on factors influencing human resource management practices in the manufacturing industry in India, where a significant association between the two variables was established. One can posit that employee-resourcing strategies, such as staff attraction and retention in the SRBs, depend on the external environment in the country. For example, this study shows that external environmental factors such as prevailing interest rates, economic growth rates, and inflation rates, competition from big organisations, political stability, and the political ideology of the ruling party have an influence on SRBs' adoption of certain employee-resourcing strategies.

Previous research shows that the volatility of the macroeconomic environment causes more havoc in small businesses than in big organisations, as they operate on a shoestring budget, making it difficult to cushion themselves from the vagaries of the environment [45]. This concurs with Vettori [44], who observed that there has been an economic slowdown in South Africa since 2011 due to constraints on the labour supply side, resulting in stagnation of the gross domestic product per capita and a rise in unemployment (from 25% to 27%). This affected staff attraction and retention in small businesses, as they were forced by the unfavourable macroeconomic environment to downsize, making employees redundant.

Coetzee and Stoltz [53] argue that human resource management in any organisation does not take place in a vacuum; its content and form are affected by various internal and external factors. This means that employee-resourcing strategies in SRBs are informed by their external environment, which is beyond their control. This corroborates the view of Moyo and Mandizwidza-Moyo [39] that for HR practices (including employee resourcing) to have a greater effect on important organisational outcomes, a close fit with both the internal and external environment is needed. Similarly, Saad [35] points out that the organisation's external and internal factors determine the type of strategies and policies that will be embraced in managing its human resources. Thus, it can be argued that SRBs' understanding of external factors might help in workforce planning, recruitment, selection, and retention of critical staff, which could be important ingredients for their survival. This demonstrates that the external environment and employee-resourcing strategies are interdependent.

6. Conclusion and Implications

The findings of this study show a strong and positive relationship between the internal and external environment and employee-resourcing strategies in SRBs. Considering the vital role of small businesses in driving today's economies and employment growth, this study recommends that owner and manager identify internal and external forces that attenuate small business failures, especially in turbulent macroeconomic environments faced by developing economies such as South Africa. The study also recommends that SRBs study their environment (both external and internal) so that they can develop employee-resourcing strategies that lead to the attainment of critical organisational outcomes. The study contributes to the understanding of owners and managers of small restaurants' regarding the internal and external environmental factors that drive the adoption of certain employee-resourcing strategies. Having such critical knowledge can help in making informed decisions that guarantee survival in today's environment, which is characterised by volatility, uncertainty, complexity, and ambiguity.

This study makes significant contributions to the UN Sustainable Development Goals, especially Goal 8, which seeks to promote inclusive and sustainable economic growth, employment, and decent work for all. By focusing on understanding environmental factors and employee-resourcing strategies in SRBs (known for engaging in transient labour), this study helps promote decent work in this sector. Furthermore, investments in small restaurants through the proper utilisation of employee-resourcing strategies are likely to result in positive economic growth and employment creation, which are hallmarks of SMEs in developing contexts.

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