

**AN INVESTIGATION INTO THE RECRUITMENT AND SELECTION PRACTICES
OF SMEs IN THE KUMASI METROPOLIS**

BY

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DECLARATION

‘I hereby declare that this submission is my own work towards the Master of Business Administration (Human Resource Management Option) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text’.

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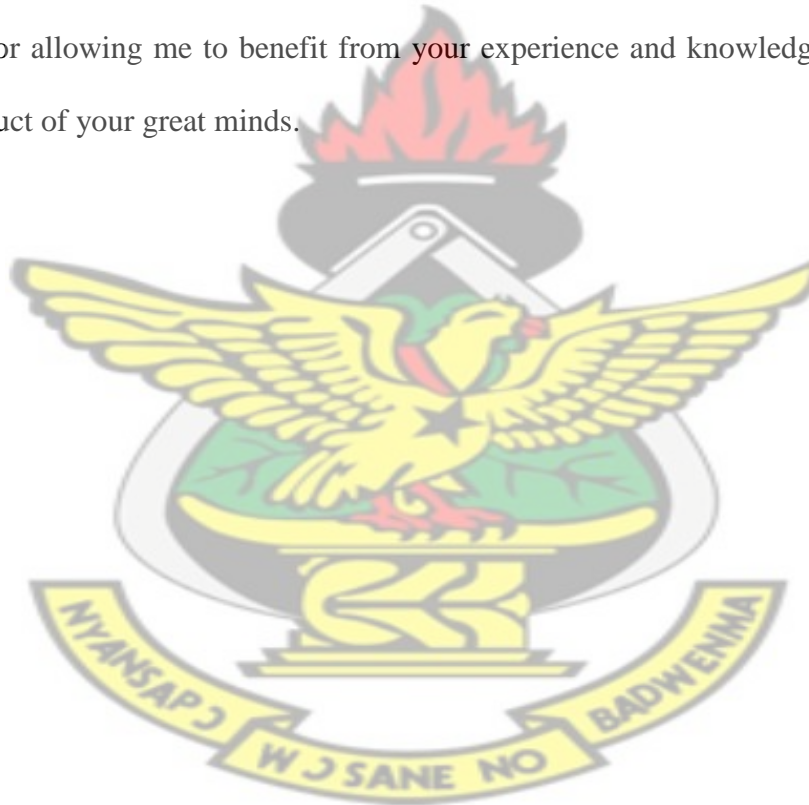
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DEDICATION

To my children, Nana Aduse-Poku Bempa, Nana Serwaa Bonsu, and Nana Serwaa Amaniampon, who are my personal sources of inspiration and the reason for me to continue to pursue my dreams.

To Mrs. Felicity Asiedu-Appiah and Ms. Hanna Vivien Osei, Thank you so much for your support, kindness, understanding, encouragement, guidance and for extending compassion and flexibility and for allowing me to benefit from your experience and knowledge. This work is a synergistic product of your great minds.



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The journey to a true academic achievement requires the help of many along the way. What I have achieved today is a product of the inputs, investment, encouragement, criticism, knowledge, advice and inspiration of many individuals whom I'm privileged to meet in the journey of life.

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I am grateful to members of my family and friends whose faithful prayer and patience inspired me to fulfill my dream especially my friend and brother Mr. Anthony Kofi Gyamfi of Topman Group of Companies.



ABSTRACT

Effective recruitment and selection practices enhance the productivity and the competitiveness of every organization. Empirical research shows that when organizations employ formal and systematic recruitment and selection practices they are able to reduce staff turn-over and its' associated cost achieve their goals and objectives. The present study sought to investigate the recruitment and selection practices of SMEs in the Kumasi Metropolis in the Ashanti Region of Ghana. A questionnaire survey was chosen as the research design of this investigation. Purposive sampling was used to select three firms each from the micro, small, and medium enterprises. The researcher sampled owner/ managers and every employee of the selected micro and small firms. However, simple random sampling was used to select respondents from the selected medium enterprises. SPSS was used to analyze the data that was collected. The study found very little in terms of formal and systematic procedures contrary to what is prescribed in text books on formal recruitment and selection practices. Respondents identified the lack of formal recruitment and selection practices and a well defined and concise policy on recruitment and selection, informal performance appraisal practices and the difficulty in attracting qualified employees as a major problem militating against the growth of SMEs. The study also found that SMEs are laying more emphasis on qualification as the basis for employment and resisting the pressure to employ friends and relatives. The study provides some relevant recommendation to policy makers and owner/ managers to help improve on the recruitment and selection practices in SMEs and formulate policies that in the light of the ever changing scenario of industrialization and globalization will position the SMEs sector at the forefront of the nations' socio-economic development.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the study

This research aims to explore the recruitment and selection practices in SMEs and how it affects performance. Nowadays, it is generally accepted in both academia and the business world that the human resource of every organization are the most valuable of all resources. Many authors have also mentioned that the quality of human resource also have a direct impact on the performance of the organization. Significant attention has been paid to recruitment and selection processes in large organizations which many believe represent the best approach to recruitment and selection by business organizations. Interestingly, although a number of studies have been conducted about SMEs recruitment and selection processes in other countries, much of the research focused on large organizations and as the literature shows, very little of such studies have previously been conducted in Ghana.

Some studies argued that the adoption of more formal procedures and methods could reduce staff turnover in SMEs and its associated costs and ensure a significant improvement in performance. 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, however, seem to be aimed at large organizations. There are several assumptions made about the degree of formality which would normally characterize the recruitment process and that employers are likely to adopt systematic, rational and proactive searches for new recruits. In contrast, very little information is available specifically for SMEs in Ghana. There has been a general realization that it is not only the big businesses that provide the foundations of a nations' economy. Increasingly it is acknowledged that the management of

people is strategic to success (Boxall and Purcell, 2003). This recognition has sparked a concerted effort to demonstrate the role of HRM as a means to meet strategic objectives and impact on organizational performance (Den Hartog and Verburg, 2004). SMEs are often cited in academic literature as the key to vibrant economies and their perceived contribution to employment generation has made them a focus for policy makers for over 30 years (Beaver and Prince, 2004). A frequently used measure of small firm growth, and perhaps the most obvious to the casual observer, is in terms of employees (Curran & Blackburn, 2001).

In Ghana, information available from the Registrar General indicates that 90% of firms registered are SMEs (Mensah, 2004). The Ministry of Trade and Industry, in 1998 estimated that the Ghanaian private sector (mainly dominated by SMEs), consists of approximately 80,000 registered limited companies and 220,000 registered partnerships (Mensah, 2004). Although the greater portion of efforts, resources and government policies are all too often perceived to be primarily directed towards the larger companies, the facts still remain that the contribution of SMEs to the Ghanaian economy today cannot be over-emphasized. They have been identified as the catalyst for the economic growth of a country as they are a major source of income and employment and consequently poverty reduction (Beck, Demirguc-Kunt & Levine, 2003), by contributing substantially to gross domestic product. Their contribution to gross domestic product is in the area of corporate taxes, export duties and import taxes flowing from their activities. They also facilitate production and distribution of products; create jobs, source of industrial innovation and economy regeneration/growth (Snodgrass & Biggs, 1996).

According to Beck et al (2003), the World Bank approved more than \$10 billion in support for MSMEs development programs on grounds that it has the ability to promote economic growth and alleviate poverty. As noted by Hallberg (2001), the goal of SMEs development programs is to harness the potential human capital and entrepreneurship that already exists in most economies because they account for a large share of firms and employment. Hallberg (2001), further argue that SMEs are the emerging private sector in poor countries, and thus form the base for private sector-led growth required as an instrument of poverty alleviation.

This study aims to investigate the recruitment and selection practices in selected SMEs in Ghana and its effects on firm performance; the recruitment and selection challenges SMEs face in Ghana, and strategies they have adopted to overcome them ; and to identify the effects of these problems on the growth of SMEs in Ghana. Gholam Ali, in his study entitled, “Help makes small scale industries viable” revealed that big and small industries have their share in the development of a nation and the prosperity of its masses. A balance must be struck in the development of these industries.

1.2. The problem statement

The dynamic roles of SMEs especially in developing countries have been highly emphasized. These enterprises have been identified as the means through which rapid industrialization and other developmental goals of these countries can be achieved. Despite the wealth of literature available on good recruitment and selection practices, Kilibarda and Fonda (1997) found little evidence that the textbook advice on proper recruitment and selection practices is being followed, even by large employers. If this is the case in large organizations, what is the situation in SMEs?

If SMEs are to continue as key employment generators in Ghana, and be able to play their part in national effort to reduce the massive unemployment figures in the country especially among the youth and contribute to the GDP growth of this country, then it is imperative to have a better understanding of the recruitment practices and procedures that are adopted by the owner managers in order to acquire the right caliber of human resource to help turn the fortunes of this all important but often neglected sector of the Ghanaian economy around. While there is considerable amount of literature available to managers responsible for recruiting staff for large organizations, the same however, cannot be said of the SME sector. Therefore, the purpose of this research is to investigate the recruitment and selection practices and how it affects SMEs in the Kumasi metropolis.

1.3. Objectives of the study

The objective of the study are categorized into two; general objective and specific objective.

1.3.1 General objective

The general objective of this study is to investigate into the effects of recruitment and selection practices on employee performance in selected SMEs within the Kumasi Metropolis.

1.3.2 The specific objectives

- (a) To investigate the recruitment and selection practices of selected SMEs in the Kumasi Metropolis.
- (b) To find out the challenges faced by SMEs in the Kumasi metropolis in their recruitment and selection process.

(c) To evaluate the effectiveness of the recruitment and selection practices in the selected SMEs in the Kumasi Metropolis.

(d) To make appropriate recommendations on the process of recruitment and selection in the selected SMEs in the Kumasi Metropolis.

1.3.3 Research questions

(a) What recruitment and selection practices exist in the selected SMEs in the Kumasi Metropolis?

(b) What recruitment and selection challenges are faced by SMEs in the Kumasi Metropolis?

(c) How effective are the recruitment and selection practices in the selected SMEs in the Kumasi Metropolis?

(d) How can the recruitment and selection practices in the selected SMEs in the Kumasi Metropolis be improved?

1.5. Scope of the study

In general, the focus of this study is directed towards the recruitment and selection practices in SMEs. Conceptually, the work will investigate the effects of recruitment and selection practices on the performance of employees in the SMEs within the Kumasi Metropolis. Fifteen SMEs were selected from the three sectors through quota sampling and purposive sampling were used to select five firms from each of the three sectors within the industry in the Kumasi Metropolis only, from August 2011 to June 2012. Geographically the study was conducted within the Kumasi

Metropolis in the Ashanti Region of Ghana. The study is largely dependent on the honesty, integrity, and sincerity of respondents.

1.6. Overview of research methodology

To achieve the objectives of this study, data was mainly collected from both primary and secondary sources. The lack of previous research in this particular area of study made it difficult for the researcher to have access to relevant data on recruitment and selection on SMEs in Ghana. The researcher had to rely on data from elsewhere secondary data. Therefore to collect empirical data, primary data was collected. Primary data was collected through a self-administered questionnaire. Respondents were SME owners/ managers and employees. The researcher selected five firms from each of the three sectors through quota sampling, while purposive sampling was used to select the sampled companies. Questionnaires were used to collect quantitative data and informal interviews were used to provide some qualitative insight into data collected. Guidelines governing the application of the tools of research were strictly adhered to in order to reduce biases on the part of the researcher and the respondents to the barest minimum.

1.6.1 Significance of the study

This study is relevant, particularly, giving the important role that the small SMEs in the Ghanaian economy; in job creation, contributing to GDP growth, tax revenue and helping in the distribution of goods and services. In major economies, it is generally acknowledged that SMEs play an extraordinarily role as muscles for a nation's economic development. Small and medium-sized enterprises (SMEs) play a major role in European economies. 99.8 % of the businesses in this area employ less than 250 employees. In addition, those companies create 67.4 % of the jobs

(European Commission, 2008). Despite the economic importance very little is known about Human Resource Management in SMEs. HRM research tends to ignore small and medium-sized enterprises (De Kok & Hartog, 2006) and studies in that area are mainly in an explorative and descriptive stage (Sels et al. 2006). This is also the case in the field of recruitment and selection. Hundreds of studies have been conducted about recruiting practices in large and well established organizations, but only a few have ever been conducted about recruiting practices in smaller ones (Heneman et al. 2000).

The Ghanaian economy is an under developed economy. The vast resources of this country are either unutilized or underutilized. 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. What is important is the approach which must be direct and pragmatic. SMEs do not require huge capital and therefore suitable for a country like Ghana where cost of capital is too high (currently between 30 to 35 per cent). They can be accessible to the remote rural areas and do not lead to regional imbalance and avoid the concentration of industries at one place. For the SMEs sector to continue to play its role in the socio-economic development of this country, the recruitment and selection process in SMEs ought to be taking seriously. It is with this view that this study attempts to explore the recruitment and selection practices in the SMEs sector so as to encourage them to design an effective and efficient recruitment and selection practices which is said to be the cornerstone of success of all businesses.

There is mounting evidence that SMEs make important contribution to the economic development of both developed and developing countries. In many nations, the SMEs sector serves as a useful vehicle for growth and creation of employment opportunities in the shortest possible time. In the European Union today, SMEs are economically important with 98% of an estimated 19.3 million enterprises defined as SMEs, providing around 65 million jobs. Again, almost all of these are small enterprises, with 18 million enterprises (93.2%) employing less than ten people and only 35,000 enterprises employing more than 250 people. The average European business provides employment for four people, including the owner/manager. Figures show that SMEs account for roughly two thirds (66%) of employment within the EU, with micro enterprises accounting for 34%, small enterprises accounting for 19% and medium-sized enterprises accounting for 13%; more than half (52%) of private sector turnover within the EU, average turnover being approximately 500,000 Euros (EUROSTAT 2003).

The outcome of the study will help small business owners to have a better appreciation of the importance of proper recruitment and selection practices to the growth, survival and success of their businesses. Further, the outcome of the study will provide ideas and knowledge to help shape the future of recruitment and selection in SMEs and also widen the knowledge base of owners/managers on proper recruitment and selection practices. The study may also help policy makers to formulate policies that in light of the ever changing business environment will position the SMEs sector at the forefront of the nations' socio-economic development. Again, the outcome of the study may also lead to further research into this all important but neglected field of SMEs sector. In general, the study will be of interest to academics and business owners.

Table 1.1: Contribution of SMEs to the Total Industrial Employment and Industrial Establishments in Selected Countries

Countries	Percentage of Industrial Employment	Percentage of Industrial Establishment
Indonesia	98.0	99.4
Malaysia	98.0	99.0
Hong Kong	94.0	92.0
England	81.4	76.7
United State	76.3	81.7
Philippine	51.0	90.0
Thailand	49.8	88.4
South Korea	49.3	96.0

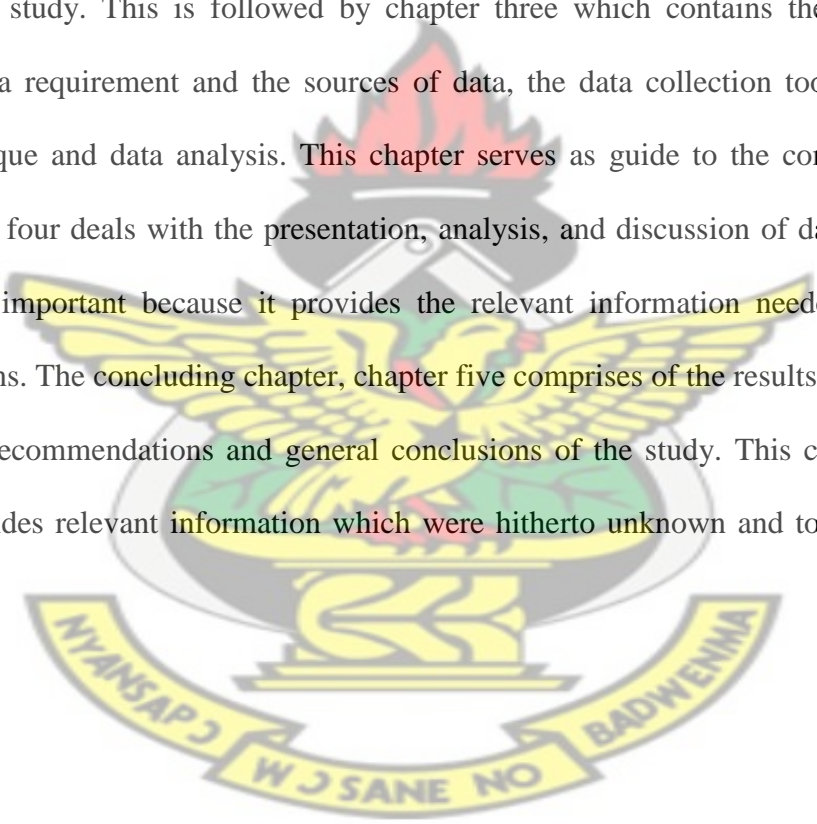
Source: United Nations, 1985:49 – 55 in H.M.S. Priyanath, 2006

1.7. Limitations of the study

This research is limited by the scope of the study since the study could not be extended to include all SMEs. Financial resources and time constraints also did not allow the researcher to consider a wide range of SMEs. Another limitation of this study was in the collection of secondary data for the study. Access to owners/ managers was a very big challenge to the researcher, most of them were a bit skeptical and did not want to open up even though they were assured of total confidentiality. The present study is based on the reliability of primary data.

1.8. Organization of the study

This study is made up of five chapters. Chapter one introduces the research, identifies the key problems under study and asks the relevant research questions. It further states the objectives of the study, defines its' scope, justifies the importance of the research to the socio-economic development of Ghana, outlines the limitations of the research and finally states how the whole study is organized. This chapter is relevant to the study because it puts the study into perspective and help to check deviations. Chapter two contains a review of the relevant literature on the key variables of the study. This is followed by chapter three which contains the research design adopted, the data requirement and the sources of data, the data collection tools employed, the sampling technique and data analysis. This chapter serves as guide to the conduct of the field studied. Chapter four deals with the presentation, analysis, and discussion of data gathered. This chapter is very important because it provides the relevant information needed to answer the research questions. The concluding chapter, chapter five comprises of the results or findings of the study, a set of recommendations and general conclusions of the study. This chapter is relevant because, it provides relevant information which were hitherto unknown and to existing body of knowledge.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

SMEs contribute a great deal to the socio-economic development of many countries, and their role is even greater in the developing economies of Africa in general and Ghana in particular. In the ever changing scenario of globalization and industrialization, it is even more important to take a second look at the recruitment and selection practices of SMEs in Ghana. The study seeks to investigate the recruitment and selection practices in SMEs and its effects on firm performance. In today's rapidly changing business environment, organizations and most especially SMEs have to respond quickly to requirements for people. Hence, it is important to have a well-defined recruitment and selection policy in place, which can be executed effectively to get the best fits for the vacant positions. The previous chapter focused on the general introduction and context of the research split into study background, the statement of the problem, objectives of the study, significance of the study, the scope of the study, limitation of the study, and the organization of the study. This chapter discusses and reviews the relevant existing literature from theoretical and empirical framework perspectives on the subject under study.

2.1 The concept of recruitment and selection

Recruitment is the beginning of the process of procuring staff for the organization and as such, it is critically important and deserves the maximum attention of the personnel specialist in the organization. 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)

According to Banjoko (2003), employee recruitment is the process of reaching out, searching for and attracting a large supply of people or a large pool of interested applicants from which the organization can choose those it considers competent or most qualified for the job. Thus, after determining the manpower needs, an organization must put in place a process to attract and stimulate a large number of people to apply. According to Flippo, “recruitment is the process of searching for prospective employees and stimulating them to apply for a job”. Dalton E McFarland, also defined recruitment as the “the process of attracting potential employees to the company”. The two definitions above suggest that in the process of recruitment, sources of potential employees have to be located in the first instance. Thereafter, those sources are approached and efforts are made to attract the interested people to apply for the vacancies that are available in the organization.

The recruitment and selection of an effective workforce consequently can be viewed as central to the success of an enterprise and a key function of HRM. 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). The strategic significance of recruitment is often reported in the literature (Boxall and Purcell, 2003), the emphasis being on the need to

attract and retain high-quality people in order to gain competitive advantage. He said, "The principal purpose of recruitment activities is to attract sufficient and suitable potential employees to apply for vacancies in the organization". He further distinguished this process from the very next step to recruitment i.e. selection, by saying, "The principal purpose of selection activities, by comparison, is to identify the most suitable applicants and persuade them to accept a position in the organization". O. Glenn Stahl sums it all up when he says: "The goal of recruiting activities is the production of an adequate number of qualified applicants for employment. Recruitment ends with an application. There could be several reasons for recruiting new staff into an organization. Vacancies could occur as a result of situations such as, changing the structure of the organization, growth of the business, resignation, retirement or dismissal, and promotions. However, this researcher defines recruitment as a systematic process of identifying and stimulating a pool of qualified candidates, whose qualification and skills match the functions of the vacancies identified in the organization.

2.2 The recruitment process

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). 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.

Other literatures on recruitment invariably recommend a systematic procedure comprising four stages: an assessment of whether the vacancy needs to be filled, a job analysis, the production of a job description and a person specification. Consideration is then given to whether the vacancy can be filled internally. If the vacancy is to be filled externally, the methods by which suitable candidates are to be attracted, how they should apply, and what selection techniques are to be adopted are then decided. The prescriptive literature usually makes the distinction between formal recruitment methods including press advertisements, Job centers and other agencies and more informal methods, such as recommendations from existing staff. 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). Furthermore, existing employees who have recommended people tend to “socialize” the new recruit. This is because, they feel it is in their interests to make sure that the new employee fits in. Word-of-mouth recruitment is, therefore, sometimes recommended to employers as a way of reducing staff turnover. Bonn and Forbringer (1992) reported that in the hospitality industry in the USA, which is notorious for high rates of staff turnover, several large companies actively encourage “referrals” by existing employees, through the use of financial incentives and prizes for successful recommendations, as cited by Carroll et al (1999).

Other writers have also argued that informal methods have some disadvantages: they may leave a pool of suitable recruits untapped, and may leave the firm open to accusations of indirect discrimination against disadvantaged groups. Ritchie (1993, p. 112) paints a particularly bleak picture, arguing that many small firms seem more like "personal fiefdoms, paternalistic homesteads, backstreet workshops, temporary employment stopgaps, and generally less desirable workplaces". 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 implications for small firms, since they are therefore unlikely to be able to attract high caliber of employee as large firms.

Atkinson and Meager (1994) found that the use of word-of-mouth recruitment methods varied according to the type of employee being recruited; while it was the most popular method for recruiting managers and manual workers, more formal methods tended to be adopted for recruiting clerical and technical employees. They also found evidence of a correlation between business size and the adoption of formal recruitment procedures: "for the very smallest businesses the availability of a known individual is virtually a precondition for recruitment" (1994, p. 41).

However, once a business reaches a certain size it is suggested that more formal procedures might need to be adopted in order to cope with the greater number of recruitment events. Even so, there was evidence that these slightly larger firms still continue and prefer to use informal methods where possible, raising the question of whether managers who run small businesses ever believe that formal methods are appropriate for their needs. 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.

2.2.1. Job analysis

“Job analysis is a systematic study of jobs to determine what activities and responsibilities are included, their relationships with other jobs, the personal qualifications necessary for performance of the jobs, and the conditions under which work is performed”. (<http://definitions.uselegal.com/i/job-analysis/>). Sarah L. Bodner, in her publication titled “ The Evolution of Job Analysis: Competency Assessment comes of Age”, also defined job analysis as ‘A decision tool in which a particular job is taken apart piece by piece and a report, called a job description, is written on precisely how that job is done. The job analysis can be referred to as a consideration in hiring, development, and compensation’. According to Foot and Hook (2010), job analysis can be defined as “a process of gathering together all data about each existing job, which activities are performed and what skills are needed”. However, in a rapidly changing world in which government institutions, industry and businesses are compelled to respond to the “Speed of light” changes in their environment (Van Der Veen, 1993), cited in Bodner. Some have criticize job analysis as being “so narrow and a process that takes too long to complete such that by the time the job description is presented the information is of little use or completely obsolete” (Sarah Bodner). To accomplish the goal of innovative and productive ways to get work done,

managers need be abreast with the changes and a thorough understanding of the jobs within the organization to help in their analysis of jobs.

2.2.2. Job description

Job descriptions can be of a great value to both employers and employees. Most especially, employees like to be certain about what is expected of them and how they will be executed. A job description list the task, duties and responsibilities for a particular job and specifies the major job elements, provides examples of job task, and provides some indication of the relative importance in the effective conduct of the job (Denisi and Griffin 2005). The job description is the starting point of the recruitment process and the basis of every step that follows. Dessler (2011, p.156), noted that “ a job description is a written statement of what the worker actually does, how he or she does it, and what the job’s working conditions are”. In both the recruitment and job evaluation processes, a critical ingredient is an accurate and an up to date job description. Performance evaluation is an objective process that helps in measuring how well an employee fulfill a positions’ requirement, job description provides a benchmark against which performance can be measured

2.2.3. Person specification

A person specification “list the task, duties, and responsibilities that a particular job entails” (Denisi and Griffin, 2005, p167). The person specification focuses on the individual who will perform the job and set out the qualifications, knowledge, experience and skills required of the post holder. The person specification is a document that outlines the skills and qualities a person will need to have in order to be able to do the task on the job description (Foot and Hook, 2005, p 44). While the job description describes activities to be done, it is job specifications that list the knowledge, skills, and abilities an individual needs to perform a job satisfactorily. Knowledge,

skills, and abilities (KSAs) include education, experience, work skill requirements, personal abilities, and mental and physical requirements (these are the job holders' specifications). More recently, (Dessler, 2011), noted that "the person specification takes the job description and answers the question, what human traits and experience are required to do this job effectively". In contrast with job description, a person specification is a statement about the attributes or qualities of a person who could be expected to be able to do the job successfully. It is interesting to note that, the person specification is normally derived from the job description.

2.3. Sources of recruitment

As part of the recruiting strategy, one of the fundamental questions that an organization has to answer is whether to recruit internally or externally.

2.3.1. Internal Search

Dessler (2011), states that recruiting typically brings to mind Monster.com, employment agencies, and classified ads, but internal source- in other words, current employees or "hiring from within"- is often the best source of candidates". Denisi and Griffin (2005), defines internal recruiting as the process of looking inside the organization for existing qualified employees who might be promoted to higher level positions". Filling vacancies from within has several advantages and disadvantages. Dessler (2011:185) states that, 'there is really no substitute for knowing a candidate's strength and weaknesses as you should know after working with them for some time, current employees may be more committed to the company, morale will rise if employees see promotion as rewards for loyalty and competence and current employees should require less orientation and perhaps less training than outsiders'.

The morale of the workforce is boosted when employees see that internal promotions take place, which holds out the promise of scope and opportunities for their own advancement. At the same time, however, internal recruiting may ensure that well qualified and better caliber candidates outside the company could be denied access. The disadvantages of recruitment from within are as follows: The tendency to promote exclusively from within that is, internal recruitment, prevents the infusion of new ideas and knowledge, particularly at the upper levels of the institution. Beach (1980:206) cited in Nkosiyo (2003) writes that this effect may be called “organizational inbreeding”, stating 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 suitable qualify personnel are not available.

2.3.2. External Search

Denisi and Griffin (2005: 188), states that ‘external recruiting involves looking to source outside the organization for prospective employees’. Dessler (2011:186) writes that ‘firms cannot always get all the employees from their current staff, and sometimes they just do not want to’. However, Foot and Hook (2005: 53) warn that in analyzing their internal supply of human resources, employers need to be aware of the availability of potential employees from outside the organization. Beach (1980) as cited in Nkosiyo (2003), states that external sources can also be utilized effectively provided there are screening and selection devices. However literature suggests examples of external source of personnel as follows.

Word-of-mouth recruiting is where the organization simply informs current employees that positions are available and encourages them to refer friends, family members and neighbors for these jobs. Word-of-mouth can contain both positive and negative information. Based upon

evidence from a few available recruitment studies (e.g. Collins and Stevens, 2002; Van Hove and Lievens, 2005; Van Hove and Lievens, 2007; Van Hove and Lievens, 2009) cited in Bert et al (2011), word-of-mouth seems to have a strong effect on influencing potential applicants' attitudes toward the organization and their perceptions of jobs and organizational attributes.

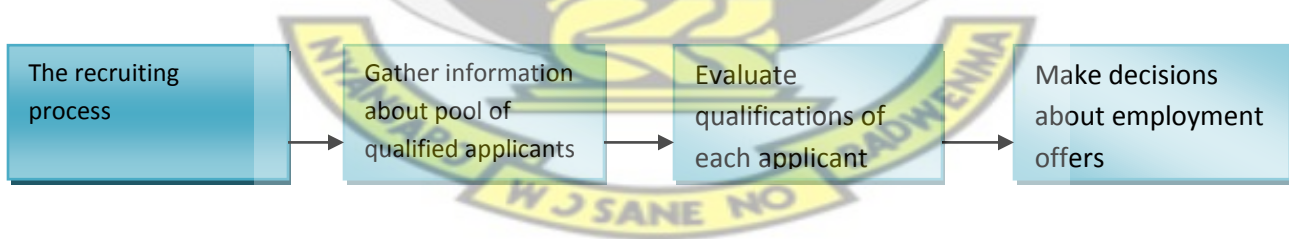
Advertising in print and electronic media are also a popular method for external recruiting. Dessler (2011) asserts that while web-based advertising is rapidly replacing help wanted ads, a glance at almost any newspaper or business or professional magazine will confirm that ads are still popular. Employment agencies constitute another source of external recruitment. There are three main types of employment agencies, these are public employment agencies operated by federal, state, or local governments, agencies associated with non-profit organizations, and privately owned agencies (Dessler 2011). Executive recruiters also known as headhunters are a special employment agencies retained by employers to seek out to top-level managers for their client. College recruiting (Institutions of learning) an employer may send a representative to college campuses to prescreen applicants and create an applicant pool from the graduating class. One study several years ago concluded that, about 38% of all externally filled jobs requiring a college degree are filled by new graduates (Dessler 2011). Employee referral is a situation where the firm posts announcements of job openings and request for referrals on the Web site, bulletin, and or wallboards. Walk-ins (Unsolicited applicants) are those who apply for jobs without being made aware of any vacancies, particularly for hourly workers.

2.4 The selection process

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. In many SMEs, the selection of applicants from a pool of recruits is based in large part on the owner-manager's inner-perceptions of "person-organization fit" (Heneman et al., 2000). Frequently the decision to hire is grounded in intuition or instinct, rather than a systematic vetting of applicants according to skills on offer and potential. They also found that owner-managers of SMEs have little or no training in formal (psychometric) selection methods. This researcher defines selection as the process of choosing the person(s) the pool of potential candidates who meet the requirement of the vacancies identified in the organization. The identified vacancies also known as person specification may include personal competencies, prior work experience, and formal qualifications deemed necessary to be able to perform on the job.

Figure 1: Steps in the selection process



Source: Denisi and Griffin, 2005: 213

2.4.1 Basic selection criteria

Denisi and Griffin (2005) stated that, the basic selection criteria include attributes such as education and experience, specific skills and abilities and personal characteristics. Selection criteria are used by certain organizations to short-list for job applicants for interviews.

2.4.2 Education and experience

Education refers to the formal classroom training received by an individual in an academic setting. Education may be general or specific. Degrees and certifications are assumed to be indicators of training and educational level. Experience is the amount of time the individual may have spent working, in either a general capacity or a particular field. In a selection context, education refers to the formal classroom training an individual has received in a public or private schools and in a college, University, and/ or technical school (Denisi and Griffin 2005, p217).

2.4.3. Skills and abilities

Denisi and Griffin (2005), argue that that skills and abilities relate to the specific qualifications and capabilities of an individual to successfully perform a job. Empirical evidence argues persuasively that ability affects performance primarily through its effects on knowledge and skill (Motowidlo et al 2008).

2.4.4. Personal characteristics

Reflect an individual's personality and can be important to success on the job. The "big five" personality (behavioral) traits are Neuroticism: emotional stability/instability, Extraversion, Openness or intellect/closed-mindedness, Agreeableness, and Conscientiousness.

2.5. Techniques for selection

To gather information on individual's education, and experience, skills and abilities, and personal characteristics organizations use different techniques. Different sources of information or multiple selection techniques can also be used to provide an accurate picture of an applicant's potential for success. Denisi and Griffin (2005) identified eight different techniques for employee selection.

2.5.1. Application and background checks

Employee application asks individuals for various facts and information pertaining to their personal background. Some of the commonly ask questions include details such as name, educational background personal career goals, experience etc. A major advantage is that it provides a quick and inexpensive mechanism for gathering all kinds of objective information about an individual and information of a type that can be easily verified. Carrell (2000) noted that an application blank is a formal record of an individuals' application for employment. To determine whether a match exists between the organization's requirement and qualification of the applicant, the job specification is compared to the information obtained from the completed application blank.

2.5.2. References and recommendations

The job applicant is usually asked to provide either letters of recommendations or the names and addresses of individuals who may be contacted to write such letters. The organization can use such information as a basis for knowing a person's past experiences and work history. Armstrong (2001) suggests that the factual information e.g. nature of previous job, reasons for leaving, salary etc is essential, but opinions about character and suitability are less reliable. Armstrong goes on further to say that 'personal referees are, of course, entirely useless. All they prove is that the applicant has at least one or two friends'. Reference checking continues to be one of the common

selection methods, but as available information suggest, it is generally considered as an invalid method of selection.

2.6 Types of test: Evidence-Based HR

Selecting and getting the best out of employees is a serious enterprise that must not be left to intuition. For a selection test to be useful, managers want to have some evidence that scores on the test helps in predicting how the individual will perform on the job. For this and other reasons, there is the need for what is known in human resource as “Evidence-Based HR”. Evidence-based practice is a radical change from management and HR ‘as usual’. It entails redoubling our efforts to do what we know works and to develop critical judgment in making decisions that impact the well-being of our organizations and employees (Barends 20011). At its core, EBHR combines four fundamental features into everyday management practice and decision making (Rousseau, 2006, 2012): These are the use of the best available scientific evidence from peer-reviewed sources; Systematic gathering of organizational facts, indicators and metrics to better act on the evidence; Practitioner judgment assisted by procedures, practices and frameworks that reduce bias, improve decision quality and create more valid learning over time; Ethical considerations weighing the short- and long-term impacts of decisions on stakeholders and society.

2.6.1 Assessment Centers

Assessment centers can be designed to measure many different types of job related skills and abilities, but are often used to assess interpersonal skills, communication skills, planning and organizing, and analytical skills (SIOP). Candidates’ ability to perform successfully in a team and to communicate adequately with others is assessed. The skills abilities and competencies that are assessed in an assessment center are very central to the future job performance of the candidates

and eventually impact positively on the organizational performance. Every exercise in an assessment center should reflect the content of the job as well problems likely to be faced on the job. As an example a candidate may be evaluated on his or her ability to a good sales presentation. An assessment center is not a physical location but is instead an approach to selecting managers based on measuring and evaluating their ability to perform critical work behaviors. As noted by Woodruffe (2000) and cited in Foot and Hook (2010) an assessment centre is a method rather than a place.

2.6.2 Integrity Tests

According to the Society for Industrial and Organizational Psychology (2012), the dependability, reliability, trustworthiness and other pro-social behaviors that are directly related to a person's previous experiences and attitudes can be accessed through integrity test. These tests typically ask direct questions about previous experiences related to ethics and integrity or ask questions about preferences and interests from which inferences are drawn about future behavior in these areas. Integrity tests are used to identify individuals who are likely to engage in inappropriate, dishonest, and antisocial behavior at work. A comprehensive study conducted by Ones, Viswesvaran and Schmidt and cited in Geoff Easton (2007), revealed that for predicting job performance, counterproductive behaviors such as theft, disciplinary problems and absenteeism, integrity test were very effective. Integrity test validates were positive across situations and settings, the authors concluded.

2.6.3 Interviews

Interviews vary their content and can be used to assess things such as, communication skills, interpersonal skills and teamwork skills, as well as job knowledge. An interview is a purposeful discussion between two or more people (Kahn and Cannel 1957) as cited in Saunders et al (2009). The use of interview can help to gather valid and reliable data that are relevant to research questions and objectives (Saunders et al 2009). The knowledge, skills, abilities and qualities that are required or desired on the job can be evaluated through a well-designed interview. The interview is the most commonly used type of test. Interviews can be conducted either by phone or face-to-face. The employment interview is a common and popular procedure for gathering information about job applicants (Posthuma, Morgeson, & Campion, 2002).

2.6.4 Job Knowledge Tests

In Job knowledge tests, multiple choice questions or essay type items are used to evaluate technical or professional expertise and knowledge required for specific jobs or professions. Several writers, (Hunter, 1983; Campbell, 1990; Campbell, Gasser, & Oswald, 1996; Motowidlo, Borman, & Schmit, 1997). As cited in Crook and Beier (2011), argue that Job knowledge has an important role in predicting job performance: It serves as not only a direct predictor of performance, but also as a potential explanatory link between personal characteristics.

2.6.5 Physical ability test

Some organizations require all applicants to submit to a physical examination; instead, they may ask only the finalists who are most likely to receive an offer of employment to take a physical examination. A primary reason for requiring a physical exam is to ascertain the extent to which the person may have the appropriate levels of stamina and physical conditioning for performing hazardous and strenuous jobs. The Labor Act 2003 (Act 651) prohibits discrimination against a

prospective employee on the basis of physical abilities. The Act provides under section (14) that An employer shall not in respect of any person seeking employment, or of persons already in his employment: and section (14) (e), states discriminate against the person on grounds of gender, race, color, ethnic origin, religion, creed, social or economic status, disability or politics.

2.6.6 Work samples and simulation

As noted by Dessler (2011), a work sample test tries to predict job performance by requiring job candidates to perform one or more samples of the job's basic task. This means that applicants are presented with a representative situation of the job they have applied for and their responses are evaluated accordingly. There is a standardized procedure, and scoring systems are worked out with the aid of experts of the occupation in

2.7 Challenges of recruitment and selection in small firms

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. A similar programme can be considered in Ghana.

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 indentifying vacancies, job analysis, job description, person specification, advertisement. Whiles 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, relative or an existing employee to look for suitable personnel for vacancies.

2.8 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 struggled 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.

The European Commission (1995) introduced a new series of definitions of the small and medium enterprises. This followed the lead of the European Commission (EC) in February 1996 which adopted a communication - 96/280/EC, setting out a single definition of SMEs to be adopted after 31 December 1997. This was subsequently amended on 6 May 2003 by a new recommendation 2003/361/EC regarding the SME definition which replaced the hitherto as from 1 January 2005. Storey (1994) argues that the EC definitions are more appropriate than those of the Bolton Committee. The major advantage of the EC definition is that, unlike Bolton, it does not use any criteria other than employment and it does not vary its definition according to the sector of the enterprise (Storey, 1994). A key problem with the EC definitions of an SME however, is that for a number of countries it is too “all embracing” (Storey 1994:14). Thus, for ‘internal’ purposes

within these countries, the SME definition is not helpful (Tonge, 2001). The trend has been for countries to define an SME based on criteria that reflects their own micro and macro-economic characteristics. This according to Tonge (2001), the heterogeneity of the small firm sector means it is often necessary to modify definitions according to the particular sectoral, geographic or other contexts in which the small firm is being examined.

In Ghana several definitions have been given for SMEs and according to (Kayanula 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 employs 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.

2.9 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 Caameron 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.

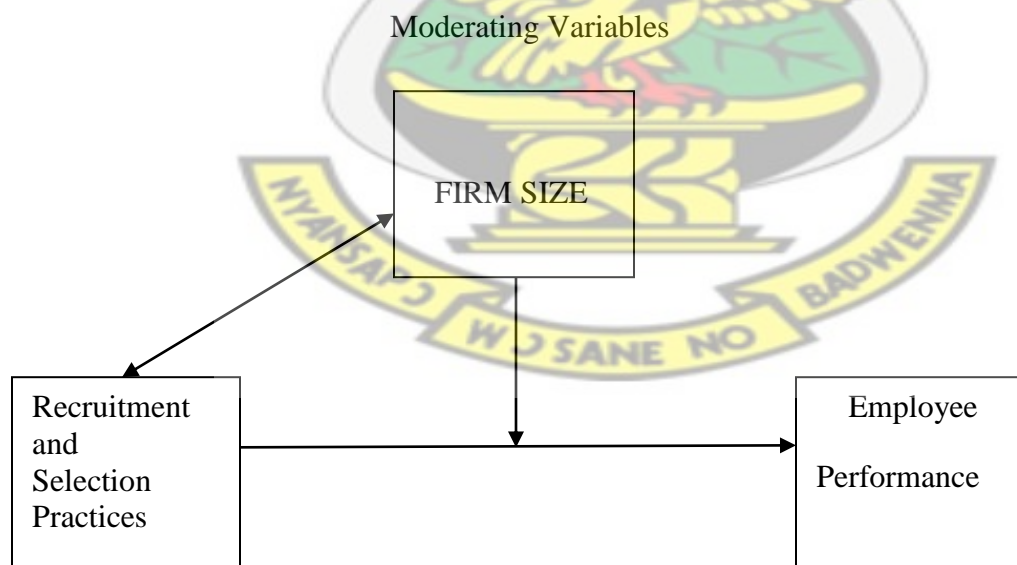
This is made possible by the use of selection criteria as basis on the questions asked by the selection panel and in interview. By selecting the required candidates for positions in respective departments, line managers could help achieve a better fit between job and candidate (Zhu and Dowling, 2002) 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

2.10 Conceptual framework

The conceptual framework showing the relationship between recruitment and selection practices and employee performance is shown in figure 2.2

Figure 2.2 Conceptual framework



Source:

CHAPTER THREE

RESEARCH METHODOLOGY AND ORGANIZATIONAL PROFILE

3.0 Introduction

This chapter discusses the procedures and tools which were used in collecting data for the project. This includes the research design, sources of data, research population, sampling process, procedure for data collection, administration of the questionnaires, interview, validity and reliability, profile of selected organizations and conclusion.

3.1 Research Design

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. This research strategy involves studying the current situation of recruitment and selection practices in Ghanaian SMEs and how they affect employee performance. The research design will be a case study which is a holistic inquiry that investigates a contemporary phenomenon within its natural setting specifying particular terms in greater detail (Harling, 2002). The case study organizations used are 15 firms selected from SMEs in the Kumasi Metropolis.

Robson (2002) also defines a case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple source of evidence. Yin (2003) as cited in Saunders et al (2009) also highlights the importance of context, adding that within a case study the boundaries between the phenomenon

being studied and the context within which it is being studied are not clearly evident. In this study responses from questionnaires and interviews will be waved together.

3.2 Sources of data

Data was collected from both secondary and primary sources based on the objectives of this study.

3.2.1 Primary data

Primary data were collected using questionnaires and responses served as sources of data for the study. The questionnaires sought two different answers from each of the two parties involved in the research. Hence two different questionnaires were design and administered to the parties involved in the research. Structured questions consisting of 45 and 18 questions were designed to collect data from owner/ managers and employees respectively. The Close-ended questions limit the respondent to the set of alternatives being offered.

The closed-ended questions included recruitment and selection practices in SMEs and its effects on employee performance, the effectiveness of recruitment and selection practices and five point likert scale on the challenges of recruitment and selection practices SMEs. Primary data were collected by visiting the offices or place of business of the various individuals and businesses and administered the questionnaire to them directly. The closed-ended question is usually quicker and easier to answer, as they require minimal writing. Responses are also easier to compare as they have been predetermined (Saunders et al 2009).

3.2.2 Secondary data

In order to meet the objectives of this study, the researcher collected documentary written materials from the organization. Documented secondary data on recruitment and selection practices were assessed by the researcher through books, journal articles, and the internet. Other personnel information on employee performance appraisals was also used.

3.3 Research population

The total collection of cases which the researcher is interested and forms the entity that the researcher attempts to understand is referred to as the population. Saunders et al (2009) also defined population as the full set of cases from which a sample is taken. The main population for this study involves owners and/or managers, and employees of SMEs in the Kumasi Metropolis. A research population is generally a large collection of individuals or objects that is the main focus of a scientific query. Due to the large size of population however, every individual in the population cannot be tested by the researcher because it is time consuming and expensive. For this reason the researcher relied on sampling techniques.

3.4 Sampling process

The sampling process for this study includes sampling size determination and sampling technique as discussed below.

3.4.1 Sample size determination

To be able to practically collect data for this study and in order to save time and cost, the researcher selected a sample to represent the entire population. Table 3.4.1 presents the population and sample of owner/managers and employees surveyed.

Table 3.1 Population and Sample size of Owner/managers and Employees

	Population		Sample		Respondents
	Owner/manager	Employees	Owner/manager	Employees	
Topman co. ltd	2	85	1	30	29
Sika Trading	1	46	1	30	25
Aspee Pharma	2	64	1	30	26
Anita Hotel	2	75	1	30	26
Great Dafco	3	50	1	30	28
Jeboat Ventures	1	16	1	16	15
Rakeb Ventures	3	25	1	25	26
Tusand Hotel Ltd.	2	27	1	25	26
El Fashione	1	10	1	10	11
Eugenia Fashion	1	5	1	5	6
Rocason Ventures	2	25	1	19	20
Abubeck Trad. Ent.	1	5	1	5	6
Queenstar	1	4	1	4	5
Bafour Awuah Ent.	1	3	1	3	4
Rhoda Ventures	1	4	1	4	5
Total			15	266	258

Source: Field data, 2012

3.4.2 Sampling technique

Because the entire population could not be surveyed, the researcher used relevant sampling technique to select a sample. The sampling technique for this study is quota sampling, purposive sampling and random sampling. 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 researcher used purposive sampling to select the individual firms. The rationale was to enable the researcher use his 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 researcher 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 from five firms.

3.5 Procedure for Data Collection

The researcher collected primary data through questionnaires and semi-structured interviews and the responses served as the main source of data for this study. Delport (2002) noted that questionnaires or survey designs are one of the data collection methods used when working from a qualitative perspective. Saunders et al (2009) noted that qualitative data refers to all non-numeric data or data that have not been quantified and can be a product of all research strategies. 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 order 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.

3.6 Administration of the Questionnaire

The researcher distributed questionnaires by hand to all the sampled respondents and they were collected later after completion. Questionnaires were administered with the help of owner managers. Their help was solicited in distribution of questionnaires since they can influence their employees to take the exercise seriously. Respondents were given three days to study the items that were unclear for discussions. Majority of the respondents understood it with some few ones having little difficulties. Respondents were given one week to complete and return the questionnaires, but on the average all the respondents used two weeks to complete the questionnaires and the researcher retrieved them from the respondents.

3.6.1 Questionnaire

An important aspect of any type of research study is data collection. This is especially because inaccurate data can seriously affect the results of the study and eventually render the results invalid. O'Sullivan and Russel (1995) argue that data collection strategy is integral to the

implementation of a research plan. For the purpose of this research, self-administered questionnaires were used, and where respondents had difficulty understanding the questions, the researcher assisted them to answer the questions. The questionnaires were distributed with the help of owner-managers, line managers or supervisors. The assistance of the owner-managers and supervisors were necessary since they can easily locate the respondents. It was the view of the researcher that their involvement will encourage the respondents to take the exercise seriously.

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3.7 Reliability and validity

To maximize the validity and reliability of data, the researcher used questionnaires to explore the recruitment and selection processes and its effects on employee performance. The data was cross checked using other research instrument as such as interview.

3.7.1 External Validity

In 1966, Campbell and Stanley proposed the commonly accepted definition of external validity. External validity asks the question of generalizability (cited in Shuttlesworth, 2009): Thus, the populations, settings, treatment variables and measurement variables that the effect can be generalized. External validity examine whether or not an observed causal relationship should be generalized to and across different measures, persons, settings and times (Calder et al 1982). The external population validity of this study was maximized through the large sample size, the use of random rather than a non-random sampling procedure.

3.7.2 Construct Validity

The triangulation metaphor according to Smith (1975) is from navigation and military strategy that use multiple reference points to locate the exact position of an object. In the basic principles

of geometry, multiple view point allow for greater accuracy (cited in Jick, 2006). Organizational researchers can similarly improve the accuracy of their judgment by collecting different kinds of data bearing on the same phenomenon. The use of triangulation in the social sciences can be traced back to Cambell and Fisk (1959) as cited in Jick (2006) who developed the idea of multiples operationism. They argued that more than one method should be used in the validation process to ensure that the variance reflected that of the trait and not of the method. They further argue that the convergence or agreement between two methods enhance our belief that the results are valid and not a methodological artifact" (Bouchard, 1976, p. 268). This study used two sources of evidence questionnaires and interview to enhance the construct validity of results. To collect different kind of data for this study, the researcher used two different set of questionnaires to collect data from owner managers and employees of SMEs in the Kumasi Metropolis.

3.7.3 Internal Validity

A crucial means to measuring a research study is the internal validity which ensures that a research design closely follows the principle of a cause and effect. In the social sciences and other scientific disciplines, internal validity is an important consideration. In 1979, Cook and Campbell gave a classical definition of internal validity as 'the approximate validity with which we infer that a relationship between two variables is causal or that the absence of a relationship implies the absence of cause'. Internal validity therefore describes the confidence in the cause and effect relationship in a study.

1. This research will seek to maximize internal validity through the use of cross sector analysis of micro, small and medium enterprises in the Kumasi Metropolis. Internal validity will further be enhanced through the use of diagrams in the form of pie charts, bar charts and other graphical representation in the analysis of the data.

3.7.4 Reliability

The basic premise underlying the reliability of a research finding is that the result of the study must not be a one-of finding and be inherently repeatable. This means giving the same conditions, other researchers must be able to perform the same experiment and generate the same results. Therefore, the reliability of a research finding refers to the extent to which a data collection technique or analysis procedures will yield consistent results (Saunders et al 2009). Salkind (1997) argue that if something is reliable it will perform in the future as it has done in the past.

3.8 Data Analysis

In analyzing the data the researcher used both quantitative and qualitative data. Data gathered from the field was edited in order to remove inconsistencies, 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.

3.8. 1 Background of the SME Sector in Ghana

In Ghana, the little information available from the Registrar General indicates that 90% of firms registered are MSMEs (Mensah, 2004). Similarly, the Ministry of Trade and Industry, in 1998 estimated that the Ghanaian private sector (mainly dominated by MSMEs), consists of approximately 80,000 registered limited companies and 220,000 registered partnerships (Mensah, 2004). SMEs in Ghana have been noted to provide about 85% of manufacturing employment of Ghana. They are also believed to contribute about 70% to Ghana's GDP and account for about

92% of businesses in Ghana. It is estimated that, 40% of Ghana's GNI is attributed to informal sector activity dominated by SMEs (Ghana Government 2002).

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CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter contains the results of primary data that were gathered empirically from the field by the use of questionnaires and an analysis of the findings. The analysis has been divided into two, the first part deals with the analysis of responses of employees in SMEs while the second part also deals with analysis of responses of owner/ managers. For the purpose of this study, two sets of questionnaires were used, which were designed using both open-ended and closed-ended questions. The first sets of questions were designed for the Owner/Managers of fifteen SMEs whilst the second set was designed for employees of fifteen SMEs. Data is analyzed and presented through tables. The purpose of this study was to investigate into the recruitment and selection practices of SMEs in the Kumasi Metropolis.

The data collected was analyzed on three key areas namely recruitment and selection practices of SMEs, challenges of SMEs in recruitment and selection, the effectiveness of recruitment and selection practices of SMEs as well as the responses to specific questions. To be able to conduct an effective research, a total of fifteen SMEs were selected for this study with five SMEs representing each of the three sectors namely micro, small and medium enterprises. 15 owner managers and 243 employees were selected for this study.

4.1 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.

Table 4.1 Number of Responses from each sector

	Frequency	Percentage
Micro Enterprises (0-5)	21	8.6
Small Enterprises (6-29)	93	38.3
Medium Enterprises (30-99)	193	53.1
Total	243	100

Source: Field study, 2012

4.2 Employees Sources of Information about their jobs

In this section, the researcher 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.

Table 4.2 Employees Sources of Information about their Jobs

	Frequency	Percent
Radio	101	41.6%
Television	1	0.4%
Newspaper	1	0.4%
Friends and relatives	140	57.6%
Total	243	100%

Source: Field Work, 2012

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 researcher is 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)

4.3 Sources of Employment

Table 4.3 Sources of employment

	Frequency	Percent
Employee referral	84	41.2%
Protocol	1	0.4%
Relations	86	42.2%
Employment agency	33	16.2%
Total	204	100%

Source: Field Study, 2012

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 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 through 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 this researcher 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.

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

Under this section, the researcher 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.

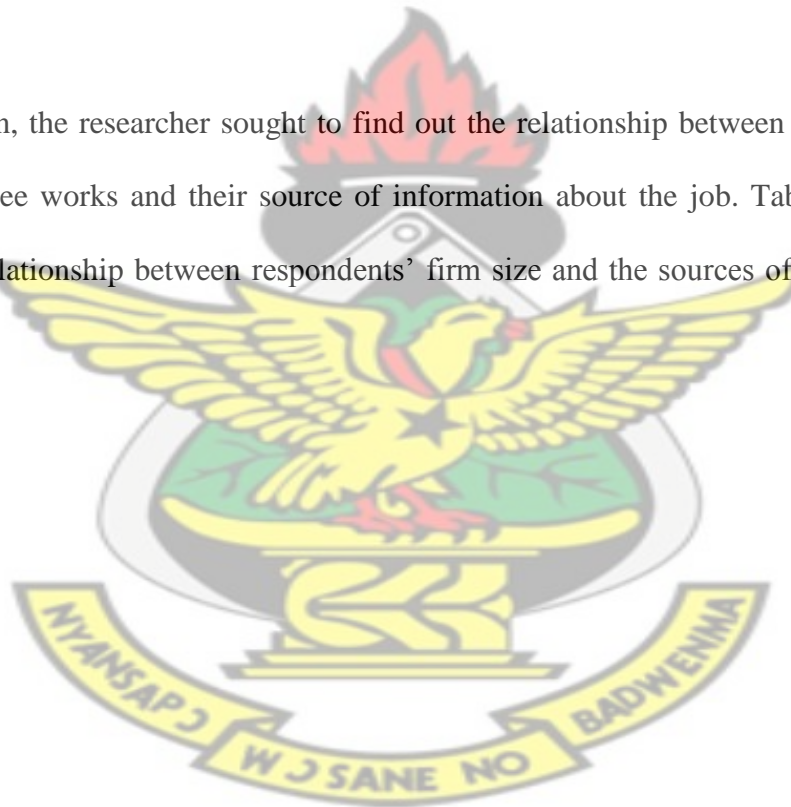


Table 4.4 Firm size and employee source of information about their jobs

			What was your source of information about this job?		Total
			radio	friends and relatives	
What is the total number of employees in this company?	0-5	Count	1	20	21
		% within What is the total number of employees in this company?	4.8%	95.2%	100.0%
	6-29	Count	26	67	93
		% within What is the total number of employees in this company?	28.0%	72.0%	100.0%
	30-99	Count	76	53	129
		% within What is the total number of employees in this company?	58.9%	41.1%	100.0%
Total		Count	103	140	243
		% within What is the total number of employees in this company?	42.4%	57.6%	100.0%

Source: Field study, 2012

Out of the total 21 responses from micro enterprises, 20 (95.2%) representing 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.

4.5 Firm size and responsibility for performance appraisal

The study further investigated the relationship between the size of a firm and those who conduct performance appraisal.

Table 4.5 Firm size and responsibility for performance appraisal

			Who conducts the appraisal?			Total
			my supervisor	Owner	Manager	
What is the total number of employees in this company?	0-5	Count	1	12	0	13
		% within What is the total number of employees in this company?	7.7%	92.3%	.0%	100.0%
	6-29	Count	31	24	21	76
		% within What is the total number of employees in this company?	40.8%	31.6%	27.6%	100.0%
	30-99	Count	65	23	25	113
		% within What is the total number of employees in this company?	57.5%	20.4%	22.1%	100.0%
Total		Count	97	59	46	202
		% within What is the total number of employees in this company?	48.0%	29.2%	22.8%	100.0%

Source: Field study, 2012

In table 4.5 the results presented shows that of the total of 13 responses obtained from the micro enterprises, 11 (84.6%) selected business owners as those who conduct performance appraisal while 2 (15.4%) chose managers. In the small enterprises sector, there were a total of 76 responses. Out of this 31 (40.8%) selected managers as those who conduct performance appraisal. 23 (30.3%) of respondents in this sector selected owners while 22 (28.9%) selected supervisors. A majority of respondents 85 (75.9%) said performance appraisal is conducted by supervisors. 13 (11.6%) ticked owners while 14 (12.5%) selected managers. It is noteworthy that respondents' responses as shown by table 4.5 in the SMEs indicates that out of a total of 201 responses obtained with regards to the relationship between the size of a firm and those who conduct performance appraisal 107 (53.2%) . There is positive significant relationship between the size of firm and those who conduct performance appraisals. The correlation is significant at 0.01 level.

4.6 Analysis of Responses from Owner Managers

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

4.6.1 Category of SMEs involved in the study

Results in table 4.6.1 indicate the category of SMEs involved in this study

Table 4.6.1 Number of Responses from each sector

	Frequency	Percentage
Micro Enterprises (0-5)	5	33.3
Small Enterprises (6-29)	5	33.3
Medium Enterprises (30-99)	5	33.3
Total	15	100

Source, Field Study, 2012

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 researcher ensured that all the firms were registered under the Companies Code of Ghana (Act 179, 1963).

4.6.2 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.

Table 4.6.2 Recruitment and Selection Policy

	Frequency	Percent
Yes	6	40%
No	9	60%
Total	15	100%

Source: Field Study, 2012

Results of the survey as shown on table 4.6.2 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 the owner/ managers.

4.6.3 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.

Table 4.6.3 Formal Recruitment and Selection Process

	Frequency	Percent
Yes	3	20%
No	12	80%
Total	15	100%

Source: Field study, 2012

In table 4.6.3 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, les cumbersome and saves precious time.

4.6.4 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.

Table 4.6.4 Source of Recruitment for SMEs

	Frequency	Percent
Internal source	3	21.4%
External source	11	78.6%
Total	14	100%

Source: Field Study, 2012

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 Nkosiyo 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.

4.6.5 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 4.6.5 presents an analysis of respondents' views on medium of advertisement.

Table 4.6.5 Medium of advertisement

	Frequency	Percentage
Radio	3	20
Word-of-mouth	9	60
Recruitment agencies and Walk-ins	1	6.7
Company notice board; Recruitment agencies and Word-of-mouth	2	13.3
Total	15	100

Source: Field Study, 2012

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.

4.6.6 Factors influencing selection practices

The objective for this section was to investigate the factors that influence selection practices SMEs.

Table 4.6.6 Factors Influencing Recruitment and Selection Practices

	Frequency	Percentage
Qualification	11	73.3%
Family and Qualification	3	20.0%
Religion; Family and Qualification	1	6.7%
Total	15	100%

Source: Field Study, 2012

As evident in table 4.6.6 a greater proportion of responses 13 (73.3%) indicated qualification as the major factor that influence the selection of candidates. 3 (20%) considered family and

qualification while 1 (6.7%) considered religion, family and qualification. This researcher believes that managers rely on qualification to make their human resource management decisions on the type of skills required or needed.

4.6.7 Nature of recruitment and selection practices

In this section, Owner / Managers were asked to describe the nature of recruitment and selection practices.

Table 4.6.7 Nature of Recruitment and Selection Practices

	Frequency	Percent
Formal	2	13.3%
Informal	13	86.7%
Total	15	100%

Source: Field Study, 2012

In table 4.6.7, the results show that of the total of fifteen respondents obtained in this regard, 13 (86.7%) indicated that their recruitment and selection practices were informal. 2 (13.3%) on the other hand described their recruitment and selection practices as formal. As a follow up to the above, the study further sought to find out the reasons behind the use of informal methods. Majority of Owner/ Managers 8 (53.3%) mentioned that they used informal methods because it is cost effective, it saved time and less cumbersome. 4 (26.7%) gave their reason that the informal methods were very reliable. 2 (13.3%) mentioned that it is cost effective. Only 1 (6.7%) indicated that they used the informal methods because it was cost effective and less cumbersome. The findings are consistent with earlier assertions made in the literature that SMEs use informal process for recruiting and selecting employees.

This researcher believes that while the informal methods may have some advantages, a formal recruitment and selection process will reveal accurate information about a candidate's skills as well as strength and weaknesses enabling owner/ managers to make inform choices.

4.6.8 Attracting qualified employees

A major concern faced by SMEs in Ghana is their inability to attract qualified employees to fill available vacancies. The objective of this section was to investigate whether SMEs find it difficult to attract qualified employees.

Table 4.6.8 Attracting Qualified Employees

	Frequency	Percentage
Strongly Disagree	1	7.1%
Disagree	3	21.4%
Neutral	2	14.3%
Agree	7	50%
Strongly Agree	1	7.1%
Total	14	100%

Source: Field study, 2012

As evident from the table 4.6.8 (57.1%) agreed that qualified employees were very difficult to find. 3 (21.4%) and 1 (7.1%) on the other hand disagreed and strongly disagreed respectively that qualified employees were very difficult to find. While 2 (14.4%) of the responses were neutral. This researcher is of the opinion that the SMEs that agreed that qualified employees were very difficult to find were relatively larger and engaged in more technical area of activity requiring a certain level of skills and knowledge. The variations may be due to the type of employee being

recruited coupled with the nature of business of the SME. For example, while an SME in the retail sector may have little or no difficulty in recruiting, another in health service and IT that requires specific skills and knowledge sets may have a little difficulty attracting qualified employees.

4.6.9 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.

Table 4.6.9 Employees require more supervision

	Frequency	Percentage
Agree	8	53.3%
Strongly Agree	7	46.7%
Total	15	100%

Source: Field Study, 2012

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. This researcher is 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.

4.6.10 Pressure from family to employ relatives

Studies have shown 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.

Table 4.6.10 Pressure From to Employ Relatives

	Frequency	Percentage
Agree	12	80%
Strongly Agree	2	20%
Total	14	100%

Source: Field Study, 2012

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. This researcher is 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.

4.6.11 Effective source of recruitment

As a follow up to the above, the study was also interested in investigating the most effective source recruitment for the SMEs. Owner/ Managers were asked to indicate the most effective source of recruitment.

Table 4.6.11 Effective source of Recruitment

	Frequency	Percent
Internal source	2	14.3%
External source	12	85.7%
Total	14	100%

Source: Field Study, 2012

As evident in table 4.6.11 a total of 12 (85.7%) of the respondents indicated that external source were the most effective source of recruitment while 2 (14.3%) indicated that internal sources are the most effective method of recruitment. The findings are not surprising since according Moy and Lee (2002) SMEs tend to have a very small internal labor market and therefore when they lose employees they necessarily need to replace them from the external labor market.

4.6.12 Effective method of selection

Recruitment and selection are the two key and most important steps for hiring employees. The two activities are said to be very challenging for employers especially for Owner/ Managers of SMEs. The study therefore sought to find out the most effective method of selecting employees.

Table 4.6.12 Effective methods of selecting employees

	Frequency	Percent
Interview	7	46.7%
Job knowledge test	1	6.7%
Interviews and work sample and simulation	1	6.7%
Interviews; Job knowledge test and work samples and simulation	2	13.3%
Interviews; Integrity test; Job knowledge test and Physical ability test	3	20%
Integrity test; Job knowledge test and Physical ability test	1	6.7%
Total	15	100%

Source: Field Study, 2012

The study sought to ascertain the most effective method of selecting employees. In table 4.6.12 results presented shows that of the total of 15 owner/ managers who responded, 7 (46.7%) chose interview as the most effective method of selection. 3 (20%) of Owner/ Managers chose interviews, integrity test, job knowledge test and physical ability test. 2 (13.3%) chose interview, job knowledge test, and work sample and simulation while 1(6.7%) Owner/ Manager each chose job knowledge test; interview and work sample and simulation; and integrity test, job knowledge test, and physical ability test. The findings show that almost half of all managers see interview as the most effective method of selection. The researcher is of the opinion that the use of interview was to enable SMEs assess the suitability of the applicant for the vacant position and to form their own impression about the applicant.

4.6.13 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.

Table 4.6.14 Performance Appraisal

Conducting Performance Appraisal			Responsibility for Performance Appraisal		
	Frequency	Percentage		Frequency	Percentage
Yes	11	73.3%	Supervisors	4	36.4%
No	4	26.7%	Manager	2	18.2%
Total	15	100%	Owner/ Manager	5	45.5%
			Total	11	100.%

Source: Field study, 2012

As evident in table 4.6.13, 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”. This researcher perfectly agrees with Robert J Greene and believes 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 4.6.13, 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-mangers 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.

4.6.14 Performance appraisals results for decision making

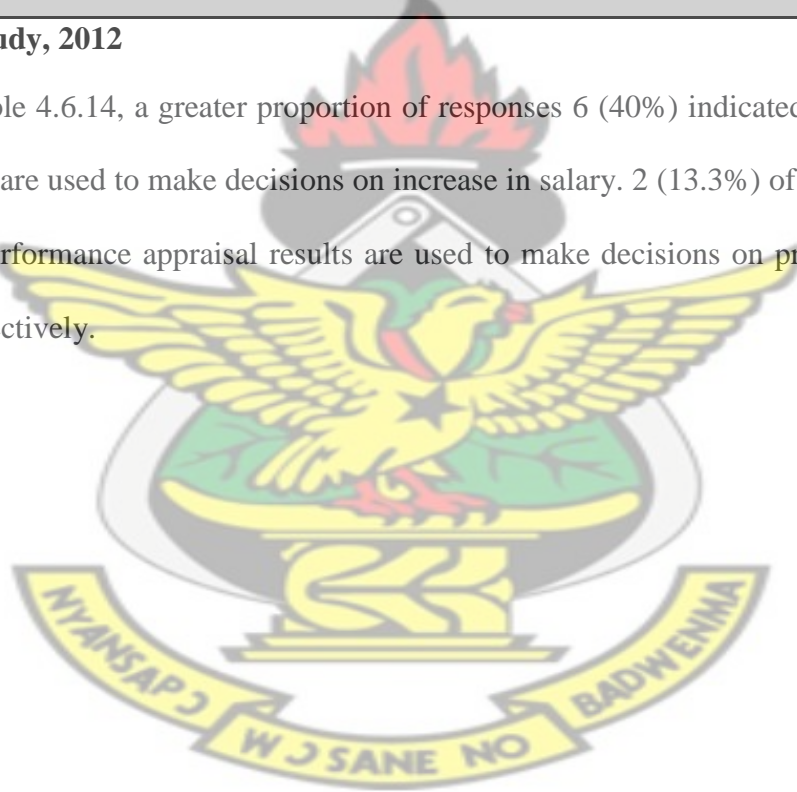
Using appraisal results to make decisions is an integral part of the performance management process. It is essential that management makes decisions based on accurate and reliable information and this must be the information from the appraisal results. As a follow-up to the two previous questions, the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

Table 4.6.15 Using appraisal results to make decisions

	Frequency	Percent
Promotion	2	14.3%
Training	2	14.3%
Increase in Salary	6	42.9%
Promotion; Training and increase in salary	1	7.1%
Promotion and Training	1	7.1%
Training and increase in salary	2	14.3%
Total	14	100%

Source: Field Study, 2012

As evident in table 4.6.14, 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.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study investigated the recruitment and selection practices of SMEs in the Kumasi Metropolis. This chapter presents the findings together with conclusions drawn from the study. Some recommendations are made to facilitate future research as well as suggested solutions to some problems identified in course of the study.

5.2. Summary of findings

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

5.2.1. 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.

5.2.2 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.

5.2.3 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 the Kumasi Metropolis. 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.

5.2.4 Factors influencing selection practices

The study has indentified qualification as the most important thing to SMEs when screening the resume/cv of job applicants. It was established that a greater proportion of respondents 73.3%, saw qualification as the most important thing when screening the resume/cv of candidates and 20% of them considered family and qualification while 6.7% considered religion, family, and experience as very influential in screening the applicants.

5.2.5 Method of selection

It was evident from the study that interview was the common method of selection. It was established that majority of the respondents use interview to select job applicants. Other selection methods that also came to light are integrity test, job knowledge test and physical ability test.

5.2.6 Things to consider when screening cv of applicants

The study revealed that Qualification was an important issue in most SMEs. Majority of Owner/Managers indicated when screening the cv of applicants the most important thing they look for was qualification of the applicant. Others also indicated that in addition to qualification, experience and communication skills are very important to them when screening applicants. Another important thing that came to light was attitude of the applicants.

5.2.7 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.

5.2.8 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.

5.2.9 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.

5.2.10 conducting performance appraisal

It was evident from the study that certain individuals in SMEs have the responsibility to conduct performance appraisal. It was revealed that appraisals were conducted by the owner/ managers, others also indicated that appraisals were conducted by supervisors and managers. An important finding of the present study was that some business owners are involved in the conduct of performance appraisal. It however came to light that these were micro and small enterprises with relatively few employees.

5.2.11 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 decision. 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.

5.2.12. 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.

5.3 Conclusion

The purpose of this study has been to investigate recruitment and selection practices of SMEs in the Kumasi Metropolis. 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 mare emphasis on qualification while a good number of them are resisting the pressure to employ friends and relatives. It is generally accepted that the human resource of every organization is the most valuable of all resources and that the quality of human resources also 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. Finally, it is hoped that this study will lead to increase awareness of the need for more studies to 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.

5.4 Recommendations

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

5.4.1 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. In 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.

5.4.2 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.

5.4.3 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.

5.4.4 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.

5.4.5 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.

5. 4.6 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.

5.4.7 Suggestion for future research

Future researchers might expand the sample size to cover the whole of the Ashanti Region or throughout Ghana since SMEs can be found in almost every conner of this country. Future researchers can also investigate human resource practices in SMEs.

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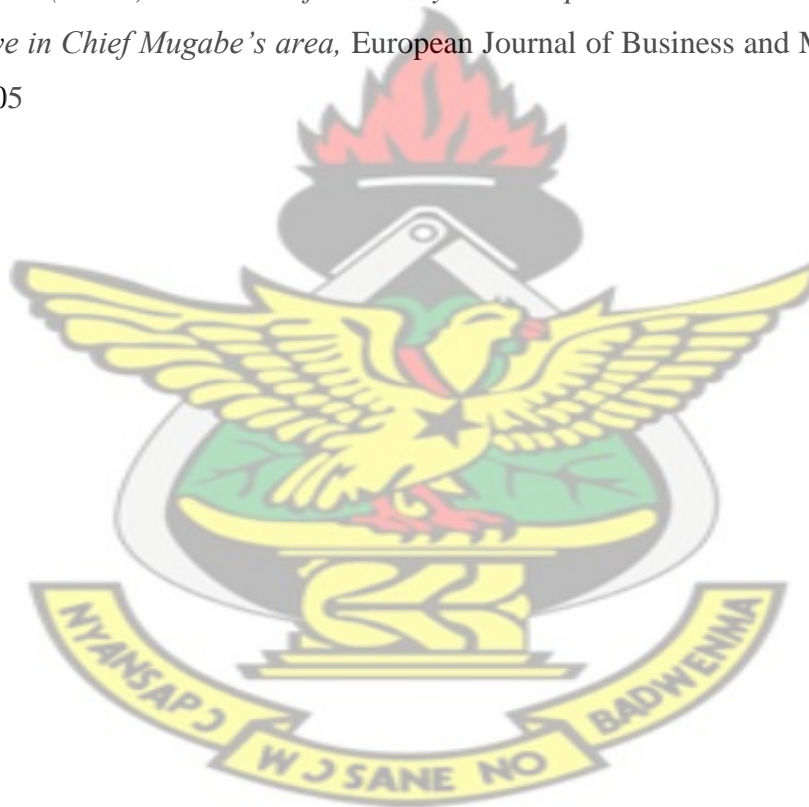
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APPENDICES

APPENDIX I

Copy of Research Questionnaires to Owner/ Managers of SMEs

QUESTIONNAIRE ON RECRUITMENT AND SELECTION PRACTICES OF SELECTED SMEs IN THE KUMASI METROPOLIS

This questionnaire is an integral part of a Research being carried out by a student of KNUST School of Business. Please answer these questions in your candid objective opinion. This is strictly for academic purposes and your confidentiality is assured. Thank you very much for your co-operation and participation.

SECTION 'A'

(THIS SECTION IS DESIGNED FOR OWNER/MANAGERS)

RECRUITMENT AND SELECTION PRACTICES

Please tick as appropriate.

1. Please indicate the number of years the business has been in operation.

a. 0 - 5 years ☐

b. 6 - 10 years ☐

c. 11 - 15 years ☐

d. 16 - 20 years ☐

e. Others (please specify).....

2. Please indicate the nature of your business

a. Manufacturing ☐

b. Retailing ☐

c. Service ☐

d. Others (please specify).....

3. What is the total number of employees in this company?

a. 0 - 5 ☐

b. 6 - 29 ☐

c. 30 - 99 ☐

4. Does the company have a well defined recruitment and selection policy?

a. Yes ☐

b. No ☐

5. In your view does the company follow the policy?

a. Yes ☐

b. No ☐

6. Does the company follow the formal recruitment and selection process

a. Yes ☐

b. No ☐

7. What are the processes involved in the company's recruitment? (Please tick as many as appropriate)

- a. Identifying vacancy []
- b. Job analysis []
- c. Job description []
- d. Person specification []
8. How do you inform qualified candidates about available vacancies? (Please tick as many as appropriate)
- a. Company notice board []
- b. Local/ national newspapers []
- c. Recruitment agencies []
- d. Internet sites []
- e. Professional journals []
- f. Radio/ television []
- g. Word –of-mouth []
- h. Others (please specify.....)
9. What are the steps/ stages in the company's selection process? (Please tick as many as appropriate)
- a. The recruiting process []
- b. Gathering information about qualified applicant []
- c. Evaluating the qualification of each applicant []
- d. Making decisions about employment []
10. What is the main source of recruitment for the company?
- a. Internal source []
- b. External source []

c. Others(please specify).....

11. Which of the following are the main sources of internal recruitment used by the company?

(Please tick as many as appropriate)

a. Job posting []

b. Succession planning []

c. Rehiring []

12. Identify the main methods of external recruitment used by the company. (Please tick as many as appropriate)

a. Word-of-mouth recruiting []

b. Advertising in print and electronic media []

c. Employment agencies []

d. College recruiting []

e. Employee referral []

f. Walk-ins []

13. Indicate the reasons why the company prefers the internal source of recruitment. (please tick as many as appropriate)

a. Candidates' strength and weaknesses are known []

b. Current employees are more committed to the company []

c. It boosts the moral of existing employees []

d. It is cost effective []

e. It reduces the incidence of turnover []

f. Recognition of long period of service and experience []

14. Indicate the reasons why the company prefers the external source of recruitment. (Please tick as many as appropriate)

- a. Infusion of new ideas and knowledge []
- b. Helps to promote/ project corporate image []
- c. Keeps existing employees on their toes []
- d. Avoids organizational inbreeding []

15. Does the company inform existing employees about job vacancies?

- a. Yes []
- b. b.No []

16. What are the major reasons for recruiting new staff into the company? (Please tick as many as appropriate)

- a. Changes in the organizational structure []
- b. Growth of the business []
- c. Resignation []
- d. Retirement []
- e. Dismissal []
- f. Promotion []

17. Do you encourage employees to recommend qualified candidates for employment?

- a. Yes []
- b. b.No []

18. If yes, what is the reward given to employees?

a. Monetary reward []

b. None monetary reward []

19. What factors influence the company's recruitment and selection practices?

a. Nepotism []

b. Politics []

c. Religion []

d. Family []

e. Qualification []

20. How would you describe your recruitment and selection process?

a. Formal []

b. Informal []

21. What are the reasons for using the formal/ informal recruitment and selection process?

a. It is cost effective []

b. It is very reliable []

c. Saves time []

d. Less cumbersome []

SECTION B: Challenges of SMEs in their recruitment and selection practices/ process

Please indicate the extent to which you agree or disagree with the statement below about the challenges you face when you want to fill vacancies.

	ITEMS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
22	There are many challenges in the process of recruitment and selection					
23	Qualified employees are very difficult to find					
24	The quality of employees is not high					
25	Employees require more supervision					
26	I do not follow formal recruitment and selection procedure					
27	The adoption of a more formal procedure could reduce challenges					
28	These challenges negatively affect performance					
29	Recruitment and selection cost is a major challenge to SMEs					
30	Pressure from family to employ relatives is another challenge to SMEs					
31	The recruitment and selection of employees with the right qualification for achieving the goals of the enterprise is a major challenge					
32	The lack of systematic method of recruitment and selection is a challenge					
33	The use of informal methods of recruitment and selection is another challenge to SMEs					

SECTION C: EFFECTIVENESS OF RECRUITMENT AND SELECTION PRACTICES

PLEASE TICK WHERE NECESSARY []

34. How will you describe your recruitment and selection practices/ processes?

- a. very effective []
- b. effective []
- c. ineffective []
- d. indifferent []

35. Please indicate the most effective source for hiring employees

- a. Internal source []
- b. External source []
- c. Any other please specify.....

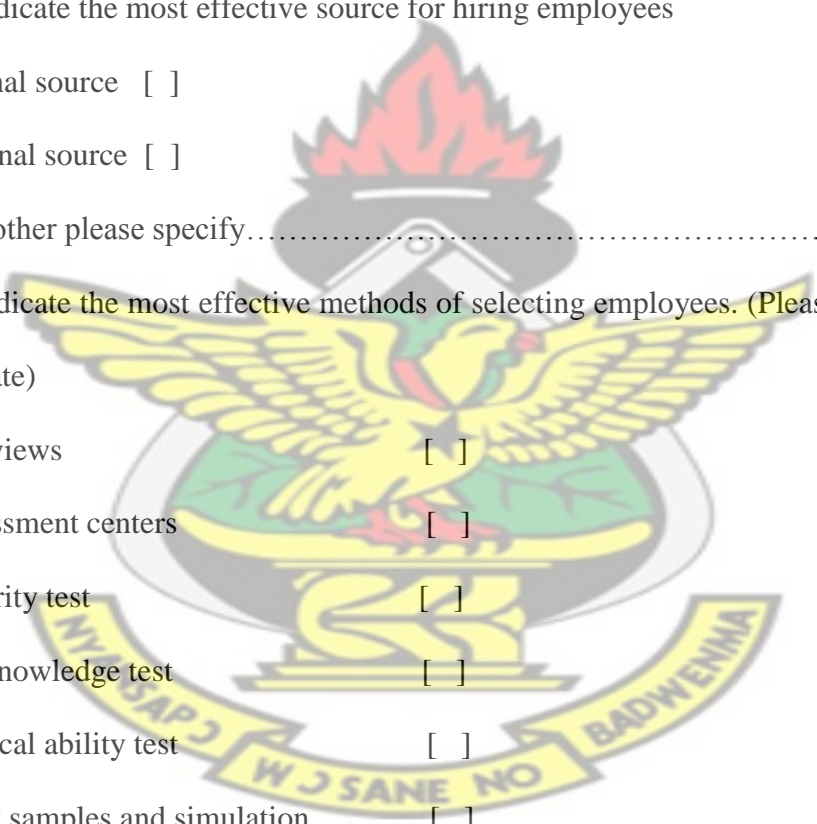
36. Please indicate the most effective methods of selecting employees. (Please tick as many as appropriate)

- a. Interviews []
- b. Assessment centers []
- c. Integrity test []
- d. Job knowledge test []
- e. Physical ability test []
- f. Work samples and simulation []

37. In selection procedure do you conduct background checks

- a. Yes []
- b. No []

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38. Do you conduct psychometric test?

a. Yes []

b. No []

39. When screening the résumé/cv of candidates what are the important things you look for?

a. Qualification []

d. Experience []

b. Communication Skills []

e. Attitude []

c. Presentation Skills []

f. Other []

40. Does the recruitment and selection procedure succeed in getting the right person for the job at the right time?

a. Yes []

b. No []

c. Others (please specify).....

41. Does the company conduct performance appraisal

a. Yes []

b. b. []

42. Who conduct the appraisal?

a. Supervisors []

b. HR Managers []

c. External Consultants []

d. Others (please specify) []

43. How often does the company conduct the performance appraisals?

a. Every three months []

b. Every six months []

c. Yearly ☐

d. Others please specify.....

44. Please indicate whether the appraisal results are used to make decisions on any of the following. (Please tick as many as possible)

a. Promotion ☐

b. Training ☐

c. Increase in salary ☐

d. Others (please specify).....

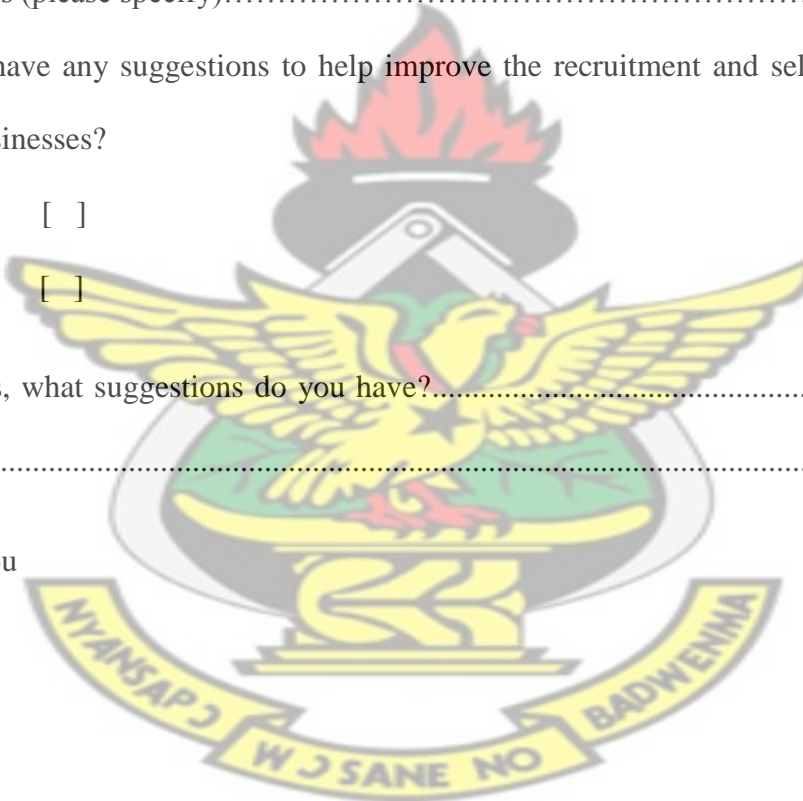
45. Do you have any suggestions to help improve the recruitment and selection practices in small businesses?

a. Yes ☐

b. No ☐

c. If yes, what suggestions do you have?.....
.....

Thank you



APPENDIX II

Copy of Research Questionnaires to Employees of SMEs

QUESTIONNAIRES FOR THE SAMPLED EMPLOYEES IN SMEs

SECTION A: RECRUITMENT AND SELECTION PRACTICES

This questionnaire is an integral part of a Research being carried out by a student of KNUST School of Business. Please answer these questions in your candid objective opinion. This is strictly for academic purposes and your confidentiality is assured. Thank you very much for your co-operation and participation.

1. How many years have you been working in this company?

- a. 0-5 years ☐
- b. 5-10 years ☐
- c. 10-15 years ☐
- d. More than 15 years ☐

2. What is the total number of employees in this company?

- a. 0 - 5 ☐
- b. 6 - 29 ☐
- c. 30 - 99 ☐

3. Please indicate the nature of business of the company you work for

- a. Manufacturing ☐
- b. Retail ☐
- c. Service ☐
- d. Others specify.....

4. What was your source of information about this job?

a. Internet []

b. Radio []

c. Television []

d. Newspapers []

e. Friends and relatives []

5. Did you formally apply for this job?

a. Yes []

b. No []

6. If No, how were you employed? Tick as many as appropriate

a. Employee referral []

b. Protocol []

c. Relations []

d. Others specify.....

7. How will you describe the entire recruitment and selection practices?

a. Very objective []

b. Fair []

c. Others, specify.....

8. Rate the interviewing and selection process

a. Excellent []

b. Adequate []

c. Poor []

d. Very poor []

9. Does the company inform you about vacancies?

a. Yes []

b. No []

10. How many people have brought into this organization since you started working here?

a. One []

b. Two []

c. Three []

d. Four []

e. Five []

11. Related to the above, did you receive any reward?

a. Yes []

b. No []

12. Does your company undertake performance appraisal?

a. Yes []

b. NO []

13. If yes, how often does the company appraise your performance?

a. Every three months []

b. Every six months []

c. Once a year []

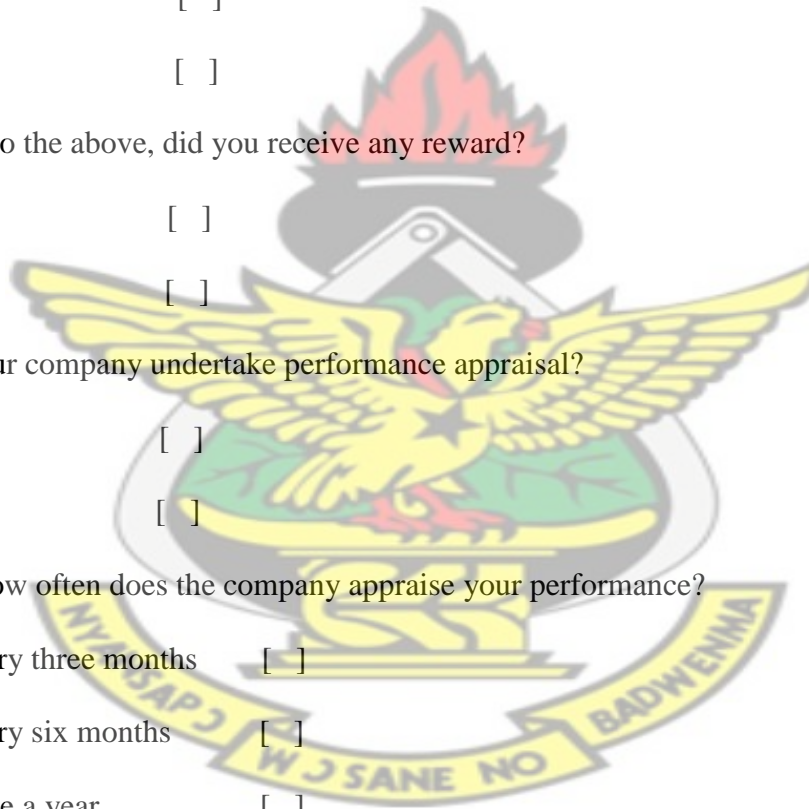
d. Others specify.....

14. Who conduct the appraisal?

a. My supervisor []

b. HR manager []

KNUST



c. External consultants []

d. Others specify.....

15. Please indicate whether the company uses the appraisal results to make decisions on any of the following

a. Promotion []

b. Training []

c. Increase in salary []

d. Others (please specify).....

16. How do you rate your performance as an employee?

a. Good []

b. Satisfactory []

c. Needs improvement []

d. Unsatisfactory []

17. Are there any suggestions you wish to make concerning recruitment and selection practices in this company?

a. Yes []

b. No []

18. What suggestions do you wish to make about recruitment and selection in SMEs?

a.

b.

c.

THANK YOU.