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# Unbundling State-Owned enterprises: Employee perceptions and Socio-Economic impacts

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## ABSTRACT

The unbundling of a South African state-owned enterprise represents a significant structural transformation aimed at improving operational efficiency, financial sustainability, and energy transition. However, this restructuring raises concerns about its socio-economic impact on employees. This study investigates this implication by exploring employee job security and working conditions. Grounded in Organizational Change Theory, the study employs a qualitative approach and obtains insights from interviews. Findings indicate that employees experience heightened job insecurity, worsened working conditions, and uncertainty regarding future employment prospects. Despite some optimism about potential market competition most employees perceive the unbundling as poorly managed and lacking transparency. The study calls for improved employee engagement, targeted policy interventions, and enhanced communication strategies. Transparent communication strategies are recommended to mitigate employee anxiety during unbundling. These findings contribute to academic discourse on entity restructuring while providing policy-relevant insights for ensuring a more inclusive and sustainable transition. In this volatile environment, employee and external stakeholder concerns are crucial for organisation's sustainability and competitive advantage.

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## Introduction

South Africa is at a pivotal moment in its energy sector history, with firms undergoing major structural transformations. Known as unbundling, this process involves dividing a large firm into separate entities. The goal of this restructuring is multifaceted, aiming to increase operational efficiency, improve financial sustainability, and align with international best practices for state-owned enterprise (SOE) management (Aguda, 2023). In addition, the unbundling supports South Africa's shift toward renewable energy, as mandated by global climate change commitments and the Integrated Resource Plan (IRP) (Hanto et al., 2022). However, while the theoretical benefits of such restructuring are well-documented, its practical implications for stakeholders, particularly the employees reliant on its services, remain underexplored. Employees face significant concerns about job security, changing working conditions, and career progression opportunities (Qin et al., 2021; Geddes et al., 2020). This study investigates these issues by exploring the perceptions and experiences of the firm's employees. It evaluates the socio-economic implications of the unbundling process, providing evidence-based insights to inform policy and management decisions. In doing so, this research seeks to contribute to the broader discourse on organizational change, stakeholder engagement, and sustainable energy transitions.

Globally, the unbundling of state-owned entities has been a prominent strategy for improving efficiency, fostering competition, and ensuring service delivery in the energy sector. Countries such as the United Kingdom, Australia, and Chile provide notable examples of this approach. While these nations have achieved varying levels of success in their restructuring initiatives, they have also faced challenges, including market concentration, regulatory complexities, and uneven socio-economic outcomes (Willems & Zhou, 2020;

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Suleman, 2020). In Africa, electricity sector reforms in Nigeria and Ghana highlight the critical role of governance, regulatory frameworks, and socio-political factors in shaping the success of such initiatives (Ajewole et al., 2021). South Africa's decision to unbundle entities align with these global and regional trends. The restructuring process seeks to address persistent inefficiencies, operational challenges, and financial instability while paving the way for a just energy transition (Bowman, 2020).

Despite these intentions, the state-owned enterprises' unbundling raises significant concerns. The utility's role as a major employer and community anchor makes the socio-economic implications of its restructuring particularly acute. Communities already struggling with high unemployment and inequality are at risk of further marginalisation due to rising costs and service inconsistencies (Geddes et al., 2020; Mondli, 2020). Meanwhile, employees face uncertainties about job security and benefits, further complicating the change management process (Qin et al., 2021). This research provides a critical examination of these challenges by focusing on the lived experiences of affected stakeholders. It aims to fill gaps in the existing literature, offering nuanced insights into the socio-economic dimensions of a firm's unbundling and its implications for sustainable development in South Africa.

This paper is organized as follows: following the introduction part, a second part is a literature review with theoretical and empirical studies that shed a light on linkage between theory and practice. The third part introduces the background information on research and methodology. After analysis and findings of the study, authors provide discussions and implications. Finally, this paper concludes with key points, recommendations, limitations, and future research directions.

## **Literature Review**

Organizational change theory examines the processes, challenges, and outcomes of structural transformations within organizations. It highlights the critical role of leadership, communication, and employee engagement in managing resistance to change and ensuring successful transitions (Frandsen & Morsing, 2021). In the context of the utility's unbundling, this theory underscores the importance of effective change management strategies in addressing employee concerns and fostering organizational resilience. Clear communication of restructuring goals, transparent decision-making, and robust support mechanisms are essential for minimizing disruptions and enhancing employee trust (Blackman et al., 2022). Furthermore, employees may experience frustration and leave the organization at a faster rate due to lack of communication and engagement in organisational changes (Muzanhenhamo, 2023). Organizational change does not emerge and evolve in splendid isolation. Internal and external stakeholders tend to be heavily involved before, during and after the change process (Frooman, 1999). Thus, traditional leadership approaches characterized by rigid hierarchies and a significant distance between leaders and followers are becoming increasingly outdated and ineffective (Bah et al 2024).

Restructuring is a form of organisational change which Colbert et al (2016) defines as the adjustment in behavior or ideas within an organization in response to internal or external factors. Globally, the restructuring of state-owned utilities has been implemented as a strategy to enhance efficiency, foster competition, and promote innovation in the energy sector. Countries such as the United Kingdom, Australia, and Chile provide valuable case studies for understanding the complexities and outcomes of such reforms (Aguda, 2023; Suleman, 2020). In the UK, the unbundling of the electricity sector in the late 1980s and early 1990s aimed to create a competitive market environment. While the process succeeded in reducing costs and improving service delivery, it also led to significant regulatory challenges and issues related to market concentration (Willems & Zhou, 2020). Similarly, Australia's electricity market reform introduced competitive dynamics, but concerns about affordability and equitable access persisted, particularly for rural communities (Heim et al., 2020). Chile's experience demonstrates the potential benefits of utility restructuring in fostering private investment and improving efficiency. However, it also highlights the risks of social inequality and public resistance to change, particularly when reforms are perceived as favouring private interests over community well-being (Ferreira et al., 2019). These global examples underscore the importance of context-specific approaches that balance economic, social, and environmental objectives.

In Africa, utility reforms have been driven by the need to address inefficiencies, financial instability, and service delivery challenges in state-owned enterprises. Countries such as Nigeria and Ghana provide insights into the opportunities and risks associated with electricity sector restructuring (Ajewole et al., 2021). Nigeria's unbundling of its power sector aimed to attract private investment and reduce the government's financial burden. While the reforms improved access to electricity in some areas, they also highlighted the importance of robust regulatory frameworks and stakeholder engagement. This aims to address challenges such as tariff hikes and service disparities (Aguda, 2023). Similarly, Ghana's experience with power sector reforms underscores the need for strong governance structures for privatization efforts to align with national development goals (Suleman, 2020).

In South Africa, the unbundling of the SOE represents a major policy shift aimed at addressing the utility's financial and operational challenges. The restructuring process is guided by the Integrated Resource Plan (IRP), which emphasizes the need to transition to renewable energy and reduce reliance on coal (Hanto et al., 2022). However, the SOE's unbundling faces significant obstacles, including mounting debt, outdated infrastructure, shortage of critical skills and public resistance to change. Employees are particularly concerned about job security, while communities worry about rising electricity costs and service disruptions (Geddes et al., 2020). These challenges are compounded by South Africa's broader socio-economic issues, including high levels of unemployment, inequality, and energy poverty (Bowman, 2020). Despite these difficulties, the unbundling process presents opportunities for innovation, efficiency, and sustainable development. By fostering competition and attracting private investment, SOE's restructuring has the potential to drive economic growth and improve energy access. However, achieving these outcomes

requires effective stakeholder engagement, robust regulatory frameworks, and targeted interventions to address the needs of employees and communities (Mondi, 2020).

## Research and Methodology

This study adopted a qualitative method. Qualitative data was collected through semi-structured interviews. This method was particularly effective for exploring employee perceptions and experiences, as they allow participants to articulate their views in depth (Kakilla, 2021). Semi-structured interviews were conducted on ten employees of the South African public enterprise in Gauteng province where the firm's operations have significant socio-economic impacts. Purposive sampling was employed to select participants who were directly affected by the firm's unbundling, such as employees from various divisions. Qualitative data was analysed using thematic analysis, a method that involves identifying and interpreting patterns within the data (Redondo et al., 2019). This approach is well-suited to exploring the nuanced perceptions and experiences of employees. Themes were derived from the interview transcripts, providing insights into the socio-economic impacts of the SOE's unbundling (Aguinis et al., 2021). Additionally, thematic steps such as familiarization, coding, theme development, reviewing of themes, defining and interpretation of themes were used.

## Findings and Discussions

Thematic analysis was conducted to extract key insights from the qualitative data collected from employees regarding the company's unbundling process. However, the following major themes were identified:

### Job Security and Employee Anxiety

A dominant theme that emerged was the heightened job insecurity among the employees due to restructuring. Many employees expressed anxiety over potential retrenchments and unclear career trajectories. One participant emphasized, *"Every day at work feels like we are just waiting for bad news. There is no certainty about whether we will have jobs next month"*. Another participant echoed similar sentiments, stating, *"I have worked here for over 15 years, and I have never felt this uncertain about my future"*. Employees were particularly concerned about whether unbundling would lead to job redundancies, with one respondent noting, *"We have heard rumours that once the restructuring is complete, there will be mass layoffs. But management keeps denying it while also refusing to give clear answers"*. Findings indicate that the restructuring has created significant uncertainty, with employees expressing widespread anxiety over potential retrenchments, salary adjustments, and diminished career progression opportunities. These concerns align with previous research on organizational restructuring, which suggests that employees often experience psychological stress, reduced morale, and lower productivity when faced with unclear job prospects (Arunachalam, 2020; Qin et al., 2021). The Organizational Change Theory (Frandsen & Morsing, 2021) provides a useful framework for understanding the impact of the firm's restructuring on employees. This theory emphasizes that when change processes are poorly communicated and managed, employees are more likely to experience resistance, anxiety, and disengagement.

### Changes in Workplace Conditions and Morale

Closely linked to job security concerns were the perceived changes in workplace conditions following the firm's restructuring. Employees described a shift in work culture, with declining morale and increased workloads. One respondent shared, *"The mood in the office has changed. People are demotivated, and no one trusts management anymore"*. Many employees reported a growing expectation to take on additional responsibilities due to staff shortages. *"They are not hiring new people, but they keep increasing our workloads. It feels like we are being squeezed out slowly"*. Another employee echoed this, stating, *"Before, my job was clear-cut, but now I am handling things that were not in my job description. It is exhausting"*. Concerns were also raised about the erosion of employee benefits. One participant noted, *"We were promised that our pension and medical aid wouldn't be affected, but now they are talking about 'restructuring' benefits. That is a red flag"*. Another participant added, *"Colleagues who left last year had their severance packages delayed for months. It makes you wonder what will happen when it is your turn"*. In addition to job insecurity, findings revealed that employees experienced deteriorating workplace conditions, with many taking on additional workloads due to staffing shortages. This aligns with research by Blackman et al. (2022), which highlights that unbundling often leads to job redundancies and increased work demands on remaining employees. This trend was evident among employees, who reported that the restructuring process had led to role ambiguity, longer working hours, and greater pressure to meet performance targets. These findings also correlate with Koohang et al. (2017), who emphasize that restructuring in large organizations frequently results in overburdened employees, decreased job satisfaction, and heightened burnout risks. The study further found that the erosion of employee benefits, such as uncertainty surrounding pensions and severance packages, contributed to workplace anxiety. Research by Geddes et al. (2020) confirms that financial instability in state-owned enterprises often leads to cost-cutting measures that disproportionately affect employee benefits and job security. This aligns with international case studies, where utility unbundling led to temporary wage freezes, reduced benefits, and loss of institutional support structures for employees (Suleman, 2020).

### Communication and Transparency Issues

A recurring concern in the qualitative responses was the lack of clear communication from the company's leadership regarding the restructuring process. Many employees and community members expressed frustration with the company's inconsistent messaging.

One employee stated, "We hear about changes in the media before management even addresses us. It makes us feel like we are the last to know about decisions that directly affect us". Several participants pointed out that the uncertainty surrounding the SOE's future had created confusion. "Some managers say our jobs are safe, while others hint at upcoming retrenchments. Who are we supposed to believe?" Another employee noted, "The CEO gave a speech saying, 'no immediate job cuts,' but what does 'immediate' mean? Six months? A year? They leave too much room for interpretation". This lack of transparency extended beyond employees to affected communities. Findings from this study align with this theory, as employees consistently reported a lack of transparency from the firm's leadership. Many employees expressed frustration that communication about potential job losses and contract changes was vague or inconsistent, leading to speculation and misinformation. These findings are supported by Geddes et al. (2020), who argue that restructuring within public-sector utilities often fails due to inadequate change management strategies. However, it is the role of human resource professionals to assist with strategies in organisational transition leading to new challenges (Muzanenhamo and Rankhumise, 2023).

Despite these challenges, a minority of respondents expressed optimism that the firm's unbundling could bring long-term job stability. Some employees believed that restructuring could result in greater operational efficiency, professional growth, and the potential for competitive salary structures in the long run. This perspective is supported by Willems & Zhou (2020), who found that in some cases, utility restructuring has led to a more dynamic and performance-driven work environment. However, such benefits appear conditional on how well leadership navigates the transition process, which remains a major concern based on findings from this study.

## Conclusions

The discussion revealed that unbundling has generated significant anxiety among employees. Such transitions often lead to short-term hardships before long-term efficiencies can be realized. Findings indicated that employees face heightened uncertainty due to potential retrenchments, role ambiguity, and increasing workloads. This aligns with the Organizational Change Theory which emphasizes the need for structured change management to minimize resistance and anxiety. The study found that poor communication from leadership exacerbated job insecurity, a trend observed in other public-sector restructuring efforts where employees were left uninformed about transition plans (Geddes et al., 2020). The evidence suggests that for the entity's restructuring to succeed, leadership must implement transparent change management strategies, ensuring employees are adequately supported and informed throughout the process. Additionally, the research study recommends the following:

- i. The utility leadership should adopt a clear and consistent communication framework to keep employees informed about restructuring timelines, job security measures, and role changes.
- ii. Regular town hall meetings, internal bulletins, and interactive Question & Answer sessions should be conducted to address employee concerns in real time.
- iii. The SOE should establish career transition programs, including reskilling and upskilling initiatives, to help affected employees adapt to changes in job roles.
- iv. Severance packages and job placement assistance should be provided for employees facing retrenchment.
- v. Employee representation should be included in decision-making processes, ensuring that restructuring decisions consider workers' perspectives. This helps to reduce workforce resistance, improve morale, and facilitate a smoother restructuring process.

The study has the limitation that it focused only on one state-owned enterprise in South Africa. Future empirical research is needed in the form of comparative studies on effectiveness of organisational change in African state-owned enterprises.

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