Full Length Research Paper

An Investigation into Recruitment and Selection Practices of Small and Medium Enterprises: Evidence from Ghana

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Effective recruitment and selection practices enhance the productivity and competitiveness of every organization. The present study sought to investigate the recruitment and selection practices of Small and Medium Enterprises (SMEs) in Ghana. A questionnaire survey was to collect data from two hundred and fifty-eight (258) respondents. The study sampled owner/managers and all employees of the selected micro and small firms. However simple random sampling was used to select respondents from the selected medium-size enterprises. SPSS was used to analyze the data collected. The study revealed that majority of SMEs do not follow formal recruitment and selection practices. It was also evident that existing recruitment and selection practices were not systematic and lacked consistency as these practices were based on the understanding of owner-managers who had little or no expertise in the subject. The findings indicates that an understanding and adoption of formal and context specific aspects of recruitment and selection practices by owner/managers will help position the SME’s at the forefront of socio-economic development. A major limitation of the study was a lack of current data on the addresses and locations of SMEs’ as well as inadequate information to enhance easy classification and access. The present research contributes to knowledge by bringing to the fore specific and contextual issues that may influence recruitment and selection practices of SMEs.

Keywords: Recruitment and Selection Practices, Human Resource Management, Employee Performance, SMEs.

INTRODUCTION

It is generally accepted both in academia and in business that the human resource of every organization are its’ most valuable and powerful of all resources and that the quality of human resources also have a direct impact on the performance of the organization. Significant attention has been paid to recruitment and selection practices in large organizations which many believe represents the best approach to recruitment and selection by business organizations. Interestingly, although a number of studies have been conducted about the recruitment and selection practices of SMEs in other countries, much of the research focused on large organization and as the literature shows, very little of such study have previously been conducted in Ghana. A considerable quantity of prescriptive literature is available to managers responsible for recruiting staff aimed at helping them to increase the chances of finding the right person for the job (Carrol et al., 1999). Most of these literatures,
practices on employee performance. The study further sought to find out the challenges faced by SMEs in their recruitment and selection process. The study also evaluated the effectiveness of the recruitment and selection practices in the selected SMEs in Ghana and made appropriate recommendations on the process of recruitment and selection in the selected SMEs. This study is relevant, particularly, giving the important role of SMEs in the Ghanaian economy; in job creation, contributing to GDP growth, tax revenue and helping in the distribution of goods and services. A greater proportion of man power especially among the youth is lying idle, incomes are low, and basic needs of the vast majority of the people remain unfulfilled. Rapid industrialization spearheaded by the small business sector seems to be the only way out of the disrupted economy. It is with this view that this study attempts to explore the recruitment and selection practices in the SMEs sector to encourage them to design an effective and efficient recruitment and selection practices which is said to be the cornerstone of all successful businesses.

Theoretical Framework

Definition of SME

In practice it is not easy to define the terms SMEs or an SME sector. A review of the related literature on SMEs indicate that, SMEs face a definition problem and that many researchers have straggled to come up with universally acceptable definition of what a small business is and is not. According to some experts in the field, the definition problem has stemmed from two main factors. These are the Conflicting ideas upon which economic aggregates to base the analysis. Should SME be classified according to number of employees, turnover, profitability or net worth? (Potobsky, 1992), for example, a small firm in the petrochemical industry will probably have much higher levels of capitalization, sales and possible employment than a small firm in the car repair trades (Tonge, 2001). To overcome this definition problem, The Bolton Committee (1971) first attempted a definition when it formulated an “economic” and “statistical” definition of a small firm. The Bolton Committee applied different definition to different sectors.

In Ghana several definitions have been given for SMEs and according to (Kayaniula and Quartey, 2002) as cited in Abor and Quartey (2010), the most commonly used criterion is the number of employees of the enterprise. The definition adopted for this research is in line with that suggested by the National Board for Small Scale Industries (NBSSI), an apex body established by Act 434 of 1981 for promoting small scale industries. The NBSSI (1998) provided an operational definition of SME to include the following: Small business is any business that
employers up to 29 people. Small business is divided into: the micro and small and medium enterprises. The micro enterprises employ up to 5 employees with fixed assets (excluding land and building) not exceeding the value of $10,000; small enterprises are those employing between 6 and 29 employees or having fixed assets excluding land and building not exceeding $100,000 and; a medium enterprises employ between 30 and 99 employees with fixed assets of up to $1m (cited in Agyapong, 2010) It therefore needs to be emphasized however that small business management is different in several respect to management in larger organizations, because of social structures and relationships and because of the levels of resources availability.

The concept of recruitment and selection

Recruitment and selection (or staffing) is said to the best represented area of research in people management in smaller, growth, or entrepreneurial organizations with more scholarly work done conducted than other functional aspect of HRM (Cordon & Stevens, 2004) as cited in Taylor (2006). The recruitment and selection process thus forms the first stage of the psychological contract between applicants and organizations, where information is mutually exchanged and role expectations are clarified and negotiated (Herriot, 1993; Anderson, 2004). Recruitment includes those practices and activities carried out by the organization with the primary purpose of identifying and attracting potential employees' (Breaugh and Starke, 2000: 405) and has long been regarded as an important part of HRM as it performs the essential function of drawing an important resource – human capital into the organization' (Barber, 1998: 841).

The recruitment and selection of an effective workforce consequently can be viewed as central to the success of an enterprise and a key function in HRM. The strategic importance of recruitment is often reported in academic literature (Boxall & Purcell, 2003). Recruitment is primarily concerned with "the process of generating a pool of capable people to apply for employment to an organization" (Bratton and Gold, 2003: p. 221). It is closely connected with the selection process which "is the process by which managers and others use specific instruments to choose from a pool of applicants a person or persons most likely to succeed in the job (s), given management goals and legal requirements" (Bratton and Gold, 2003: p. 221). This is supported by Foot and Hook (2010) seems to be clearer in their minds when they identified the key stages of a systematic approach to recruitment as job analysis, job description, person specification and attracting applicants through the various methods of recruitment. Denisi and Griffin in their book “Human Resource Management” second edition were almost in agreement with Foot and Hook when they described the recruitment process as consisting of three stages. The three key stages according to them are job analysis, job description and person specification.

Effective selection processes allow both the candidate and the organization to properly assess the degree to which the candidate fits the job specification and are in keeping with all applicable legislation. Selection is an opportunity for companies to choose candidates that they believe are most suitable for the job. Snell and Bohlander (2010) define selection as a process of choosing individuals who have relevant qualifications to fill existing or projected job openings. This researcher defines selection as the process choosing the person(s) form the pool of potential candidates who meet the requirement of the vacancies identified in the organization.

Recruitment and selection in SMEs

Small businesses have reported, in many polls and surveys, that finding competent workers is one of their most important problems (Inc., 1997; Deshpande and Golhar, 1994; Atkinson and Storey, 1994; McEvoy, 1984) Ritchie et al. (1993) and cited in Tanova (2003) state that small businesses are usually not the employer of choice for job seekers. The difficulties faced by small businesses may be due to a negative image that small businesses have as employers (Moy & Lee, 2002). This problem is compounded in the light of the fact that, SMEs cannot have a large internal labor market and when they lose employees they need to replace them from the external market. Large organizations usually have well-established personnel or HRM departments, with extensive procedures and policies to deal with employee-related issues. Many small companies on the other hand do not even have personnel or any other large departments as such. Major functions are normally carried out by individuals rather than departments. In some cases an individual may be in charge of more than one major function. For instance marketing, sales and customer relations may be handled by just one person Tayeb (2005). To alleviate this problem some governments have devised programmes to encourage the recruitment of graduates by small businesses. For example according to Tanova (2003) KOSGEB, a government agency in Turkey, set up to assist small and medium-sized enterprises, pays a share of a graduate’s salary for a period of time.

Priyanath (2006) argue that a major challenge face by SMEs is the difficulty in recruiting and selecting employees with the correct qualification to help achieve goals of the enterprise. He explained further that this problem is compounded by the lack of systematic method for recruiting and selecting employees. A systematic recruitment process involves identifying vacancies, job analysis, job description, person specification, advertisement. While a systematic selection process involves the recruiting process, gathering information
about qualified applicants, evaluating the qualification of each applicant and making decision about employment. On the contrary, evidence suggests that most SMEs follow an informal process for recruiting and selecting employees. According to Priyanath (2006) some 70.2 percent of employees of SMEs in Sri Lanka were recruited and selected by personal-biased favoritism. Most SMEs rely on the assistance of friends, relatives or an existing employee to look for suitable personnel for vacancies.

Word-of-mouth methods are recognized as having some distinct advantages. As well as the obvious advantages of speed and cost, not only is the new recruit a “known quantity”, he or she is likely to have been given more prior knowledge about the firm and the job, and what to expect from it (Carroll et al 1999). On the evidence of research both in the USA and the UK, Atkinson and Storey (1994, p. 11) conclude that the quality of employment in small firms is, in fact, lower than in large ones: Wages are lower, training is less frequent, and the evidence for a compensating higher level of job satisfaction is weak. Furthermore, in view of the financial weakness of many SMEs and their relatively low levels of unionization, effective job security for workers is likely to be lower than for workers in large firms. In addition, researchers such as Lane (1994) and Hendry et al. (1995) point out that small firm are less able to sustain internal labor markets. As a consequence, they may struggle to retain key staff and are more vulnerable to changes in the external labor market. Other commentators (Ritchie, 1993; Atkinson and Storey, 1994; Thatcher, 1996) suggest that these factors have serious recruitment and implications for small's, since they are therefore unlikely to be able to attract high caliber of employee as large firms. Holliday's (1995) in-depth case study research in three small firms also found recruitment by word-of-mouth to be the most common method.

Employee performance

Performance is an increasingly important issue for all business enterprises in developed and developing economies in both public and private enterprises. SMEs are however not exempted from the necessity of performance as they are continually threatened by increase competition resulting from the increasing liberalization of the global economy. Individual performance is topical issue in today’s business environment, to the extent that organizations go to the length to appraise and manage it (Armstrong and Barron, 1998). Performance has been defined by Hellriegel et al. (1999) as cited in Hayward (2005) as the level of an individual’s work achievement after having exerted effort. Whetten and Cameron as cited in Hayward (2005) state that individual performance is a product of ability multiply by motivation. With environmental factors influencing performance primarily through their effect of individual determinants of performance- ability and motivation, Cummings and Schwab (1973) concur with the belief that performance is ultimately an individual phenomenon (cited in Hayward, 2005). Qureshi and Ramay (2006) as cited in Tanveer et al. (2011) argue that HR practices are positively correlated with the profitability and suggest that management of organization must focus on these HR practices (recruitment and selection) resulting in improved organizational profit. In order to get maximum output from employees, it is important to consider a fit between successful candidates and the organization.

This is made possible by the use of selection criteria as basis on the questions asked by the selection panel and in interview. By selecting the required candidates for positions in respective departments, line managers could help achieve a better fit between job and candidate (Zhu and Dowling, 2002) as cited in Thang and Quang (2005). Other researchers Terpstra and Rozell (1993) have found a positive relationship between the extensiveness of recruiting, selection test validation and the use of formal selection procedures and firm profits. Other studies have shown that implementing an effective staffing process is positively related to organizational performance (Delany and Huselid, 1996) as cited in Syed and Jama (2012). Koch and McGrath (1996) as cited in Rauf (2007) also found that sophisticated recruitment and selection procedures are positively related to labor productivity. Multiple dimensions of performance has been used in some studies, in this study the researcher defined performance in terms of employee productivity.

METHODOLOGY

This research is an inductive approach which according to Saunders et al. (2009) is an approach in which the researcher collects data and develops theory as a result of data analysis. The study therefore employed a survey approach. Two detailed sets of questionnaires were designed to collect primary data from the owner/managers and employees of the sampled SMEs. Quota sampling was used to select five firms from each of the three sectors (micro, small and medium enterprises). The rationale for choosing this strategy was to give equal representation to all the three sub-sectors, micro enterprises, small enterprises and medium enterprises. The researchers used purposive sampling to select the individual firms. The rationale was to enable the researchers use their judgment to select specific firms that will enable him answer the research questions and to
meet research objectives. Other reasons were that the data collected by the researcher from the NBSSI on registered firms in the region did not indicate the addresses as well as the size of firms. There was also reason to believe that some of the firms in the list may no longer be in operations.

After selecting five firms from each sector, the researchers then sampled all employees and the Owner/Managers in the micro and small enterprises. Thus for medium enterprises employing 30 to 99 workers, simple random sampling was used to select 30 employees each form five firms. A total of 15 owner managers and 266 employees were giving the survey instruments. The response rate included 15 from owner/managers and 258 from employees from the 15 firms. For the purpose of this study, a structured questionnaire consisting of 45 and 18 questions was made to collect data from Owner/Managers and employees of SMEs respectively. It was organized into three sections and was used to collect data from employees and Owner/Managers. Section A consisted of questions regarding basic information about the firm and the recruitment and selection practices. Section B was designed to collect data on the challenges of recruitment and selection practices in SMEs. A five point Likert scale has been used in this section of the Questionnaire to indicate the extent of challenges in SMEs recruitment and selection practices. The scaling is: 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree, and 1 for strongly disagree have been given in other to analyze data.

Section C consisted of structured questions designed to evaluate the effectiveness of recruitment and selection practices in addition to structured questions design to gather data on performance appraisals.

In analyzing the data the researchers used both quantitative and qualitative data. Data gathered from the field was edited in order to errors, quantified, and coded to facilitate counting of frequencies of responses that were given by respondents. The questionnaires were made up of closed-ended questions and were analyzed with reference with the objective of the study. The researcher used SPSS to analyze the data through the use of frequency distribution tables and bar charts.

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### Introduction

This chapter gives an overview about the results of the study. It contains the results of primary data that were gathered empirically from the field by the use of questionnaires and an analysis of the findings. Data is analyzed and presented through tables.

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**Table 4.1 Number of Responses from each sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises (0-5)</td>
<td>21</td>
<td>8.6</td>
</tr>
<tr>
<td>Small Enterprises (6-29)</td>
<td>93</td>
<td>38.3</td>
</tr>
<tr>
<td>Medium Enterprises (30-99)</td>
<td>193</td>
<td>53.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>243</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field study, 2012

**Table 4.2 Employees Sources of Information about their Jobs**

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio</td>
<td>101</td>
<td>41.6%</td>
</tr>
<tr>
<td>Television</td>
<td>1</td>
<td>0.4%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>1</td>
<td>0.4%</td>
</tr>
<tr>
<td>Friends and relatives</td>
<td>140</td>
<td>57.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>243</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Field study, 2012

**Table 4.3 Sources of employment**

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee referral</td>
<td>84</td>
<td>41.2%</td>
</tr>
<tr>
<td>Protocol</td>
<td>1</td>
<td>0.4%</td>
</tr>
<tr>
<td>Relations</td>
<td>86</td>
<td>42.2%</td>
</tr>
<tr>
<td>Employment agency</td>
<td>33</td>
<td>16.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>204</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Field Study, 2012
Table 4.4 Firm size and employee source of information about their jobs

<table>
<thead>
<tr>
<th>What is the total number of 0-5 employees in this company?</th>
<th>Count</th>
<th>% within What is the total number of employees in this company?</th>
<th>Count</th>
<th>% within What is the total number of employees in this company?</th>
<th>Count</th>
<th>% within What is the total number of employees in this company?</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>1</td>
<td>4.8%</td>
<td>20</td>
<td>95.2%</td>
<td>21</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>6-29</td>
<td>26</td>
<td>28.0%</td>
<td>67</td>
<td>72.0%</td>
<td>93</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>30-99</td>
<td>76</td>
<td>58.9%</td>
<td>53</td>
<td>41.1%</td>
<td>129</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>42.4%</td>
<td>140</td>
<td>57.6%</td>
<td>243</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field study, 2012

Table 4.5 Number of Responses from each sector

<table>
<thead>
<tr>
<th>Source, Field Study, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td>Micro Enterprises (0-5)</td>
</tr>
<tr>
<td>Small Enterprises (6-29)</td>
</tr>
<tr>
<td>Medium Enterprises (30-99)</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Number of Responses from each sector

From the table above, there were 21 responses representing 8.6%, 93 responses representing 38.3%, and 126 responses representing 53.1% from micro, small and medium enterprises respectively.

Employees Sources of Information about their jobs

In this section, the study sought to find out employees sources of information about their jobs. Employees of SMEs were asked to indicate whether they obtained information about their jobs through the internet, radio, television, newspapers or from friends and relatives.

Out of 243 employees of SMEs who responded, 103 representing 42.4% attributed their sources of information about their jobs to radio. 140 representing 57.6% received information about their jobs through friends and relative. The findings that 57.6% of the respondents received information about their jobs through the word-of-mouth are in consonance with finding in many surveys that SMEs tend to have informal HR procedures. This researchers were however of the opinion that it may be cost effective to keep it that way. It is also clear from the study that SMEs don’t prefer the internet as recruitment tool. This may be attributed to the lack of computer literacy on the part of the owner/managers or the employees they seek to attract. (Source: Table 4.2)

Sources of Employment

The study further sought to ascertain the common source of employment in SMEs. In table 4.3 the results presented shows that of the total of 204 obtained with
Table 4.6 Recruitment and Selection Policy

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Field Study, 2012

Table 4.7 Formal Recruitment and Selection Process

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Field study, 2012

Table 4.8 Source of Recruitment for SMEs

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal source</td>
<td>3</td>
</tr>
<tr>
<td>External source</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Field Study, 2012

regards to source of employment, 41.2% mentioned employee referral. Eighty-six respondents (42.2%) mentioned relations. While 33 (16.2%) mentioned employment agency. Only one respondent (0.4%) mentioned protocol. The findings that majority of employees of SMEs in Ghana are hired though friends and relatives are in consonance with the findings of Dumbu and Chadamoyo (2012) that SMEs at the Great Zimbabwe employ people through the assistance from friends and relatives and on the basis of personal-biased favoritism of the individual owner/ managers. It is the opinion of these researchers were of the opinion that what is existing in Ghana may be attributed to the Ghanaian culture as a collectivist society where working with others and cooperating is the norm and were everyone relies on each other for support. As a result, some parents and uncles and to a large extent the extended family members make it their duty to help the young ones acquire jobs.

Relationship between the size of a Firm and Employees Sources of Information about their job

Under this section, the study sought to find out the relationship between the size of firm in which an employee works and their source of information about the job. Table 4.4 presents an analysis of the relationship between respondents’ firm size and the sources of information about their job.

Out of the total 21 responses from micro enterprises, 20 representing (95.2%) of the survey attributed their source of information to friends and relatives. Only 1 (4.8%) representing (1%) attributed their source to radio. A total of 93 responses representing (38.3%) of the survey were received from the small enterprises sector. 67 representing (72%) of enterprises with 6-29 employees attributed their sources of information to friends and relatives. 26 (28%) of respondents in the small enterprises mentioned radio. A total of 129 responses were received from employees in the medium enterprises sector. 53 representing (41.1%) chose friends and relatives as their source of information while 76 (58.9%) chose radio as main source of information. It can further be deduced from the table above that, out of a total of 243 employees in the SMEs surveyed, 140 constituting (57.6%) received information about their jobs from friends and relatives while radio accounted for 103 (42.4%). The study however shows that there is a positive relationship between the size of a firm and employees source of information about their jobs. The relationship is however significant indicating firm size is positively related to employee source of information about their jobs. Correlation is significant at 0.01 level.
Table 4.9 Employees require more supervision

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Field Study, 2012

Table 4.10 Pressure From to Employ Relatives

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>12</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Field Study, 2012

Table 4.11 Performance Appraisal

<table>
<thead>
<tr>
<th>Conducting Performance Appraisal</th>
<th>Responsibility for Performance Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Yes</td>
<td>11</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Field study, 2012

Analysis of Responses from Owner Managers

This section presents an analysis of responses of owner/managers of SMEs that were surveyed.

Category of SMEs involved in the study

Results in table 4.5 indicate the category of SMEs involved in this study. A total of fifteen firms were selected for this study. Five firms were selected from each sector in order to ensure equal representation of the three sectors. Therefore, five of the respondent firms representing 33.3% each were micro, small and medium enterprises respectively. The firms were carefully selected from a variety of industries ranging from manufacturing, service and retail. However, as an indication of good management practices by the owner/managers, the researchers ensured that all the firms were registered under the Companies Code of Ghana (Act 179, 1963).

Recruitment and Selection Policy

According to Ongori (2010) as cited by Ofori and Ayeetey (2011), recruitment and selection practices are the key factors to the entry point of human resources to any organization which also tends to determine the success and sustainability of all businesses including SME’s. Given the important role that recruitment and selection play in the life of every organization, the study sought to investigate if SMEs have well defined recruitment and selection policies in place. Results of the survey as shown on table 4.6 above indicates that, contrary to the perception that SMEs do not have recruitment and selection policies, the study revealed that some of the SMEs have recruitment and selection policies while others do not. Out of the 15 firms surveyed, 9 (60%) indicated that they had no recruitment and selection policies with only 6 (40%) having recruitment and selection policies. Interestingly, the policies range from simple issues as the location of the applicant to a policy of excluding family members from the employment. The study revealed further that only 4 (26.7%) out of the 6 (40%) of the firms surveyed who indicated that they had recruitment and selection policies, actually follow the policy. The findings that about 73.3% of SMEs do not follow any recruitment and selection policy are consistent with Priyanath (2006) findings that about 70.2% of employees of SMEs in Sri Lanka were recruited and selected by personal-biased favoritism of
Table 4.12 Using appraisal results to make decisions

<table>
<thead>
<tr>
<th>Action</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>2</td>
<td>14.3%</td>
</tr>
<tr>
<td>Training</td>
<td>2</td>
<td>14.3%</td>
</tr>
<tr>
<td>Increase in Salary</td>
<td>6</td>
<td>42.9%</td>
</tr>
<tr>
<td>Promotion; Training and increase in salary</td>
<td>1</td>
<td>7.1%</td>
</tr>
<tr>
<td>Promotion and Training</td>
<td>1</td>
<td>7.1%</td>
</tr>
<tr>
<td>Training and increase in salary</td>
<td>2</td>
<td>14.3%</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Study, 2012

the owner/ managers.

Formal recruitment and selection process

The literature on recruitment recommends a systematic procedure comprising four key stages: the recruiting process, job analysis, job description, and person specification. Several writers, Bratton and Gold (2003); Foot and Hook (2010) and Dinisi and Griffin (2005) are almost in agreement when they described the recruitment process as consisting of the four key stages above. In relation to the above, the study sought to investigate if SMEs in the Kumasi Metropolis follow the systematic and formal recruitment and selection process.

In table 4.7 the results presented shows that on the whole a majority of the owner/ managers surveyed 12 (80%) indicated that they do not follow formal recruitment and selection process. On the other hand 3 (20%) of the owner/ managers indicated that they follow formal recruitment process. In table/ figure 4.8.5 the results shows that of the total of 15 responses obtained with regards to the key stages involved in the recruitment practices, 11 (73.3%) mentioned the stages as identifying vacancies and person specification. 2 (13.3%) mentioned identifying vacancies, job description and person specification. One respondent each (6.7%) mentioned the stages as job description and person specification and indentifying vacancies; job analysis and person specification respectively. However, these findings are in sharp contrast to Cole’s (2002) position that recruitment practices must be systematic, consistent and responsive to internal needs. The responses indicated that recruitment and selection practices were based on the understanding of the owner managers who have little or no expertise. The advantage here is that the process is less bureaucratic, less cumbersome and saves precious time.

Sources of recruitment

A fundamental question that all firms need to answer is whether to recruit internally or externally and the medium through which to channel vacancy information to prospective applicant.

Under this section the study sought to investigate the main sources of recruitment for SMEs. Table 4.6.4 presents an analysis of respondents’ views on sources of recruitment. Beach (1980:206) as (cited in Nkosiyabo 2003) states that although it is a good policy to fill the majority of vacancies from within, the institution must of necessity resort to external sources if suitably qualified personnel are not available. Other writers have also argued that the tendency to promote exclusively from within prevents the infusion of new ideas and knowledge and several other disadvantages such as what Beach (1980) referred to as organizational inbreeding. Out of 14 SMEs who responded, 3 (21.4%) used internal source to fill job vacancies. While a majority of SMEs 11 (78.6%) indicated that they used external sources to fill job vacancies. The findings are consistent with the perception that SMEs tend to use more external sources to fill vacancies due to the size and structure of the firms. The above findings supports earlier assertion made in the literature with regards to the fact that SMEs need to replace employees from the external labor market in the light of the fact that they do not have large internal labor market.

Medium of advertisement

Mathis et al (2010), argue that some prominent traditional and involving recruitment methods are the media sources such as newspapers, magazines, television, radio, bill boards, labor unions, and other competitive recruitment agencies and job fairs. Under this section the study sought to investigate the medium used by SMEs to channel vacancy information to job seekers. Table 4.8 presents an analysis of respondents’ views on medium of advertisement.

Specifically, 9 (60%) owner/ managers choose word-of-mouth. 3 (20%) choose radio while 2 (13.3%) of Owner/Managers chose company notice board, recruitment agencies and word-of-mouth respectively.
with only 1 representing (6.7%) choosing recruitment agencies and walk-ins.. The findings further confirm Holliday's (1995) in depth case study research in three small firms in which he found recruitment by word-of-mouth to be the most common method. It is clear from the above responses that SMEs prefer word-of-mouth recruitment. Various reasons have been attributed to SMEs preference for word of mouth recruitment. However the long term implication in the opinion of this researcher is the difficulty in applying appropriate sanction in cases of theft, insubordination and other inappropriate behavior since it may lead to employment of friends and relatives.

Employees in SMEs require more supervision

The general perception is that well trained and highly qualified people would prefer to work in the more established and secured organizations. According to Priyanath (2006) selecting and recruiting employees with the correct qualification to help achieve goals of the enterprise is a major challenge faced by SMEs. The study therefore asked managers to indicate whether employees in SMEs require more supervision.

The study shows that 8 (53.3%) of the respondents did agree that employees require more supervision to be able to work. However, 7 (46.7%) of the respondents disagreed that employees require more supervision. The researchers were of the opinion that this problem may be due to the quality of employees that SMEs are able to attract generally are not high. The findings may explain Atkinson and Storey's (1994) findings that, the quality of employment in SMEs is in fact lower than larger firms: wages are low, training is less frequent, and the evidence of a compensating higher job satisfaction is weak. This may explain the reason why SMEs find it difficult in attracting qualified employees.

Pressure from family to employ relatives

Studies show that Owner/ Managers are constantly under pressure to employ friends and relatives with complete disregard to business needs. Little or no consideration is given to skill or knowledge requirements of the enterprise. The domino effect is that the highly skilled will flee from the firm due to overwork, leaving behind the lazy, comfortable and incompetent relative. The study also enquired from SMEs if pressure is brought on them to employ friends and relatives.

The result of the study shows that majority of owner/managers 12 (80%) believe there is pressure to employ friends and relatives. 6 (40%) each either agreed or strongly agreed with 2 (20%) of Owner managers responding in the negative. The researchers were however of firm conviction that SMEs should resist the pressure to employ friends and relatives since their attitudes may affect the morale of other employees to give off their best. The resultant in-fighting, will eventually retard the growth and the prosperity of the enterprise.

Performance appraisal

According to Rekha (2006-2008) the latest mantra being followed by organizations across the world is – “get paid according to what you contribute”. Performance appraisal is necessary to measure the performance of employees and the organization to check the progress towards the desired goals. In relation to this, the study sought to investigate whether the SMEs undertake performance appraisal. Owner /Managers were asked to answer “yes” or “no” as to whether they conduct performance appraisal. (Due to the quality of employees that SMEs are able to attract generally are not high.) The researches perfectly agree with Robert J Greene and believe that SMEs are using performance appraisals to assess the effectiveness of their employees as well as their firms. It was revealed however that although some forms of appraisals were used by majority of respondent firms, formal systems were very rare.

As evident in table 4.11, 11 (73.3%) of Owner/ Managers answered yes to indicate that they conduct performance appraisal. While 4 (26.7%) answered in the negative. Robert J Greene, CEO of Reward Systems Inc. said, “Performance appraisal is the single largest contributor to organizational effectiveness”. The researchers perfectly agree with Robert J Greene and believe that SMEs are using performance appraisals to assess the effectiveness of their employees as well as their firms. It was revealed however that although some forms of appraisals were used by majority of respondent firms, formal systems were very rare.

The general perception within the cooperate world is that an employee's immediate supervisor assigns and reviews an employees work and also has the responsibility for necessary corrective measures. Therefore as a follow-up to the previous question, respondents were to indicate individuals within their organizations who have the responsibility to conduct the performance appraisal. As shown in table 4.11, 5 (45.5%) indicated that performance appraisals are conducted by the Owner / Managers. 4 (36.4%) also indicated that performance appraisals in their firms are conducted by supervisors and 2 (18.2%) chose managers as those who conduct the performance appraisal. The findings that owner/ managers conduct performance appraisals is in consonance with Timmons’s (1999) position that owner/managers of small firms perform most business activities themselves or directly supervise the performance of these activities (as cited in Kotey, 2005). However, (Macmahon & Murhpy, 1999) as cited in Rauf (2007) argued that owner/managers usually lack the skills necessary to carry out effective performance reviews and may perceive formal performance appraisal systems as time consuming.
Performance appraisals results for decision making

Using appraisal results to make decisions is an integral part of the performance management process. It is essential that management makes decisions based on accurate and reliable information and this must be the information from the appraisal results. As a follow-up to the two previous questions, the study sought to find out if performance appraisals results are used to make decisions in pay rise, promotion, training, and others.

As evident in table 4.12, a greater proportion of responses 6 (40%) indicated that performance appraisals results are used to make decisions on increase in salary. 2 (13.3%) of Owner/ Managers each indicated performance appraisal results are used to make decisions on promotion, training, and training respectively.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Introduction

The following are the summary of findings of the study from Owner/ Managers and employees.

Recruitment and selection policy

It was observed that majority of SMEs do not have any well defined and concise policy that guides their recruitment and selection practices and the few that had hardly follow the policy.

Formal recruitment and selection process

The study revealed that a large majority of SMEs do not follow formal recruitment and selection process. This was confirmed with 80% of the respondents indicating that formal recruitment and selection practices are not followed and 20% indicating they follow the formal recruitment and selection process. It was evident from the study that the recruitment and selection process is not systematic and lacks consistency and it is based on the understanding of owner/ managers who have little or no expertise.

Sources of recruitment and medium of advertisement

The study established that recruitment by word-of-mouth is the most common method of recruitment by SMEs in Ghana. It came to light that 53.3% of SMEs used word-of-mouth to channel vacancy information to prospective applicant. The study further revealed that 20% used radio and 13.3% used recruitment agencies and walk-ins. On sources of recruitment, the study showed that a large majority of SMEs filled job vacancies through the external source. This was confirmed with 80% of SMEs indicating that they used external source of recruitment with only 20% of the respondents who filled job vacancies through the internal source.

Employees in SMEs require more supervision

The study established that employees in SMEs require more supervision to perform the duties effectively. This was confirmed with 53.3% of the respondents indicating that employees require more supervision for effective performance of their duties while 46.7% of the respondents were of the opinion that they disagree with the assertion that employees require more supervision to be able to work effectively.

Pressure from family to employ relatives

The study showed that SMEs are consistently under pressure from family members to employ relatives. It also came to light that SMEs are breaking away with tradition and are resisting the pressure to employ relatives because of the unpleasant experiences some of them have had in the past. They indicated for example that an attempt to fire or discipline an employee break may personal and family relationships.

Performance appraisal

The study revealed that SMEs are regularly appraising the performance of employees to ensure that they work according to instructions and standards to meet the objectives of the enterprise.

The study showed that most of the SMEs periodically undertake performance appraisal to monitor the performance of employees and also provide them with feedback.

Making decisions with appraisal results

With regards to uses of appraisal results, the study showed that SMEs use appraisal results to make very important employee related decisions. It was evident from the study that appraisal results are used to make administrative decisions such as promotion, training and salary administration. Majority of SMEs use appraisal results for increase in salaries, with others indicating that appraisal results are used to make decisions on training and promotion.
Attracting qualified employees

The study has revealed that attracting qualified employees to SMEs sector is very difficult. Qualified employees promote the growth and stability of SMEs and ensure the achievement of stated goals of the enterprise. It is recommended that SMEs increase their effort to attract qualified employees and provide them with good working conditions.

CONCLUSION

The purpose of this study has been to investigate recruitment and selection practices of SMEs in Ghana. The study focused mainly on three industries (manufacturing, retail and service) in order to investigate a variety of industries and because of their contribution to the socio-economic development of Ghana. The study found very little in terms of systematic and formalized procedure contrary to what is prescribed in test books on recruitment and selection practices. For example, a large majority of the SMEs indicated that they do follow the formal recruitment and selection process. It also came to light that they do not have any well defined recruitment and selection policy and performance appraisal can best be described as informal and many of the owner/managers also described their frustration in attracting qualified employees. On the other hand it was interesting to learned, that SMEs are laying more emphasis on qualification while a good number of them are resisting the pressure to employ friends and relatives. It is generally accepted that human resource of every organization is the most valuable of all resources and that the quality of human resources has a direct impact on the performance of every organization regardless of size, it is important that recruitment and selection be carried out in a more formal, systematic and effective manner. Stated differently, on the strength of the argument that effective recruitment and selection practices are crucial to the entry point of human resource in any organization in determining the success and sustainability it is suggested that more research be carried out in this area of study to encourage SMEs to give more attention to formal recruitment and selection practices than what pertains currently.

RECOMMENDATIONS

On the basis of the findings above the following recommendation are made.

Recruitment and selection policy

The study has revealed that a good majority of SMEs do not have any recruitment and selection policy that will serve as a guide in their recruitment and selection practices. It the dynamic world of business a well defined recruitment and selection is an important prerequisite to enable the organization respond to its' human resource needs at the right time. It is therefore recommended that SMEs should have a well, clear and concise recruitment and selection policy in place, for effective and efficient execution to acquire the best talent for the organization.

Formal recruitment and selection process

The study has revealed that majority of SMEs do not follow the formal recruitment and selection process. A formal recruitment and selection process is of crucial importance to give equal opportunity to give a good impression about SMEs. It is therefore recommended that SMEs should follow a formal recruitment and selection process.

Factors influencing selection of candidates

It was evident from the study that most SMEs consider qualification as the most important factor in selecting the right candidate to fill the job vacancies in their firms. It is suggested that in addition to qualification owner/managers should consider the attitude and the integrity of job applicants through attitude and integrity test so that employees they hire fit into the business.

Medium of advertisement

The study found recruitment by word of mouth to be the most common method of recruitment by SMEs. The researcher is of the opinion that while recruitment by word of mouth may be cheaper, it can affect the managers’ ability to apply appropriate sanctions in cases of theft, and other inappropriate behavior since recruitment by word of mouth leads to employment of relatives. It is therefore suggested that SMEs adopt more formal methods of recruitment.

Attracting qualified employees

The study also identified the owner/managers’ frustration in attracting qualified employees with right skills to help in the achievement of long term objectives of their enterprises. It is suggested that the national service
scheme be expanded to cover SMEs. For example, government can pay a share of the graduates’ allowance for the duration of his or her service in all SMEs.

Employees require more supervision

The study has revealed that employees in SMEs require more supervision to ensure that they do their work correctly and with minimal risk of error or injury. This researcher believes that supervision is vital for skills and knowledge developments, poor supervision can also lead to mistakes, accidents and injuries. It is therefore suggested that SMEs should increase their efforts to attract qualified employees who can work on their own with minimal supervision to help maximize performance and firm profitability.

Suggestion for future research

Future researchers might want to expand the sample size to cover the whole of Ghana since SMEs can be found in almost every corner of this country. It will be useful if research is done to capture the effect of contextual issues such as size, organizational climate and culture on human resource management practices.

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