

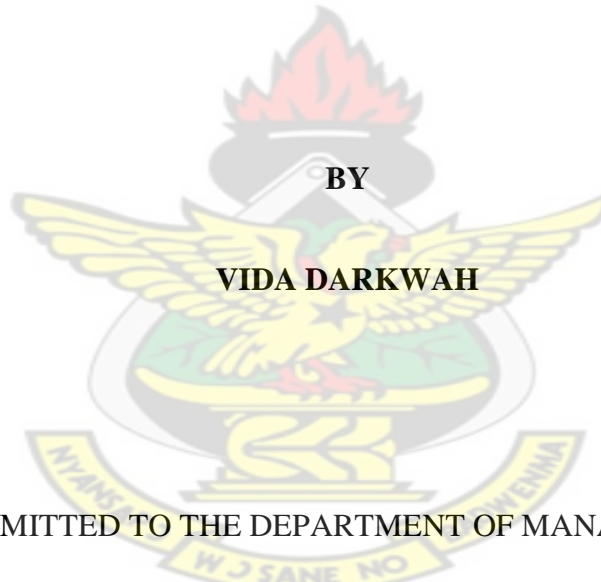
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ART AND SOCIAL SCIENCE

KNUST-SCHOOL OF BUSINESS

**EXAMINING THE RECRUITMENT AND SELECTION PRACTICES OF
FAMILY OWNED SMALL MEDIUM ENTERPRISES IN THE KUMASI**

**METROPOLIS
KNUST**



**A THESIS SUBMITTED TO THE DEPARTMENT OF MANAGERIAL SCIENCES,
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,
KUMASI, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION
(HUMAN RESOURCE MANAGEMENT)**

JUNE, 2014

DECLARATION

I hereby declare that this submission is my own work towards the award of a Master of Business Administration in Human Resource Management. No part of this research work has been presented by another person for an award of any degree at any university. Any public document referred to has been properly acknowledged.

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DEDICATION

This work is dedicated to my lovely husband, Mr I.W Ofosu, for his contribution towards the completion of this research work.

KNUST



ACKNOWLEDGEMENT

First and foremost, my thanks goes to the Almighty God for successfully seeing me through this thesis work and for making my academic dream come into reality.

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ABSTRACT

The contribution of employees in Small Medium Enterprises which represent more than 90% of all businesses in Ghana and occupy a central part of the Ghanaian economy cannot be downplayed. Effective recruitment, selection and retention of employees are part of employment relationship and can enhance work performance and contribute to business success. Effective recruitment and selection has been associated with positive outcomes and retention, however the attention has rarely been focused on family-owned small businesses. The objective of the study was to investigate the recruitment and selection practises of family- owned small businesses. In a survey study carried out on 107 family owned small businesses that were purposively sampled in the Kumasi metropolis it was evident from the results that the family owned small business do not follow formal recruitment and selection practices, but rather the recruitment is based on the discretion of the owner/ manager. From the findings of the study the main recruitment practices adopted by the businesses are word of mouth and promotion from within; the selection method preferred by the family owned businesses is the one-on-one interview. The major challenge faced by the family owned business is their ability to attract high skilled labour. The study recommends that SME should employ professionals to improve their performance.

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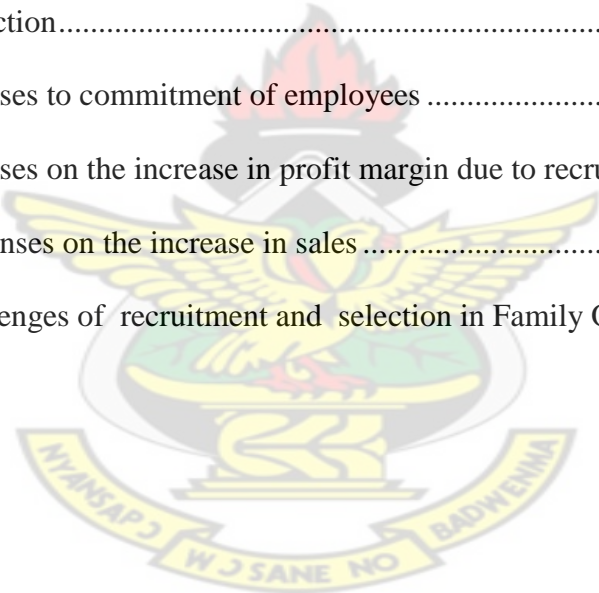
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LIST OF ABBREVIATIONS

SME: Small Medium Enterprise

OECD: Organisation for Economic Cooperation and Development

CDC: Capacity Development Center

HRM: Human Resources Management

NBSSI: National Board for Small Scale Industries

AGI: Association of Ghana Industry



CHAPTER ONE

INTRODUCTION

1.0 Background of the study

Armstrong (2009) defines human resource management as a strategic and coherent approach to the management of an organization's most valued assets the people working there who individually and collectively contribute to the achievement of its objectives. Armstrong (2009) argues that the overall purpose of human resource management is to ensure that the organisation is able to achieve success through people. Storey (1992) holds the view that human resource management is a distinctive approach to managing employees, which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, employing an integrated array of cultural, structural and personnel techniques. Storey (1992) view of human resource management he assumes that it is employees that give a competitive edge and that they should not aim at mere compliance with rules but rather employees should be carefully selected and developed to ensure commitment. Taylor (2006) points out that HRM can be broken down into four people management practices which are recruitment and selection, payment systems, performance appraisal, and training and development.

Recruitment can be described as the process of generating a pool of very competent individuals to apply for employment within an organisation (Ofori and Aryeetey, 2011), while selection is described as the process by which specific tools are engaged to choose from the pool of individuals the most suitable for the job available (Ofori and Aryeetey, 2011).

Recruitment and selection processes are key to the human resource management of a firm especially if the firm is growing, the growth can include increase in sales or turnover and profit. It is important to note that growth of organisation also involves expansion in employee numbers, and hence recruitment and selection. Recruitment is essential for the future success of organizations. Recruitment is only the beginning of the employment relationship, and thus the quality of people it yields for selection will affect the success of later HRM practices. Thus, the ability of HRM practices to positively impact organizational effectiveness is rooted in the effectiveness of recruitment practices (Cable and Turban, 2001). It is important to note that these practices are normally found and adhered to by large organisations than small business that do not see the need to employ good HRM practices which include recruitment and selection. Larger organisations have the resources and specific HR department to efficiently forecast staffing needs whereas small organisations often don't have these.

Small and medium enterprises (SMEs) represent about 92% of businesses in Ghana (Abor and Adjasi, 2007). They have an important role to play because they represent a vast portion of the firm tissue in the Ghanaian economy (Abor and Adjasi, 2007). SMEs contribute about 85% of manufacturing employment (Steel, and Webster, 1991). Forstater et al (2002) have argued that SMEs offer a unique opportunity for developing countries to grow, while Anheier and Seibel (1987) suggests that SMEs are more labour intensive than larger firms they therefore, have lower capital costs associated with job creation but a lot of the SMEs in Ghana face a main challenge of survival due to the pressures of the external environment making them ignore the internal functioning of the firms and focusing on overall performance (Kamoche, 1997). SMEs in Ghana face challenges such as finance, equipment and technology, access to international markets and lack of managerial competences (Abor, and Adjasi, 2007;

Gockel, and Akloena , 2002). Hence getting the right people to work in the organisation is a major challenge for SMEs but there is a significant growth in the acceptance that small business owners that employ good human resource management practices can gain competitive advantage (Bacon and Hoque, 2005). According to Puplampu (2005), lack of managerial know-how also places significant constraints on SME development. Griffen (2006) explained management as a process of managing the resources of the organisation. These resources he mentioned are financial, physical, information and human. Mathis and Jackson (2010) admitted that, of all resources available to organisations, humans are the glue that hold or bind the other resources. This implies that, without the right personnel, SMEs will be found wanting in terms of performance. Since SMEs are labour intensive (Anheier and Seibel, 1987, Schmitz, 1995), recruitment and good selection practices are inevitable.

The opinion of Marvin (1994) can be summed up by the statement, ‘don’t blame the workers; all they did was ask for a job’ (Marvin, 1994, p.3). The role of recruitment and selection is to put in order preparations for potential long-term employment requirements, as well as deal with day-to-day employment vacancies, all as part of a human resource strategy (Kramar,1992). It is quite imperative for all businesses to ensure that the people who are employed into the business through the recruitment and selection process are the right people for the job. The alternative is to have unhappy staff and a high turnover level. Whilst recruitment and selection is a management problem, it is nowhere near as big a problem as that of losing well-trained and valuable employees. Notwithstanding this, Marvin (1994) holds the view that turnover is a management problem, either because management failed to provide a productive working environment or because the wrong person was hired in the first place.

The cost of poor recruitment and selection processes can be quite significant. Hacker (1997) in his research suggested that according to U.S. Department of Labor (1995 p.32), ‘a bad hiring decision equals 30 per cent of the first year’s potential earnings’. Hacker (1997) goes on further to suggest that this cost increases if not corrected within six months.

Williamson (2000) reviewed literature from three top academic journals from 1988 to 1998 and found that only seven out of 207 articles addressed the issues of recruitment, selection and human resources in small business, giving an indication that literature has primarily focused its attention on large firms and the number of research into small firms is quite little.

Barrier (1999) holds the view that the difficulty experienced by a small business in filling a job ‘is proportionately more significant than it would be for a large company’, especially in a buoyant economy. Windolf (1986) found that firms with less than 20 employees adopt a ‘muddle-through’ attitude toward recruitment and selection of employees, which, in turn, could lead to higher levels of turnover. Most small business owners or managers, often because of time pressures, and in some cases lack of technical knowhow do not devote sufficient time and discipline to an efficient recruitment and selection process, and this, in turn, could be a contributory factor in lower than desired retention rates and poor performance by employees. It is with the aim of overcoming the impact of such recruitment and selection practices on family owned/managed small business that this thesis evolves. The study seeks to explore the recruitment and selection issues in SMEs particularly family owned SMEs and investigate its implication for the development of a sustainable and vibrant SME sector.

1.1 Statement of Problem.

SMEs in Ghana have been noted to provide about 85 per cent of manufacturing employment, account for 92% of business in Ghana and contribute about 70 per cent to Ghana's GDP (Abor & Adjasi, 2007). In Ghana SMEs have been identified as catalyst for economic growth, because they are a source of income generation and employment (Mensah, 2004). In spite of this significant contribution most SMEs collapse within the first 3 years of establishment because of access to finance, poor management, lack of management depth, one man rule by the owner manager (Hall, 1995). A very important resource of any organisation is its human capital and getting them in the right quality and quantity plays a role in the growth of the organisation that is why recruitment and selection is important.

Recruiting and selecting the wrong candidates who are not equipped with the required skills and capabilities to work within the organisation can be a huge negative cost which is something that most SMEs cannot afford. Ofori and Aryeetey (2011) argue that the overall aim of recruitment and selection within an SME is to obtain the number and quality of employees that are required to satisfy the strategic objectives of the organisation, at minimal cost. Significant literature hold the view that SMEs are far less likely than larger organisations to have implemented sophisticated recruitment processes (Bacon and Hoque, 2005). Ongori (2010) asserts that 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 SME's.

However in SMEs recruitment and selection recommended by prescriptive HRM texts, with their emphasis on predictability of outcome, quasi-scientific procedures, and reliability, may be read as encouraging managers to transform individual subjects into objects and such an approach is however unlikely in the smaller organizational context,

where social embeddedness in local and kin communities tends to be strong the recruitment of family members as well as the mobilisation of people with less competence can be high in small businesses. This can be detrimental to the development of the sector. Having examined the significant contribution of SMEs to the socio economic development of this country, as well as the challenges that they face with respect to HRM practices its has become imperative to examine the recruitment and selection practices of SMEs with specific reference to family owned SMEs and see how it affects the performance of the SMEs.

1.2 Objectives of the study

The aim of the study is to investigate the recruitment and selection practices of family-owned small businesses and to better understand the variables and dynamics affecting the recruitment and selection processes in family owned SMEs. It is the intention of this research to draw conclusions that will enhance the capacity of owner/managers of family-owned small business to deal with the difficulties of the recruitment and selection.

1.2.1 Specific objectives

- I. To investigate the current methods of recruitment and selection practices used in small family-owned business in the Kumasi Metropolitan Area.
- II. To examine how recruitment and selection practices affect the performance of small family-owned business in the Kumasi Metropolitan Area.
- III. To assess the challenges associated with the recruitment and selection of employees by family-owned business in the Kumasi Metropolitan Area.
- IV. To identify factors that will improve recruitment and selection practices of small family-owned business in the Kumasi Metropolitan Area.

1.2.2 Research questions

- I. What is the recruitment and selection practices of small family owned businesses in the Kumasi Metropolitan Area?
- II. How does recruitment and selection affect the performance of small family-owned business in the Kumasi Metropolitan Area?
- III. What are the challenges associated with the recruitment and selection practices of small family-owned business in the Kumasi Metropolitan Area?
- IV. What are the ways to help improve recruitment and selection practices of family owned SMEs in the Kumasi Metropolitan Area?

1.3 Significance of the study

The current literature about methods of recruitment and selection has been developed around, and is based extensively on, the experiences of big business. Deshpande and Golhar (1994, p. 49) summarise the work of Hornsby and Kuratko (1990), Mathis and Jackson (1991), when they suggest that 'recruitment, motivating and retaining employees is one of the biggest problems for small firms'. A number of factors that are present in small family-owned businesses are, tight cash flows impacting on salary outcomes, as well as time pressures on recruitment can impact on selection decisions. Therefore making it quite difficult for SMEs to recruit the best of talents, these issues are not normally problems for big business. SMEs in Ghana have also been noted to provide about 85 per cent of manufacturing employment, contribute about 70 per cent to Ghana's GDP (Aryeteey, 2011) and therefore have catalytic impacts on economic growth, income and employment (Capacity Development Centre 2012).

Hence the potential for cost savings, through the implementation of effective recruitment, selection and retention outcomes within small businesses can have an

enormous impact on the whole of the economy. Thousands of small family-owned businesses experience difficulty in recruiting, selecting and retaining employees in Ghana each year. The success of attempts to attract and select staff, as well as retain them, can be crucial to the success of small business in rural and regional areas. If unsuccessful, this can become harmful not only to the business owner but to country as a whole.

Current research into small business recruitment, selection and retention issues focuses on their ability to discover and retain superior staff (Fraza, 1998). The research to date has not focused sufficiently on the fact that 'The informal nature of familial relations is frequently carried over into the firm, serving to foster commitment and a sense of identification with the founder's dream' (Linsberg, 1983, p. 39). The research would investigate the extent to which this formal relationship affects the recruitment and selection of employees, this would add to existing literature about recruitment and selection practices of family owned SMEs in Ghana.

It would also provide insight into the current recruitment and selection practice of family owned SMEs. It would provide bodies such as the NBSSI, the Association of Ghana Industries and other stakeholders about the current recruitment and selection practices of these family owned businesses this would then inform them about the strategies that can be put in place to improve the recruitment and selection practices of these SMEs.

1.4 Scope of the study

The study covered SMEs of the Ghanaian economy, with particular reference to micro and small business as defined by Aryeetey et al (1994) using the number of employees method of classification, that are family owned . The study would be conducted within the

framework of examining the recruitment and selection practices of family owned SMEs in Adum, Asokwa, Bantama, and Ayigya within the Kumasi metropolitan area.

1.5 Limitation of the study

Logistical and time constraints limited the number of SMEs that were selected in for the study. The unavailability of data on the total number of SMEs as well as the total number of family Owned SMEs in the study area limited the number of SMEs that were used for the study. Since it was difficult to get the total population of the study, the researcher adopted the use of non probability purposive sampling technique, which made it difficult to generalise the findings to all family owned SMEs.

1.6 Methodology

Primary and secondary sources of data were used in the research. Primary data in the study was collected through the administration of questionnaire to the owners or managers of the family owned businesses to gather first hand information about the recruitment and selection practices of family owned businesses.

The sample for the study was taken from a population of Family Owned Small Medium Enterprises (SME) identified within the Kumasi metropolis after a pilot study was undertaken to know the family owned businesses in the metropolis. A total number of 350 companies were identified during the study and 130 were sampled using the purposive sampling technique. The study employed descriptive statistics to analyse the questionnaire obtained from the field.

1.7 Organization of the study

The study consists of five chapters. Chapter one gives a general introduction to the study by focusing on the background, statement of the problem, research objectives and question, justification of the study as well as the scope and organization of the study. Chapter two embodies the literature review which throws more light on the definition and meaning of key concepts in the study as well as the theoretical framework around which the study is built. Chapter three highlights the research methodology and the instrument that was used for data collection. Chapter four follows with the analysis and discussions of key findings of the study. Chapter five ends the study with a summary of the entire research, recommendations and conclusion.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Chapter one provided the background and the justification for research into the recruitment and selection in family owned small businesses. This chapter begins with a discussion on the concept of recruitment and selection as a management phenomenon; this is followed by a review of literature on recruitment and selection, Small Medium Enterprises (SMEs) and the concept of Family businesses. The chapter concludes with the development of a conceptual framework for recruitment and selection practices in Small and Medium Enterprises (SMEs).

2.1 Recruitment and Selection as a Management Phenomenon

Recruitment and selection form an essential part of small and large businesses alike, as without employees, many businesses would have difficulty in maintaining their existence, nor would employees gain employment without their interlocking dependence and 'discourse' of interrelatedness and existence. While some authors treat recruitment and selection as inseparable, or even in some cases the same thing, others do identify differing levels of separation.

Griffen (2006) elucidated that management is a process of managing the resources of an organisation. These resources are financial, physical, information and human.

Mathis and Jackson

(2010) hold the view that, of all resources available to organisations, humans are the glue that hold or bind the other resources. This therefore means that without the right

human resources most organisations would be found wanting. Ineffective recruitment has a number of cost implications for employers: workers can have a low morale which can affect employees' performance; lost of business opportunities, and high levels of labour turnover. Findings from the Chartered Institute of Personnel and Development Recruitment and Retention (2006) survey puts the cost of staff turnover at around £12,500 for managerial and professional staff (CIPD, 2006). According to Costello (2006) recruitment is described as the set of activities and processes used to legally obtain a sufficient number of qualified people at the right place so that the people and the organisation can select each other in their best short and long term interest. Newell and Shackleton (2000) view recruitment as a process of attracting people who might make a contribution an organisation whiles Barber (1998) puts it that recruitment includes those practices or activities carried out by an orgainsation with the purpose of identifying and attracting potential employees. Rynes (1990) suggest that recruitment encompasses all organisational practices and decisions that affect either the number, or types of individual willing to apply and accept a vacancy. From the above definitions provided the underlying objective of recruitment is to identify and attract employees. The recruitment process provides the organisation with a collection of potentially qualified job candidates from which selection can be made to fill vacancies in the organisation. An analysis of the future needs of the organisation is considered when the organisations embark on a recruitment process.

Bratton and Gold (2007), point out that recruitment and selection practices involve two interrelated processes. They hold the view that recruitment is the process of generating a pool of capable people to apply for employment to an organisation whiles selection is the process by which specific instruments are employed to choose from a pool of applicants' most suitable for the job taking into consideration, management goals and

legal requirements. Bratton and Gold (2007) emphasise that recruitment therefore provides the organisation with a pool of potentially qualified candidates from which selection can be made to fill job openings hence recruitment and selection are therefore a crucial part of organisational success. Bratton and Gold (2003) define selection as the process by which manager and others use specific instruments to choose from a pool of applicants the person that is likely to succeed in the job while Stone (1995) view selection as choosing from available candidates the individual that is most likely to perform successfully in the job.

2.2 Recruitment and Selection Process

The quality of new recruits depends largely on the organisations recruitment and selection practices, Odiorne (1984) observes that the relative effectiveness of the selection phase is inherently dependent upon the calibre of candidates attracted; this view is highly collaborated by that of Smith et al. (1989) who argue that more effective the recruitment stage the less important the selection process. When an organisation makes the decision to fill an existing vacancy through recruitment and selection the first duty carried out is to conduct a comprehensive job analysis usually it is conducted through the human resource planning process, after the job analysis has been conducted the organisation has a fair idea of the particular requirement of the job, whether the job actually fits into the overall organisation structure and from here can the process of recruitment begin.

Odiorne (1984) asserts that that when recruitment and selection is done effectively the labour turnover is reduced and employee morale is usually high, recruiting ineffectively can be very costly to the organisation because poor recruits may perform badly or leave the job thereby requiring further recruitment. A number of studies suggest that some

recruitment methods are more effective than other in terms of the value of the employees recruited. Miyake, (2002) hold the view that while sometimes some jobs vacancies are advertised for people to apply, word of mouth was another method employers used. In Miyake, (2002) review of five studies the average labour turnover of those recruited by advertising was 51 per cent. The labour turnover for spontaneous applicants was 37 per cent and turnover for applicants recommended by existing employees was 30 per cent. One hypothesis proposed to account for this was the “better information” hypothesis. It was argued that people who were suggested by other employees were better and more realistically informed about the job than those who applied through newspapers and agencies. Thus, they were in a better position to assess their own suitability. Better informed candidates are likely to have a more realistic view of the job, than those who are not informed. Burack (1985) also argues that sources of recruitment are significantly linked to difference in employee performance, turnover, satisfaction and organizational commitment. In his survey of two hundred and one (201) large organisations, Burack (1985) asked the respondents to rate the effectiveness of nine recruitment sources in yielding high-quality performing employees. The top most three ranked sources were employee referrals, colleague recruiting and executive search firms. However, Burack (1985) cautions that, while these general results are useful, there is a need for greater internal analysis of the relative quality of recruits yielded by different sources.

Selection is the systematic process of deciding on a specific individual to fill an available position (Henry and Temtime, 2009). Cook (1988) defined selection as the ‘process by which organizations seek to identify the candidates who, in the position to be filled, will most effectively contribute to the achieving of the organization's goals’ (Cook, 1998, p. 35). The selections available to most organisations can be placed on a

continuum that ranges from the traditional methods of interviews, applications forms and references, through to the more sophisticated techniques that encapsulate biographical data, aptitude test, assessment centres, work samples and psychological testing etc. It is important to note that each method has its own advantage and disadvantages. The extent to which a particular method is seen to be effective is determined by its reliability and its validity. Miyake (2002) showed in a comparison of personnel selection practices in seven European countries explored the utilisation of several established selection methods, it was reported that a general trend towards structured interviews in all the countries was observed while the acceptability of other methods such as work samples assessment centres and group exercises were recognised but the usage of these methods was highly infrequent. In Burton's (2001) study it was found that 25 % of the respondent organisations conducted validation studies on their selection methods pointing out that unstructured interviews, structured interviews and assessment centres were most used selection procedures.

2.3 Recruiting Methods

Recruitment methods are largely distinguished into external and internal recruitment methods; another alternative of distinguishing recruitment methods is to divide it into formal and informal recruitment methods (Stone, 2005). Formal recruitment methods are those that the job opening is published in the media or webpage while the informal methods include informal personal and business contacts, word of mouth. Informal recruitment typically involves intuitive practices, often performed by the business owner without input from a second person. Thus, they tend not to have transparency in decision making, and are often undertaken by people without HR skills. (Russo et al. 2000). Each type of method has its own advantage and disadvantages.

2.3.1 Informal recruitment methods

Russo et al. (2000) note that informal recruiting is generally associated with low, zero, or direct financial cost and tends to provide a relatively small number of applicants, hence the time spent on screening and interviewing candidates tends to be substantially lower. The informal recruitment methods include internal promotions; this channel refers to filling a vacant position with a person who is already employed in the organization it serves as a strong motivational tool to existing employees because it provides them with reason to work hard (Matrins & Lima, 2006) but has its own disadvantage such as organizational inbreeding which suppresses innovation and creativity since no new idea comes into the organization (Stone, 2005). Word of mouth is also another known informal recruitment method with this method, recommendations are made about an individual by another individual this is particularly used because it is believed that once a recommendation is made that candidate is good and the organisation may feel reasonably assured about the quality of the candidate (DeVaro, 2005).

2.3.2 Formal recruitment methods

This recruitment method is more often than not associated with trying to reach high volumes of applicants as well as with a certain number of financial cost (DeVaro, 2005). Advertising is an example of this kind of recruitment method where the media is widely used this is used when the position to be filled requires some specific skills that are hard to find and the high reach of applicants is considered to be beneficial (Menken & Winfield, 2000) but has huge financial cost to the employer. Recruitment agencies have also gained significant market share in this type of recruitment (Rees, 1966), they are justified because they are believed to be experts in the field and have significant

amount of information. A certain amount of recruitment agencies even specialises into certain areas and make use of their competitive advantage as much as possible. The use of search engines and headhunting is another formal way of recruiting formal recruiting.

2.4 Recruitment Strategies

Organisations have limited resources to implement formal HR practices, and it appears that as a firm's size increases, recruitment tends to become more formalised by procedures and policies (Kotey & Slade 2005; Kuratko & Hodgetts 2004; Leung, 2003). Nevertheless, it is thought that informal recruitment of small businesses still leads them to finding quality, long tenure staff resulting from owners taking a personal interest in the recruitment process (Henry and Temtime 2009; Jameson 2000).

The recruitment strategies in many small businesses may appear to be somewhat simpler than the many formal systems recommended by leading textbooks. Reynolds, Savage and Williams (1994) hold the view that the employer should identify the aspects of the person sought in terms of knowledge, experience, personality and any special features necessary. Then the features should be reviewed over the period of a week, after which the position is advertised for but in most cases small businesses frequently do not have the luxury of time in which to review applicants. Meredith (1993) advocates that despite what can best be described as the need for rapid recruitment within small family owned businesses, recruitment should not be taken lightly. The financial commitment far exceeds the initial salary. He went on to suggest that in 1990, the extra staff costs amounted to 30 per cent of the initial salary. Meredith (1993) suggests that the cost of recruitment must always be weighed up against the benefits. It is imperative to discuss requirements with current employees prior to

looking to other recruitment sources. Pendleton (1990) suggests that recruitment for small business can come from various areas: colleges, schools, the unemployed, employed workers who wish to change jobs, from current staff or friends and family, which can broadly be classified as internal or external.

Though it is important for Small Medium Enterprises (SMEs) to attract high quality potential employees to fuel their growth, often recruitment strategies are on a sporadic, ad-hoc basis. Recruiting primarily involve use of convenient, inexpensive, and directly controllable sources (Heneman and Berkley, 1999). The most frequently used recruitment methods are press advertisements, word-of-mouth and recommendations from staff (Baines and Wheelock, 1998, Barber et al., 1999; Carrol et al., 1999; Reid and Adams, 2001). The rationale for employing friends and family members from the existing staff includes the belief that a member of the actual staff is unlikely to recommend unsuitable people, the preference for a known quantity and valuing someone who would fit in (Carrol et al., 1999).

Against their advantages in terms of cost and speed, informal methods may leave a pool of suitable recruits untapped and may leave the firm open to accusation of indirect discriminations (Carroll et al., 1999). Moreover, the lack of formal recruitment practices often entails situations that may be wasteful for the business. Ram and Holliday (1993) point out instances where management felt an obligation to employ family members despite there not being a pressing need for new workers in a strictly economic sense. Whereas family ties ensure a supply of reliable workers prepared to work for long hours and resolve the problems of trust and delegation, on the other hand, they can serve also as a constraint upon management (Ram and Holliday, 1993).

Usually formal selection processes are rare in Small Medium Enterprises (SMEs), most of the time the selection procedure is largely based on the personal appraisal of the owner/manager with the most common tool being the one-on-one interviews and job tryouts (Deshpande and Golhar, 1994). Some of the qualities usually critically evaluated are person-organization fit, values, norms and beliefs of the organization and the applicants are also considered in the selection decision. The managers focus primarily on the match of applicants profile to culture and needs of the enterprise rather than to the requirements of the job. Ram and Holliday (1993) state that application forms or formal interviews are rarely used in family SMEs, as the latter ask newcomers to bring, not only professional competences, but also the ability to fit into existing norms of workers and management.

2.4.1 Internal recruitment and External recruitment

Cook, (1998) defines internal recruitment as occurring ‘when an organisation seeks to fill job vacancies from existing personnel’ where on the other hand, external recruitment is ‘when managers look outside their own organisation to fill supervisory, middle and higher-management positions’. This is necessary because the skills can't be found within the organisation.

Holliday (1995), whilst suggesting external recruitment as a possibility for small family owned businesses, raises an issue, by suggesting that trained or experienced staff can come from an opposition firm. From the internal point of view, Holliday (1995) recommends that family members bring to an organisation one of the most important aspects of success in family-owned small businesses, that is, for example that they will have the advantage of ‘fitting into the business’. It is evident that the factor of fit is the

behavioural or psychological aspect of recruitment and selection in family-owned small business that could be seen to be different to that which exists in larger businesses.

Aitkinson and Meager (1994) suggests that for many family-owned small businesses, external recruitment is a most critical aspect for the small business, as it occurs infrequently, and if outcomes are unsuccessful the penalties can have much greater consequences for the family owned small business. External recruitment provides new blood and fresh ideas, while reducing inbreeding and resentment of internal favourites. However, Compton et al., (2002) holds the view that external recruitment can be very expensive in competitive times of high employment For family-owned small business, the costs can lead to their inability to vie for skilled staff.

Reid and Adams's (2001) hold the view that managerial vacancies in both family and non-family groups is mainly filled through advertising in national newspapers, but a higher percentage of family Owned Small Medium Enterprises (SMEs) recruited managerial vacancies internally. The reliance on internal labour market is common source, not only because of costs, but also as an insider is already cultivated into the organizational model (Carrol et al., 1999). The small importance of job posting and bidding as sources of recruitment confirms that Small Medium Enterprises (SMEs) don't make much use of external sources, such as employment agencies and educational institutions, although they may provide a rich source of talents (Deshpande and Golhar, 1994). In summation, SMEs tends to rely heavily on trusted and simpler recruitment techniques without the requirement of experts that reduce the risk and the uncertainty which is typically associated with hiring new recruits (Carrol et al., 1999)

2.5 Selection

Selection is the systematic process of deciding on a specific individual to fill an available position (Henry and Temtime, 2009). Cook (1988) defined selection as the ‘process by which organizations seek to identify the candidates who, in the position to be filled, will most effectively contribute to the achieving of the organization's goals’ (Cook, 1998, p. 35).

Selection is an extremely important aspect to consider for Small Medium Enterprises (SMEs) for a number of reasons. Often the performance of the Small Medium Enterprises (SMEs) relates directly to the people working within it, meaning the right people need to be hired to ensure organisational success (Henry and Temtime, 2009). Though Worthington (1992, p. 24) defines the selection process as ‘conducting interviews, checking references thoroughly, and matching candidates to the position requirements’. It is important that those selecting should make their decision in relation to what is appropriate to the applications received and the one that is the most important, one of the important criterion is to evaluate whether the person is already trained, This is an important issue for family-owned small businesses that often have to be reactive to staff changes and, therefore, have little time available to train employees (Holliday 1995). There are a variety of methods available to help in the selection process including; interviews, tests (practical or psychometric), assessment centres, role plays and team exercises. Often a range of methods will be used by the enterprise depending on the type of job to be filled, the skills of the recruiter and the budget available for the recruitment process. (Armstrong, 2003)

2.5.1 Selection methods

- **Application forms, Curricula vitae**

Curriculum Vitae and application forms are usually straight forward means of giving a standardised synopsis of the applicants' history with the view of pre screening and generate a short list of applicants.

- **Selection interviews**

The use of interview as selection technique is the most widely used selection technique used to assess candidates for employment (Wilk and Cappelli, 2003). McDaniel et al. (1994:599) define the interview as a 'procedure designed to predict future job performance on the basis of applicants' oral responses to oral enquiries. Guion (1998) observes that selection is a social interaction where the applicant and the interviewer exchange and process information gathered from each other. It can be divided into structured and unstructured. The unstructured interview is used to have a global appeal of the candidate and seeks to measure social skills and aspects of personality while the structured interviews involve a job related questions with pre determined answers consistently applied across all interviews for a particular job usually the structured interviews seek to measure cognitive ability, tacit or job knowledge. Findings from research indicate that research based on structured interviews are more predictive of job performance than those from unstructured interviews (Dipboye, Wooten and Halverson, 2004)

- **Biodata**

Ployhart, Schnieder and Schimtt (2006) hold the view that the use of biodata as a technique for employee selection is one of the best selection devices for predicting employee performance and turnover. Biodata forms usually examine factual and

sometimes attitudinal factors that seek biographical information, or description of individuals life histories using a retrospective, self-report and should be defined in the terms of an applicant's behaviour and experience (Mael, 1991) this is because past behaviour and experience can reflect events that occurred in a work environment, educational setting, a family environment and community setting.

- **Psychometric tests**

This test can be defined as a standard measure of knowledge, ability, aptitude or performance administered and scoring fixed rules which are statistical in nature. They are scaled using a fine graded numerical system and a set of statistical formulae to ensure validity and reliability (Shackleton & Newell, 1997) they divided into cognitive and personality test. The cognitive test is classified into achievement test, specific aptitude test and general test. Whiles the personality inventories or test are used to evaluate the suitability of a job applicant for positions across many levels in an organisation

- **Assessment Centres**

Assessment centres are designed to stimulate jobs realistically, employ a variety of techniques for assessing several applicants; the rational for the use of the assessment centre is that once the applicant can perform a sample job satisfactorily, probably can perform the job. The assessment centres have become popular in the business sector for evaluating suitability across a whole array of jobs it usually measures intelligence, achievement, motivation, social competence, self confidence and dominance. However Zedeck and Cascio (1984) suggest that we should question the assessment centre as a valid selection procedure as there are a lot of questions with regards to its reliability

and validity, arguing that the organisational policies and traditions may influence the use of this process.

- **Work Samples**

They are said to be one of the appropriate means of selection largely because of the point-to-point correspondence between the job and the assessment scenario (Smith and George, 1992) this selection technique is relatively easy to construct for clerical jobs, manual jobs, or those that need contact with clients, but for managerial jobs work samples are usually built around identifiable and specific tasks (Smith and George, 1992).

The selection stage is preceded by the pre selection stage or otherwise known as screening, which is usually based on the information provided in standard application forms or on the curriculum vitae, majority of the candidates are selected at this stage, the curriculum vitae usually has the Bio data of the candidates, past work experiences and achievements etc. Traditionally this information has been used subjectively (Wingrove et al. 1984). However, screening is less likely to occur in family-owned small businesses than in larger organizations (Carroll, et. al. 1999; Greengard, 1995). This aspect of matching and selection can be crucial for family-owned small business outcomes and can be one of the key factors in poor recruitment and, in turn, retention outcomes. It is imperative that family-owned small businesses adopt an effective matching technique, not only on the technical skills required and as suggested by Meredith (1993), but also on the relationship aspect of the fit.

The selection interview is used as one of the key recruitment activities in small business and is anticipated by both the applicant and employer alike. The interview has three main objectives. Firstly, it is used to assess the suitability of the applicant.

Secondly, it is used to ensure that sufficient information is made available for the candidate to make a decision, and finally, it is used as a public relations exercise (Plumbley and Williams, 1981). McEvoy's (1984) research confirmed that 90 per cent of selection techniques used in small business was done by interview or application blanks. While Hornsby and Kuratko (1990) research identified interviews as the most effective selection method, they have many weaknesses. For example, Holliday (1995, p. 74) found that the people who are involved with the selection process, frequently don't understand the requirements of the position that they are recruiting for. This can lead to 'the person who is most suited to handling interview conditions being appointed, and not the potential employee with the best skills'. In terms of the small family owned/ managed business, it is anticipated that they will not only need to appropriate skills for the position, but also the ability to fit and be flexible within the new environment.

Personality characteristics are valued very highly within the selection process (Ofori and Aryeety, 2011). Barber et al. (1999) found that 'soft' qualifications such as honesty, integrity, creativity and motivation often are all valued more within an SME than 'hard' qualifications such as academic credentials. For this reason it would appear that for family- owned small business the most appropriate tests to utilise would be the personality tests as both (Holliday, 1995; Carroll et. al., 1999) found in their studies that the most important factor in introducing a new employee into a family-owned small business is not their aptitude for the position, but their ability to fit in

2.6 Activities after Recruitment and Selection

Usually after recruitment and selection other activities goes which are still part of the recruitment process, an example is the orientation process, Stone (2005, p.352) defines

orientation of new employees as the ‘introduction of new employees to their job, their colleagues and the organisation. Orientation is an important part of the recruitment process, especially in an SME where there is a close working environment and it is vital everyone can work together to achieve strategic goals effectively. Henry and Temtime (2009) observed that many SMEs do not induct their employees properly after hiring. Over a period of time this can have lasting effects on the employee’s performance, and as a direct result, the SME’s performance. Usually the orientation process is the first training that the organisation can give to its employees (Holton, 1996).

Carroll et al.(1999) holds the view that the family-like environment in small firms can assist new employees who come to the organisation as a result of recommendations made by fellow employees to rapidly ‘fit’ into their new work environment, as those making the recommendation strive to ensure that their chosen recommendation is appropriate. It enhances the relationship between the members of the family owned/managed small business team and it has positive outcomes. The orientation processes can be a success or a failure. The process of new employee orientation solidifies the new employee’s relationship with the business. Orientation can fuel enthusiasm and guide the employee’s steps into a long-term positive relationship with the business. If the orientation is poorly conducted, the new employee may well doubt their reasons for joining the business in the first place. (O’Toole, 2007).

Sullivan (2001) was quick to suggest that factors, such as a greeting letter signed by the owner /manager, or a company t-shirt signed by all the staff, or a celebratory cake can contribute to the orientation process, as well as maps of local facilities and lunch with fellow employees. Family involvement and other celebrations, such as luncheon or

dinner for spouses and families can enhance orientation. It is important that the employee is made to feel that the other employees and the company are glad to have the new employee embarking on a new career in that enterprise.

2.7 The definition and concept of SMEs

Different authors have usually given different definitions to this category of business, it is important to note that there is no one single definition for an SME, (Storey, 1994). But the definition of an SME is based on a lot of variables. The Bolton Committee (1971) first came out with some working definition of a small firm; they formulated an “economic” and “statistical” definition of a small firm. With respect to the “economic” definition, a firm is said to be small if it meets the following three criteria: it has a relatively small share of their market place; it is managed by owners or part owners in a personalized way, and not through the medium of a formalized management structure; and it is independent, in the sense of not forming part of a large enterprise.

With the “statistical” definition, the Bolton Committee (1971) proposed the following criteria the size of the small firm sector and its contribution to GDP, employment, exports, etc; the extent to which the small firm sector’s economic contribution has changed over time; and applying the statistical definition in a cross-country comparison of the small firms’ economic contribution. The Bolton Committee (1971) further applied different definitions of the small firm to different sectors. Firms in manufacturing, construction and mining were defined in terms of number of employees (in which case, 200 or less qualified the firm to be a small firm), those in the retail, services, wholesale, etc. were defined in terms of monetary turnover (in which case the range is 50,000-200,000 British Pounds to be classified as small firm). Firms in the road transport industry are classified as small if they have 5 or fewer vehicles. There

have been lots of criticisms of the Bolton definitions. This is as a result of some shortcomings of the definition given by the Bolton Committee, one of such is the Bolton Committee (1971) economic definition which considers small firms to be operating in a perfectly competitive market. However, the idea of perfect competition may not apply here; many small firms occupy 'niches' and provide a highly specialised service or product in a geographically isolated area and do not perceive any clear competition (Wynarczyk et al, 1993; Storey, 1994).

The European Commission (2003) definition states, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. The European Commission (2003) definition does not assume the SME group is homogenous; that is, the definition makes a distinction between micro, small, and medium-sized enterprises.

2.8 Role and Characteristics of SMEs in Developing Countries

Globally, the contribution of Small and Medium Enterprises (SMEs) to the growth of national economies is significant. In the developed economies small businesses are recognized as the main engines for growth and development. Indeed, studies conducted in recent years in developed markets, including the Freedman studies done in the United Kingdom, confirm that small businesses account for the highest number of registered companies and make significant contributions to economic growth and prosperity. In Ghana, readily available data on SMEs is scarce but statistics from the Registrar General's Department suggests that 92 per cent of companies registered are micro, small and medium enterprises. SMEs in Ghana have also been noted to provide about 85 per cent of manufacturing employment, contribute about 70 per cent to

Ghana's GDP, and therefore have catalytic impacts on economic growth, income and employment (Capacity Development Centre 2012). It is estimated that SMEs employ 22% of the adult population in developing countries (Daniels and Ngwira, 1992). According to Storey and Westhead (1994), SMEs are regarded as the seed-bed for the development of large companies and are the life blood of commerce and industry at large.

It is important to note that small scale enterprises make better use of scarce resources than large scale enterprises. Research in Ghana and many other countries have shown that capital productivity is often higher in SMEs than is the case with Large Scale Enterprises (LSEs) (Steel, 1977; Child 1971). The reason for this is not difficult to see, SMEs are labour intensive with very small amount of capital invested. Thus, they tend to witness high capital productivity which is an economically sound investment. Thus, it has been argued that promoting the SME sector in developing countries will create more employment opportunities, lead to a more equitable distribution of income and will ensure increased productivity with better technology (Steel and Webster, 1991).

SMEs in Ghana for example, tend to have few employees who tend also to be mostly relatives of the owner hence there is often lack of separation between ownership and control. Also since SMEs do not traditionally rely on public funds there is lack of accountability and no regulations to comply with in relation to compliance (Abor and Adjasi, 2007). Mostly, the owners/ managers of these SMEs are hampered by lack of managerial competence (Gockel and Akoena, 2002). There are a number of factors which pose as barriers to the development of the SME sector in Ghana.).

Forstater et al. (2002) have argued that SMEs offer a unique opportunity for developing countries to grow. Whiles Anheier and Seibel (1987) suggested that SMEs are more labour intensive than larger firms they therefore, have lower capital costs associated with job creation, but it is important to note that, SMEs face a variety of constraints such as difficulty of absorbing large fixed costs, the absence of economies of scale and scope in key factors of production, and their higher unit costs of production (Puplambu, 2005, cited in Steel and Webster, 1990). Some other constraints include input constraints, finances and cash flow (Aryeetey et al., 1994), domestic demand (Daniels and Ngwira, 1993), access to international markets and regulatory constraints (Aryeetey et al, 1994). According to Puplambu (2005), lack of managerial know-how also places significant constraints on SME development, this commonly cited reason. This particular challenge is broad but encapsulates weaknesses in terms of business knowledge, poor management skills, poor or inadequate planning, and inexperience. Significant over-reliance on the single owner manager of most small firms and the reluctance to move away from this managerial tendency on the part of the owner-manager, translates into poor human resources practices where no new qualified staffs are hired. It is generally accepted that lack of management skills is the primary cause for failure (Storey in Burns, 2001).

2.9 Small Medium Enterprises (SMEs) in the Ghanaian context

Small Scale Enterprises (SMEs) have been variously defined, but the most commonly used criterion is the number of employees of the enterprise (Kayanula and Quartey, 2000). In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources (Kayanula and Quartey, 2000). As contained in its Industrial Statistics, The Ghana Statistical Service (GSS) considers

firms with less than 10 employees as Small Scale Enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises. Ironically, The GSS in its national accounts considered companies with up to 9 employees as Small and Medium Enterprises. The National Board for Small Scale Industries (NBSSI) in Ghana applies both the “fixed asset and number of employees” criteria as well as turnover. It defines a small-scale enterprise as a firm with not more than 9 workers and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis. The GIPC also cites the National Board for Small Scale Industries (NBSSI) definition of SME as an enterprise with turnover greater than US\$200,000 and not more than US\$5 million equivalent. Steel and Webster (1990), Osei et al (1993) in defining Small Scale Enterprises in Ghana used an employment cut off point of 30 employees to indicate Small Scale Enterprises. The latter however disaggregated small scale enterprises into 3 categories: (i) micro -employing less than 6 people; (ii) very small, those employing 6-9 people; (iii) small -between 10 and 29 employees.

2.10 Family Owned SMEs

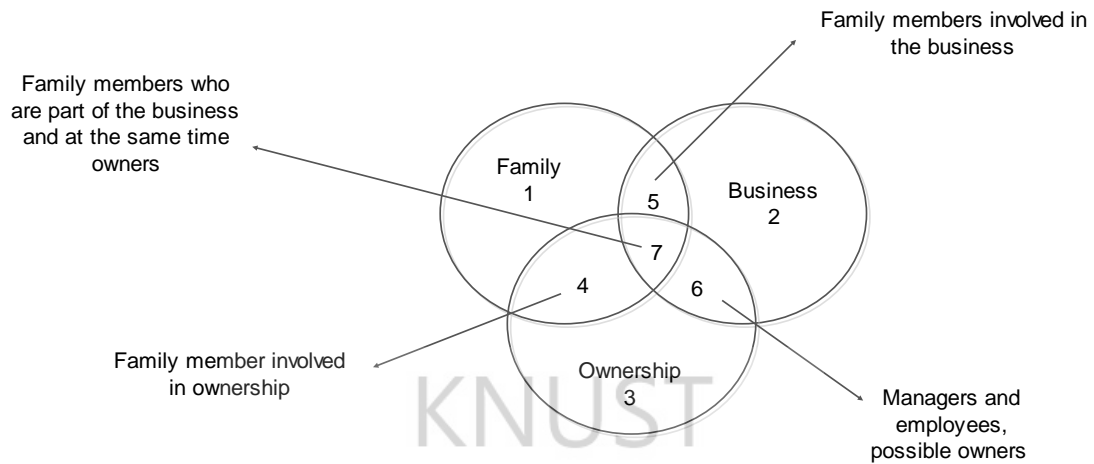
Hulshoff (2010) observes that in SMEs where more than 50% of the voting shares are owned by one single family and more than 50% of the management (team) are drawn from the family that owns the business, and the enterprise is owned by second- or later generation family members. A family business is said to be a special kind of enterprise. It is largely classified as special because of the way that family members involved combine family life and work. In addition, the family influences business decisions. Usually each family member may play one or more of several possible roles, for instance: owner, manager or employee. However, even if a member is ‘only’ a non-

voting shareholder, he/she will always be part of the business. (Hulshoff, 2010). In a family business, it is difficult to view the business, the management and the ownership of the family enterprise separately, because every decision and/or change in one field will affect one or more other fields. This has important implications for the enterprise and/or the stakeholders (i.e. family members). The three fields comprise (possibly major) stress and/or opportunities for the partners (family and non-family) and other stakeholders. Besides, the differing roles a family member may have to assume in the enterprise may sometimes be a challenge and sometimes lead to a disaster, due to conflicting interests. In addition, emotions may play a major role in daily business (the business is as a 'child' to the founder, keeping peace in the family). (Hulshoff, 2010).

A carefully examination of Figure 2.1 provides an impression of (the interaction of) the subsystems of a family business. Business, family and ownership are visualized as three overlapping subsystems, resulting in seven possible positions or sectors. Each individual who belongs to the system of a family business may be placed in one of the seven sectors. Someone who only has one connection to the enterprise will be in sector 1, 2 or 3. People who have more than one connection to the enterprise will be placed in one of the other sectors. Sectors 4, 5 and 7 comprise the family members who are directly involved in the business and/or its ownership. Of those, sector 7 comprises the owner who is a family member and is working in the business. Sectors 2, 3 and 6 include managers, employees and possible co-owners from outside the family. Finally, sector 1 indicates the family members who are not themselves involved in the business but may somehow relate with it.

Figure 2.1 Diagram of interaction of Family, Business, and Ownership in the Family

Owned Business



Source: Gersick et.,al (1997), Generation to generation, Harvard Business School Press.

2.10.1 Characteristics of Family Owned SMEs

According to Chua et al., (1999) Family businesses may be distinguished from non-family businesses on a number of characteristics. Some characteristics (differences) that have been found in literature are:

- **High level of commitment.** The family –as the business owner– shows the highest dedication in seeing its business grow, prosper, and get passed on to the next generations. As a result, many family members identify with the company and are usually willing to work harder and reinvest part of their profits into the business to allow it to grow in the long term. In dealing with its family business clients,
- **There is knowledge continuity.** Families in business make it a priority to pass their accumulated knowledge, experience, and skills to the next generations. Many family members get immersed into their family business from a very

young age. This increases their level of commitment and provides them with the necessary tools to run their family business.

- **High level of Complexity.** Family businesses are usually more complex in terms of governance than their counterparts due to the addition of a new variable: the family. Adding the family emotions and issues to the business increases the complexity of issues that these businesses have to deal with. Unlike in other types of businesses, family members play different roles within their business, which can sometimes lead to a non-alignment of incentives among all family members.
- **There is a lack of Discipline.** Many family businesses do not pay sufficient attention to key strategic areas such as: managers and other key management positions' succession planning, family member employment in the company, and attracting and retaining skilled outside managers. Delaying or ignoring such important strategic decisions usually lead to business failure in any family business.
- **Highly Informal.** Because most families run their businesses themselves (at least during the first and second generations), there is usually very little interest in setting clearly articulated business practices and procedures. As the family and its business grow larger, this situation can lead to many inefficiencies and internal conflicts that could threaten the continuity of the business.

2.11 Conceptual frame work

Based on the ideas and insight obtained from the review of relevant literature, figure 2.1 presents the conceptual framework of the study.

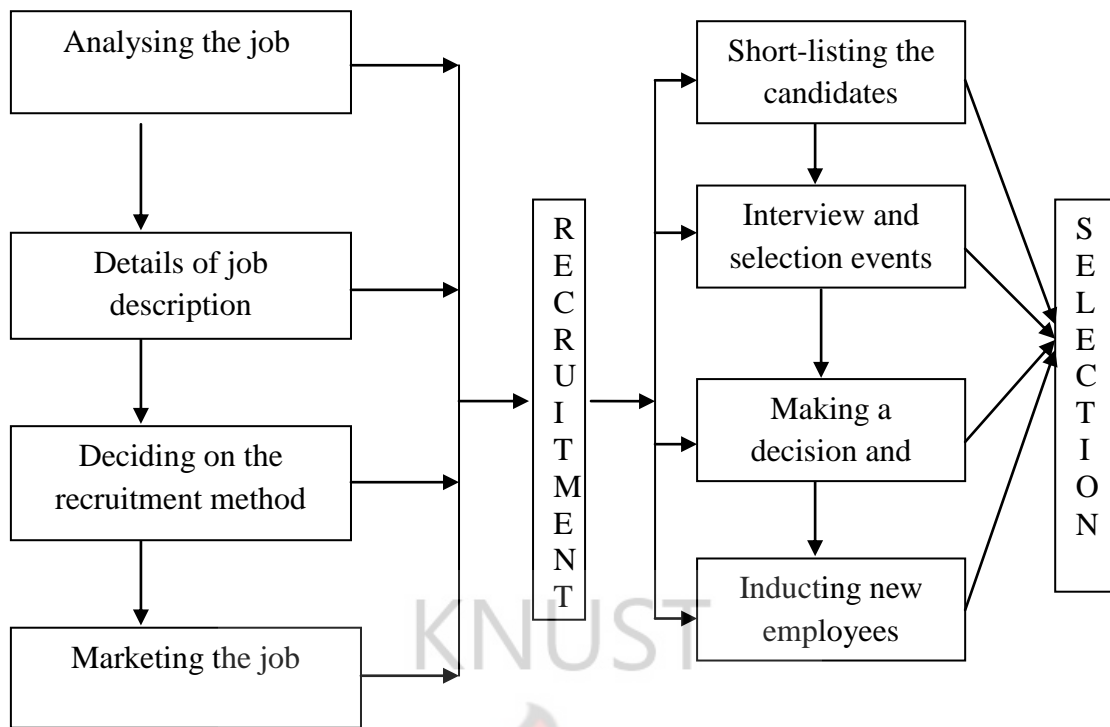


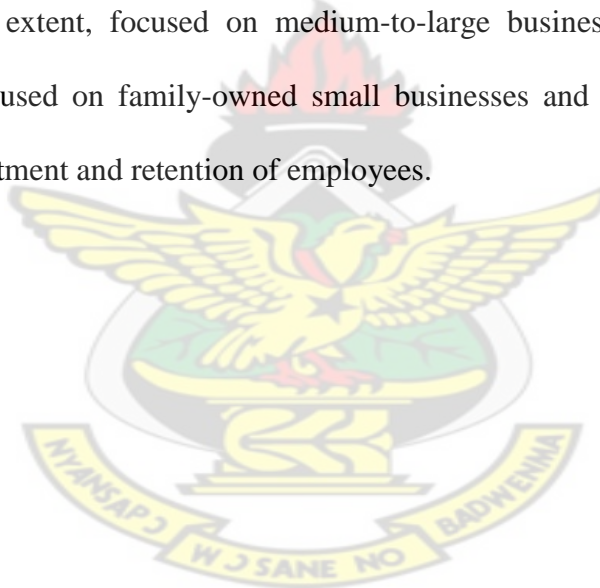
Figure 2.2 Conceptual Framework on recruitment and selection in SMEs (Source: Researcher's own construct, 2014)

The recruitment process involves analysing the job to be offered, providing details of job description, deciding on the recruitment method and the marketing of the job. After the recruitment process, the selection process begins with the short-listing of interested candidates. The short-listed applicants are further interviewed in order to make employment decisions. The interview is an important part of the selection process. According to Reynolds et al. (1994), the interview process enables the organization to identify key attributes of prospective employees in terms of knowledge, experience, personality and any special features necessary. Based on the interview process, a decision is taken on the suitability or otherwise of the candidates for the job. Candidates who emerge successful from the selection process are inducted into the organizations to begin work.

2.12 Conclusion

This chapter provided the basis from which to achieve the objectives set out in Chapter One.

The literature pertaining to the parent disciplines established the foundation of the examination of the literature. This was followed by an extensive examination of the literature pertaining to the management of recruitment, selection and retention functions. The paucity of literature relating to recruitment, selection and retention of staff and other relevant Human Resource Management issues relating to family-owned small business was then reviewed. The literature on recruitment, selection and retention had, to a great extent, focused on medium-to-large business, and extremely little material had focused on family-owned small businesses and the way in which they handle the recruitment and retention of employees.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the methodology used for the study; the research methodology simply refers to the techniques that are used in the conduct of the research. It also provides the researcher with a logical guideline of how to collect process and analyse data for the research, based on scientific principles. The chapter carefully examines the research design. It gives details about the population, sample sampling techniques and the design of the research instrument used in collecting data for the study. It discusses the data collection methods and data analysis.

3.2 Research Purpose

In Yin (2003) research was grouped into three different types depending on the nature of the research problem. These categorizations are exploratory, descriptive, or explanatory although a given study can have more than one of these purposes or a combination. (Saunders et al., 2000; Babbie, 2005). Exploratory studies are common for areas that are under researched and require a theoretical framework for subsequent studies (Babbie, 2005). Descriptive studies typically generate detailed descriptions of events and situations based on observations (Yin, 2003). Explanatory or causal studies seek to reveal potential cause-and-effect relationships or casual relationships (Maylor and Blackmon, 2005). The purpose of this thesis is to conduct descriptive research into the recruitment and selection process of Family owned SMEs.

3.3 Research strategy

Yin (2003) categorizes research strategies into five primary forms for research in social sciences to collect empirical data. According to him, research can take the form of Experiments, Survey, Analysis of archival records, History, Case Study. Saunders et al (2003), emphasis that the survey strategy allows the researcher to collect quantitative data which can be analyzed quantitatively using descriptive and inferential statistics. A survey strategy allows the researcher to answer who, what, where and how questions. Yin (2003) explains that adopting a particular strategy may depend on the character of the research questions, the extent to which the researcher has control over behavioural events and to what degree the focus is on contemporary event. This research uses the survey strategy since it aids the researcher to answer the research questions by collecting substantial amount of information using a questionnaire administered to a sample.

3.4 Research Design

The research design of this project is a descriptive one, which seek to examine the recruitment and selection practices, of Family owned SMEs within the Kumasi Metropolitan Area in the Ashanti region. A quantitative research approach was adopted since it would help the researcher collect enough data to answer the research questions Extensive data was gathered from the owners / managers of the SMEs within the Kumasi metropolis. The research involved the use of cross-sectional design to collect data on relevant variables, one time only, from a variety of people. To this end, questionnaire covering the objectives of the research was prepared and used to collect data from the owners or managers of all the sampled SMEs.

3.5 Data Collection

Data collection means collecting information to help address the critical questions that had been identified earlier in the study. Booth et al (1995) emphasizes that research is simply about collecting data you need to answer a question and thereby help you to solve a problem; both primary and secondary data was gathered for the research.

3.5.1 Primary Data

Primary data is basically data collected purposefully for research in response to a particular problem through interviews, questionnaires or observations. For this research, Primary data was derived from responses of participants in the research. Questionnaire was used to gather the primary data for the study.

3.5.2 Secondary Data

Secondary data is also known as ‘second hand’ data, this is data which already exist and might have been used for a different purpose. For the purposes of this research, secondary data can also be gotten from reviewing journals and literature relevant to the subject matter of this research, and data from the Ghana Revenue Authority. The web was also employed extensively for up-to-date materials on the topic.

3.5.3 Data Collection Methods

Primary and secondary data was used for the purposes of this study. The study relied on both primary and secondary data to answer the research questions. The primary data was obtained through the use of questionnaires. This type of questionnaire used combined closed-ended and open-ended questions. The questions were simple and straight forward to avoid ambiguity.

3.6 Target Population and Sample Size

Mason et al (1999) suggests that the population of a research is the collection of all possible individuals, objects or measurements of interest. A pilot study was conducted within the Kumasi metropolis in areas such as Adum, Bantama, Ayigya, Kejetia to determine the family business in this environment. After the pilot study a total of 350 family owned businesses were identified, this then constituted the population for the study. 120 of these businesses were conveniently sampled based on availability and readiness to undertake the study. The businesses were contacted and the questionnaire delivered to them.

3.7 Sampling Technique

Since it is often impossible or too expensive to collect information from the entire population, sampling was adopted. Samples are chosen to represent the relevant attributes of the whole population. The method of purposive sampling was employed in arriving at the 120 selected registered SMEs, which possess traits of family owned businesses, have the experience relevant for this study and have sufficient time as well as willing to participate. The convenient sampling was adopted because not all the members of the population were interested in taking part in the study.

3.8 Development of Research Instrument

Formulated research questions and objectives basically informed the development of the research items. Relevant items were reviewed and contextualised for the study. The key to a successful research project is to know who or what it is that you are researching. The researcher utilised the demographic and central issues sector of this questionnaire to obtain information about the characteristics of the family-owned small

businesses, Human Resource issues in general, as well as facts about the owner/managers.

3.9 Data Collection Procedure

The questionnaire was personally administered to the 120 SMEs in the sampled region for the study. The researcher obtained an introductory letter from the KNUST School of Business. The introductory letter was to get the researcher the needed assistance and co-operation from the subjects involved in the study. The researcher explained the purpose of the study to each of the heads of SMEs included in the study. The researcher assured them of anonymity. This encouraged participation and enabled the researcher to establish the needed rapport with prospective respondents and as well sought their co-operation.

After that, copies of the questionnaire were then distributed to the respondents and the instructions to the questionnaires and the items were carefully explained to them. Respondents were asked to respond to the instruments and the researcher collected them after that.

3.9.1 Testing of Instrument

The researcher conducted a pre- test of the instrument to ascertain the correctness and consistency of the information in the questionnaire in relations to the objectives of the study. In doing so, the researcher tested all aspects of the questionnaire, including question content, wording, sequence, form and layout, question difficulty, and instructions. In order to obtain valid responses, respondents in the pre-test were chosen from SMEs in the Kumasi metropolis, similar to those who were included in the actual

study. The pre-test was done using personal interviews and questionnaire administration.

3.10 Data Analysis

Data analysis refers to the process of processing the data collected for the study into meaningful information. The ultimate goal of analyzing data is to treat the evidence fairly, to produce compelling analytical conclusions and to rule out alternative interpretation (Yin, 2003). The data collected from the selected SMEs were coded in and subsequently entered into the Statistical package for the Social Sciences (SPSS) and analysed using descriptive statistics of the means.

3.11 Conclusion

The research purpose was to conduct a descriptive study into the recruitment and selection of family owned SMEs, both primary and secondary data was collected for the study. The study adopted a quantitative approach where data was collected using questionnaire, the questionnaire was administered to 120 family owned SMEs that were purposively sampled for the study from the Kumasi metropolis, A pre test was conducted initial to identify the family owned SMEs as well to test the correctness and consistency of the research instrument. The data collected was then coded and analysed using the Statistical package for the Social Sciences (SPSS)

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULT

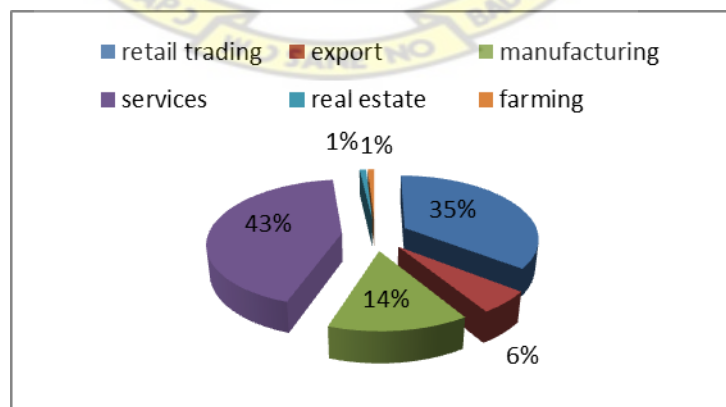
4.1 Introduction

This chapter outlines the data analysis and interpretation of results for the study. The findings are presented in a form of pie charts, bar graphs and frequency tables to make it easier for data obtained to be understandable. The study seeks to examine the recruitment and selection of family owned SMEs in the Kumasi metropolitan area was conducted using 100 responded sampled from SMEs in Kumasi.

4.2 Composition of SMEs sampled for the study

The 100 SMEs selected for the study came from industries dominated by SMEs in the Kumasi metropolis. These SMEs included firms from both manufacturing and service. These include 38 retail trading companies, 15 manufacturing companies, 6 exporting company, 45 Service Company, 1 real estate and 1 farm.

The figure 4.1 below shows the composition of the selected SMEs



Source: Field Data, 2014

4.3 Background information of Respondent

The study examined the background information of the respondents. The background information solicited included age of the respondents, their education level, the business form, how the business was started.

Table 4.1 Background of respondents

Variable	Frequency	Percentage (%)
Education		
Primary	4	3.7
JHS	32	29.9
SHS	41	38.3
HND	22	20.6
Post graduate	8	7.5
Nature of organisation		
Partnership	28	26.2
Sole proprietor	79	73.8
Years in operations		
3-5	28	26.2
6-10	57	53.3
>10	22	20.6
Number of workers		
<6	29	27.1
6 -9	35	32.7
9-2	43	40.2

Source: Field Data, 2014

4.3 Findings of the study

This section presents the data generated in the form of tables, figures, mathematical calculations, percentages, and written descriptive statements.

4.3.1 Recruitment practices of Family owned SMEs

Significant number of literature suggests that HRM in family owned SMEs are usually informal and remains a domain of the owner–manager (Matlay, 2002). Most researchers describe the HRM practices in SMEs as informal ones compared to large firms often regardless of size and strategies within firms, it is against this backdrop the research sought to investigate the recruitment and selection practices of family owned business within the Kumasi metropolitan area.

4.3.1.1 Presence of an HR manager

In order to have a sound recruitment process the presence of a professional is highly significant, most large organisations have HR managers who see to the development and implementation of HR policies in the organisation. The result obtained is tabled below.

Table 4.2 Results of availability of HR manager.

Responses	Frequency	Percent
YES	11	10.3
NO	96	89.7
Total	107	100.0

It is evident from the results that a large no of the SMEs numbering 96 (89.7%) interviewed didn't have an HR manager. This is not surprising because other studies that have been carried out elsewhere points out to this fact. Heneman and Berley (1999) point out that most SMEs don't have a personnel or HRM department / manager, whose presence is normally associated with formal attracting methods after a study that was carried out on 133 SMEs.

4.3.1.2 Availability of formal written HR policy

The first step in having a sound HR system in place in any organisation is to have a policy. Most large business have formal written down HR policies which serve as a blueprint during decision making in HR related issues, but haven examined the characteristics of family owned SMEs, it is important to verify whether there is a written down policy which seeks to guide the family owned SMEs during their recruitment and selection process.

Table 4.3 Availability of a formal HR policy

Responses	Frequency	Percent
Yes	40	37.4
No	67	62.6
Total	107	100.0

It is evident from the results that a larger no 67 (62.6%) of the Family owned SMEs don't have a formal HR policy which would serve as a guide for recruitment and selection in the organisation. This is particularly not surprising because there are no HR personnel who can lead in the development of policies and guidelines that would serve as a blue print for HR related issues in the organisation.

4.3.1 .3 Importance of recruitment practices in the organisation

Recruitment plays a significant role in any organisation, since getting the right work force help the efficiency and effectiveness of the organisation. The respondents were then asked to rate the importance of recruitment in their organisation

Table 4.4 Responses to the importance of recruitment to the organisation

Responses	Frequency	Percent
Neutral	25	23.4
Important	78	72.9
Very important	4	3.7
Total	107	100.0

A higher percentage of 72.9% indicated that the recruitment was important in their organisation; while only 3.7% deem it very important that recruitment was very significant in their organisation. The importance gives an indication of the priority that the SME owners place on recruitment in their organisation.

4.3.2 Recruitment method employed during recruitment process in Family Owned SMEs

Most organisations have different recruitment method in recruiting for the organisation, some may prove efficient than other based on the resources and the specific needs of the organisation. The researcher sought to investigate the recruitment method that the Family SMEs employ during their recruitment process. Table 4.5 and Figure 4.2 below give details of the responses that was gotten after the respondent were asked to choose the recruitment method that they used the most during their recruitment process

Table 4.5 Responses for recruitment method used by the SMEs

RECRUITMENT METHOD	RESPONSE	FREQUENCY	PERCENTAGE(%)
Job advert in news papers	NO	103	96.3
	YES	4	3.7
Job advert radio & T.V	NO	96	89.7
	YES	11	10.3
Signing in shop front	NO	96	89.7
	YES	11	10.3
Electronic recruitment	NO	102	95.3
	YES	5	10.3
Recruitment agencies	NO	97	90.7
	YES	10	9.3
Word of mouth	NO	30	28
	YES	77	72
Promotions from within	NO	33	30.8
	YES	74	69.2
Unsolicited applicants	NO	56	52.3
	YES	51	47.7
Informing family members	NO	49	45.8
	YES	58	54.2

Source: Field Data, 2014

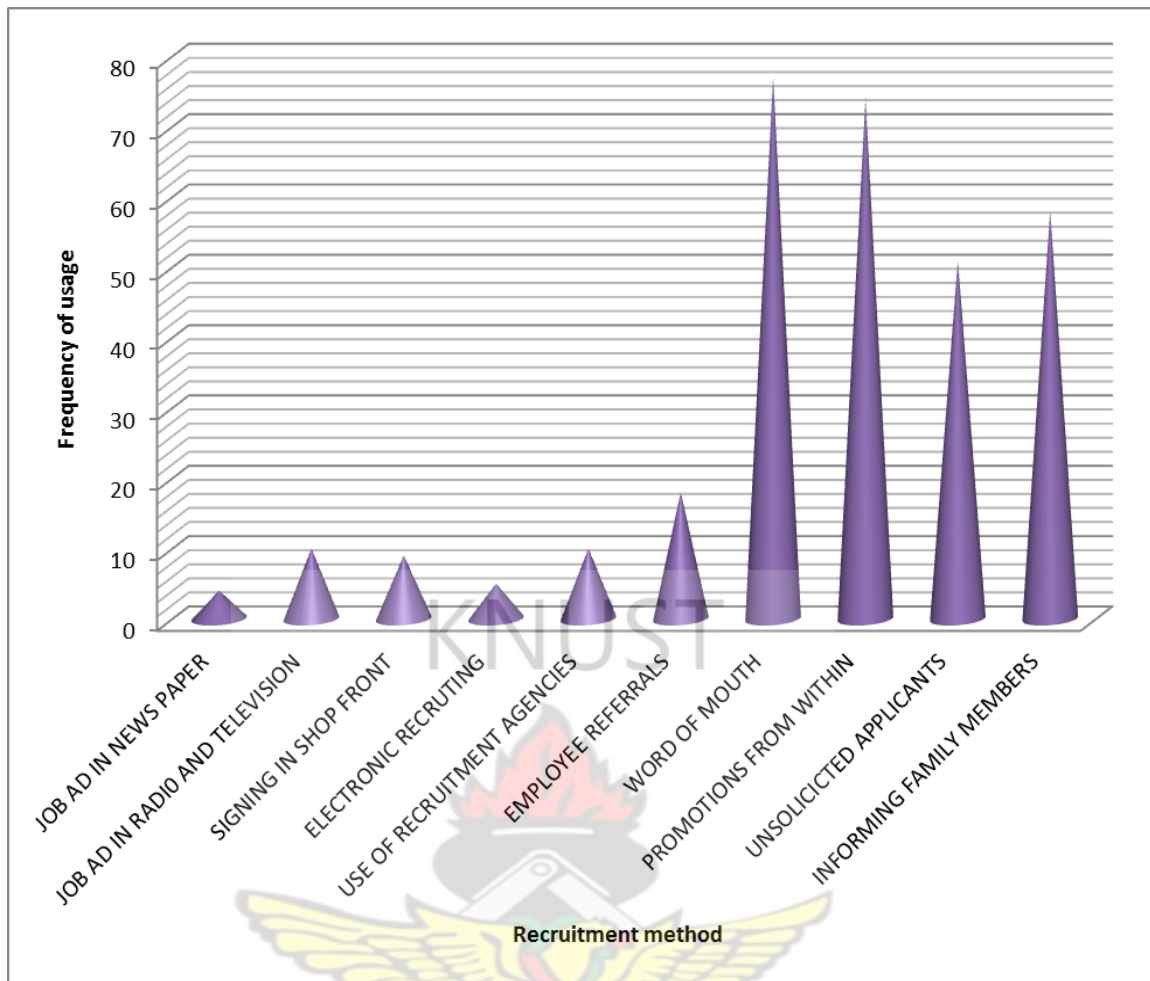


Figure 4.2 Recruitment methods used by Family Owned SMEs

4.3.2.1 Job Advertisement in the media

Mathis et al (2010), argue that some prominent traditional recruitment methods are the media sources such as news papers, television and radio as well as job fairs. The media provides a larger platform to advertise for jobs, but it comes with added cost which can be high for the SMEs.

Job advertisement placed in the media can be divided into both print and broadcast media, from table 4.5, with respect to the print media only 4 (3.7%) of the respondents indicated that it is used by their organisation as a method of recruiting whiles the broadcast media recorded 11(10.3%) of the respondents indicating that they use this

medium as a means of recruiting. The figures recorded are particularly low and this could be attributed to the cost involved in using the media as a means of recruiting.

4.3.2.2 Signing in shop front

Signing in the shop front is one of the methods that can be used in the recruitment process. Job seekers can sign into shops for available jobs. This method of recruitment was not popular with the family owned SMEs because from table 4.5 only 11 (10.3%) of the respondents said they adopted this method of recruiting

4.3.2.3 Electronic Recruitment

Taylor (2001) pointed out that recruiting on the internet has increased and can be described as the most effective means of recruiting, but in the study conducted the use of electronic recruitment such as the use of the internet proved one of the least used recruitment method, during the survey only 5 companies (4.7%) out of the 107 respondents indicated that they use electronic means such as the use of the web as a means of recruitment. This is consistent with a CIPD (2006) survey that indicated that that many employers are still reluctant to use online selection, this they attributed to the increment in the number of unsuitable candidates. The argument in Ghana can be different and the low patronage of this medium of recruitment can rather be attributed to low technological advancement.

4.3.2.4 Recruitment Agencies

In recent times recruitment agencies are gradually gaining grounds in the recruitment of workers for various companies, but within the family owned SMEs that were interviewed only 10 (9.3%) of the respondents alluded that they use recruitment agencies, while the remaining 97(9.7%) said NO they do not use the recruitment

agencies during their recruitment process. This therefore means that recruitment agencies have not gained popularity within the family owned SMEs as a medium of recruiting.

4.3.2.5 Word of mouth

Word of mouth seem to be the most favourable means of recruitment for most of the family owned SMEs, from table 4.5 77(72%) of the respondents indicated that word of mouth is their choice of recruitment and that it is employed during the process of recruitment in the organisation from. This is not particularly surprising since most of the SMEs are business that would prefer recommendation from others before recruiting. This is consistent with a number of studies carried out; Cassell et al. (2002) found word of mouth or referrals from existing employees to be highly effective means of recruiting arguing that word of mouth has no financial outlay which is very beneficial for SMEs. Barbel et al., (1999) holds the view that not only is word of mouth cost effective in SMEs it also provided employers with competent applicants. This therefore buttresses the reason why a high percentage of the Family Owned SMEs interviewed preferred the word of mouth method of recruiting than any other method.

4.3.2.6 Promotions from within

This recruitment method also recorded very high patronage by the family owned SMEs; this is particularly so because from table 4.4, 74 (69.2%) of the respondents indicated that they tend to recruit from within making promotions from within a more favourable recruitment method than some others.

4.3.2.7 Informing Family members

Though 58 (54.2 %) of the respondents indicated that they prefer informing family members of positions or vacancies in the organisation, compared to 49 (45.8%) who said NO they do not consider informing family members first as a method of recruiting this is not particularly surprising since these are family owned SMEs that would consider closed family member first particularly due to trust and loyalty.

From the results obtained it can be explained that though SMEs need to attract potential employees to fuel their growth, more often than not the recruitment strategies are on ad hoc basis. Heneman and Berkley (1999) point out that recruiting within the SMEs, primarily involve the use of convenient, inexpensive and usually directly controllable sources this therefore accounts for the reason why recruiting methods such as the use of recruitment agencies, radio and television advertisement, electronic means of recruiting, were not mostly used by the SMEs interviewed.

Reid and Adams (2001), are of the view that the most widely used recruitment method are word of mouth and recommendations from staff, this argument was reinforced by the results obtained since word of mouth was the most used method of recruitment by the SMEs interviewed. Employing existing staff and family members also saw very high patronage by the SMEs. The basis for employing friends and family members from existing staff include the belief that a member of the actual staff is very unlikely to recommend an unqualified person (Carroll et al, 1999)

Against their advantages such as cost, convenience and speed the informal methods such as word of mouth may leave a pool of suitable recruits untapped, and people can accuse the firm of indirect discrimination. (Carroll et al., 1999). Ram and Holliday (1993) point out that family ties ensue a supply of reliable workers prepared to work

for long hours and resolve issues of trust and delegation, this reinforces the result that was obtained, by the SMEs informing their family members first during the recruitment process, but Ram and Holliday were quick to add that this can serve as constraint to management.

In summation family SMEs tend to rely heavily on trusted and simpler recruitment techniques without the requirement of experts that reduce the risk and uncertainty which is usually associated with hiring of recruits as emphasised by Carrol et al., (1999) and reinforced by the results obtained.

4.3.3 Selection practices in Family Owned SMEs

Various selection techniques were listed for the respondents to choose the selection process that helps the organization to make decisions about individuals, their qualifications and work related values. The respondents were asked to choose the selection process that is most used during their recruitment and selection process in the organisation.

4.3.3.1 Conducting background check on respondents

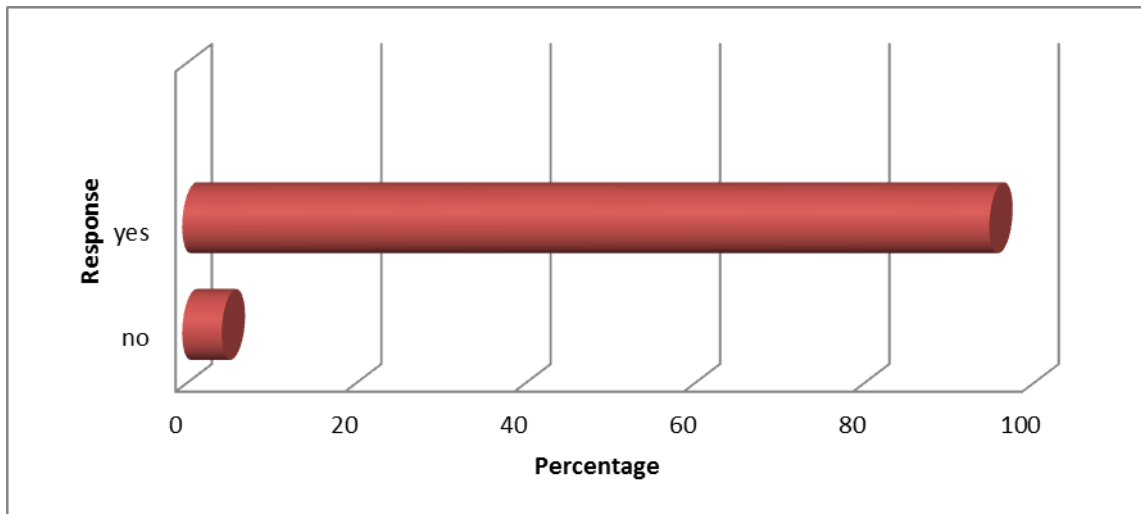


Figure: 4.3 Results of response to background check on job applicants

It is important for organisations to conduct investigation about their recruits; this would give them an idea of the background from which they are coming from and see if they meet the goals of their organisations. The respondents indicated clearly that they conduct investigation into the background of their prospective employees. From figure 4.3 above a whopping 102 (95.3%) of the respondents interviewed clearly pointed out that they conduct significant amount of background checks during recruitment. While only 5 (4.75%) respondents indicated that they do not conduct background checks on their prospective employees.

4.3.3.2 Physical examination of applicants

Some jobs require that physical examination be conducted during the recruitment process, this is particularly important if the nature of the job requires it, some jobs need the employee to be physically fit to be able to execute the said task that would be given. From fig.4.4 below when the Family owned SMEs were asked whether they undertake physical examination for their job applicants, 96 (89.7%) of the respondents

indicated that they do conduct physical examination during their recruitment process while 11 (10.3%) of the respondents indicated conducting physical examination was not part of the selection process.

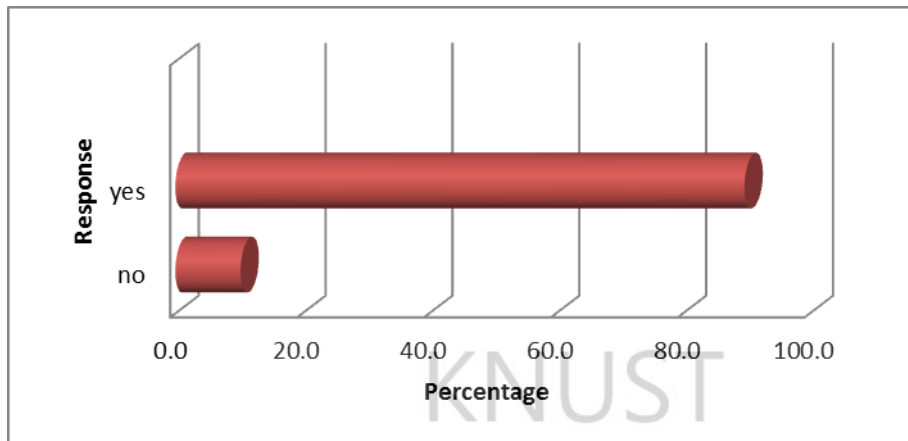


Figure 4.4 results of the response to conducting physical examination during selection.

4.3.3.3 Interviewing applicants

The respondents were asked if they conduct interview as part of their recruitment process, and from Figure 4.5 below it can be deduced that 97 (90.7%) of the respondents indicated that they do consider interview as part of their selection process, while 10 (9.3%) of the respondents do not conduct interviews. This indicates that a large number of business do conduct interviews for their prospective employees. This buttresses the point made by Ofori and Aryeetey (2011) that for small businesses the use of sophisticated assessment centres is financially taxing to be an option, and found that most SMEs relied heavily on the interview process as part of their selection process. Ofori and Aryeetey (2011) pointed out further that these managers do not have the interview skills that HR specialist would have, so very often the interviews are

informal in nature. Based on the results obtained it can be concluded that interviewing was a very important selection process for the family SMEs under the study.

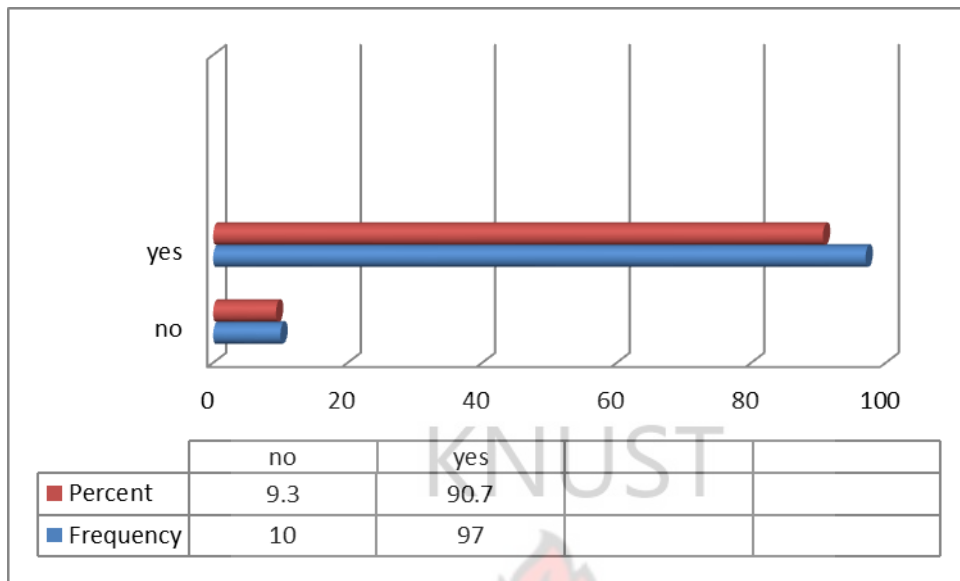


Figure 4.5 Results of the response to conducting interviews during selection.

4.3.3.4 Considering educational background of applicants

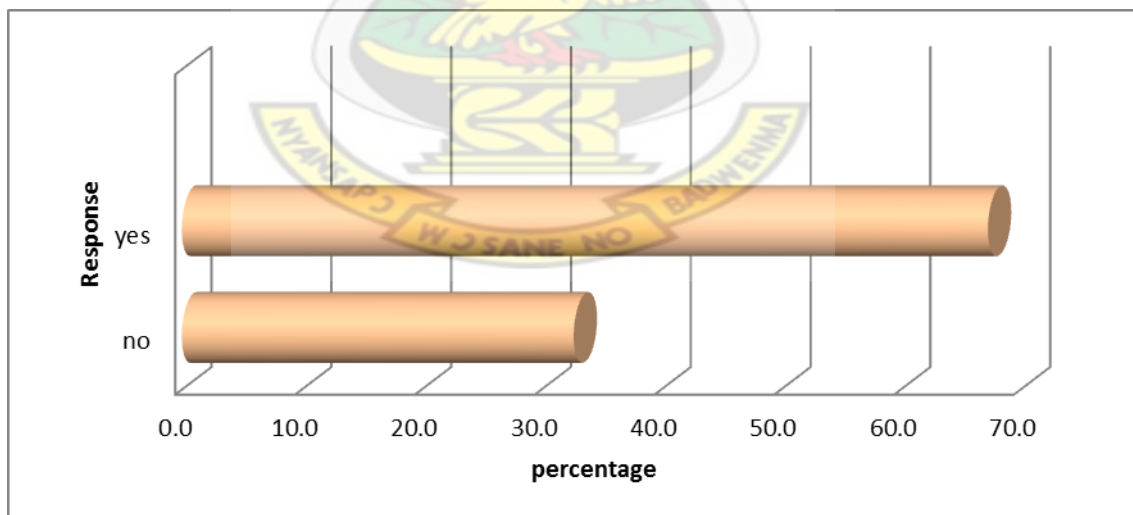


Figure 4.6 Results of the response to consideration of educational background

The educational background of the job applicants is very important, this is because some jobs require high educational background while others require minimal or no educational background, the more complex the job the higher the tendencies for the job to require a higher educational background and vice- versa. The respondents in this particular case showed varied response with respect to whether educational background was a necessity for them during the recruitment process. Figure 4.6 above shows 72 (67.3%) of the applicants considered education a very important factor when conducting their recruitment whiles 35 (32.7%) said that education was not highly considered when conducting during the selection process. This can be explained, as the different SMEs interviewed had different business lines while some of the companies were sophisticated and hence needed some degree of education for some job positions, others were simple and less complex and would certainly not consider education as a priority.

4.3.3.5 Knowledge of job requirement

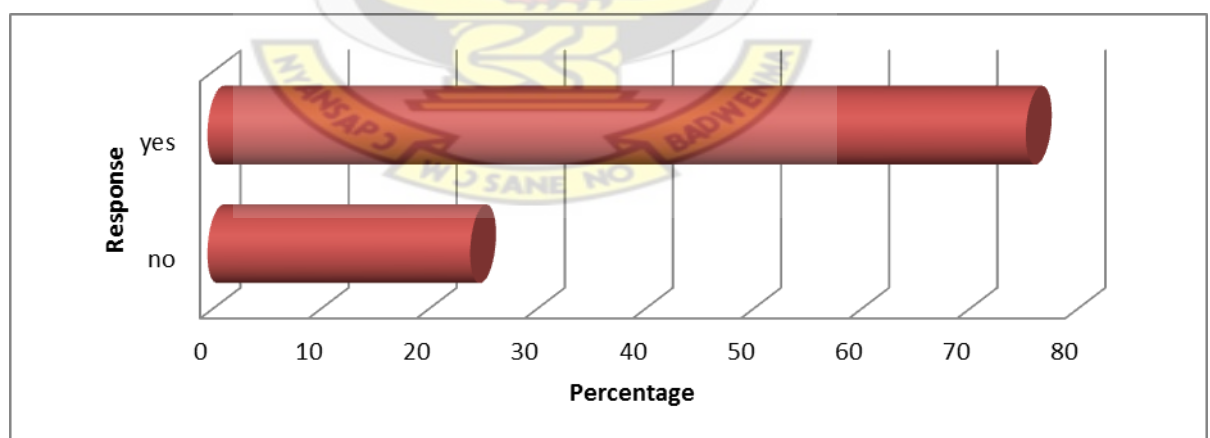


Figure 4.7: Results of the response to knowledge of job requirements.

Having significant knowledge of a particular job is important during recruitment and selection some jobs require certain skills to execute, or certain know how is required for the job to be done properly hence during the selection process employers seek to

investigate whether the applicants has the said needed skill to be able to execute the job roles that would be assigned. In investigating whether the Family owned SMEs consider knowledge of the job as part of their selection process, the results obtained as presented in fig 4.7 shows that 81(75.7%) of the respondents indicated that yes adequate knowledge of the job was important during the selection process, whiles 26 (24.3%) of the respondents pointed out that knowledge of the job was not important in during the selection stage of the recruitment process.

4.3.3.6 Examination of competence and experience

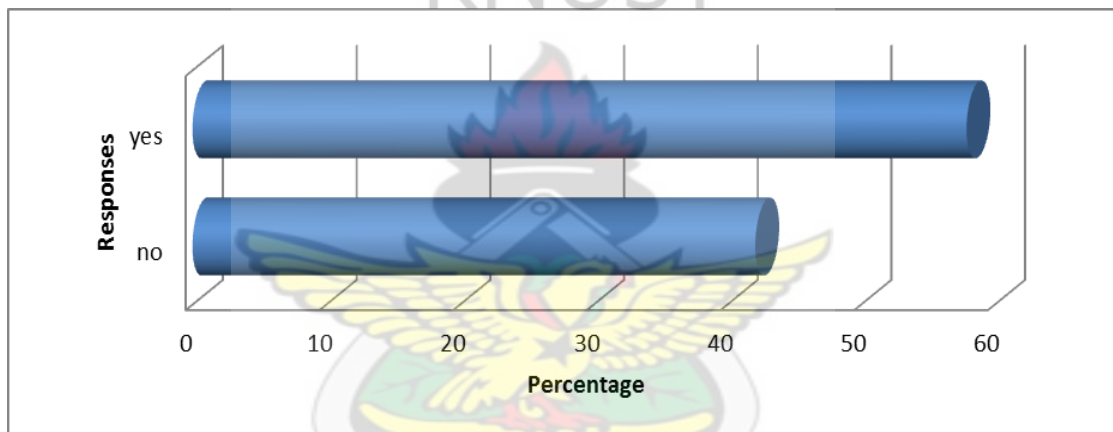


Figure 4.8: Results of the response to examination of competence and experience.

The respondents were asked whether they considered competence and experience during the selection stage of their recruitment process. From figure 4.8 it is observed that 62 (57.9%) of the respondents indicated that competence and experience is highly considered whiles 45 (42.1%) of the respondents indicated that no an examination of the skills and competence of would be employees is not carefully examined during the selection stage. It is important to for organisations to examine the competence and experience of their prospective employees. This is particularly so because, there need to be a match between the job and the competence or experience needed to fill the

position. The candidate should have the experience to be able to execute the duties that he / she would be assigned.

4.3.3.7 Priority given to family members

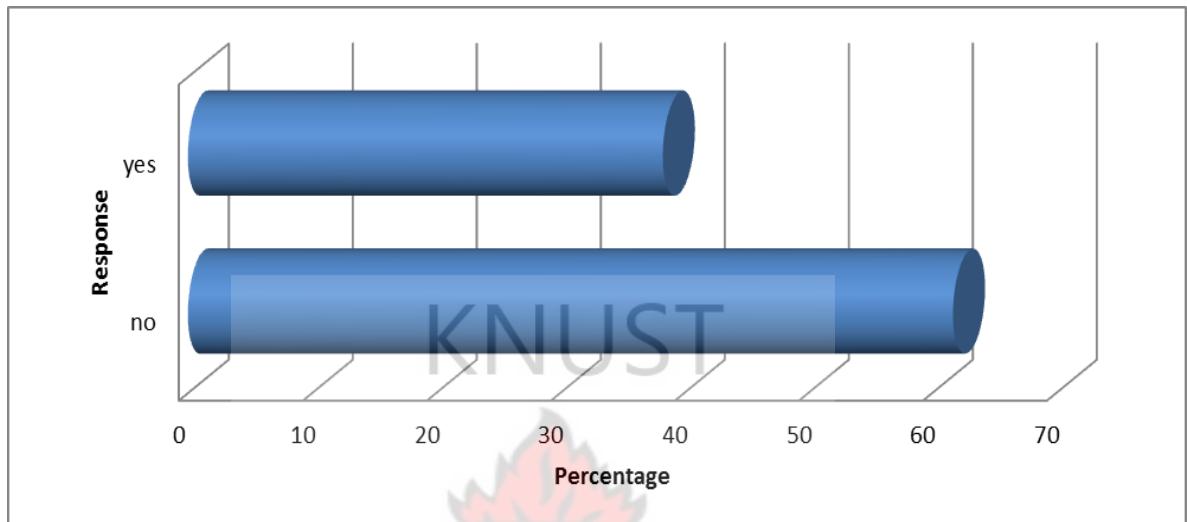


Figure 4.9: Results of the response priority given to family members.

From figure 4.9 it can be observed that 41 (38.3%) of the respondents pointed out that they give priority to family members during the selection process, while 66 (61.7%) do not give family members priority. Owners of SMEs are constantly under pressure to employ friends and relatives with complete disregard to business needs (Asiedu-Appiah et al., 2013). In family owned SMEs there is high likelihood the family members would be regularly employed into the business, the reason has been explained as issues of trust and loyalty and the availability of workforce when readily needed. In the survey conducted by the researcher to investigate whether during the selection process priority is given to family members. The results obtained indicated that the decision to give priority to family members was varied. .

In conclusion usually SME managers focus on the match of the applicant to the general needs and culture of the firm rather than the specific job requirement. Ram and Holliday (1993) hold the view that application forms and formal interviews are rarely used in family owned business, as the latter ask newcomers to bring, not only professional competence but also the ability to fit into existing norms of workers and management. This view is strongly backed by the results obtained since completion of application forms and interview were less used during the selection process, compared to the other selection methods that was put out to the respondents. The selection process of the SMEs is highly informal and highly discretionary.

4.3.4 Influence of Recruitment and Selection on the performance of Family Owned SMEs.

The recruitment and selection has enormous implication on the performance of any organisation, the kind of employees that an organisation has, would make or break the business, since human capital is the most important asset of any organisation. The study sought to investigate how recruitment and selection affects the performance of the Family Owned SMEs. The performance of the SMEs was measure with life span, profit, sales volume, expansion and dedication of employees. A 5 point Likert scale, which showed the extent to which the respondents agreed or disagreed to the present recruitment and selection process and how it affect the performance of the organisation. The responses on performance were scored such that the lowest score was 1 and the highest score was 5

TABLE 4.6 Mean results of the influence of recruitment and selection on performance of SMEs

	N	Minimum	Maximum	Mean	Std. Deviation
Increased in life span of business	107	2	5	4.00	.549
Higher commitment of employees	107	2	5	3.95	.443
Increase in profit margins	107	2	5	3.81	.437
Increased in sales volume	107	3	4	3.93	.248
Expansion of business	107	2	4	3.76	.564

4.3.4.1 Increased in life span of business

Table 4.7 Responses on the increased in the life span of business due to recruitment and selection

Responses	Frequency	Percent	Valid Percent
Disagree	1	.9	.9
Neutral	13	12.1	12.1
Agree	78	72.9	72.9
Strongly agree	15	14.0	14.0

Source: Author's Field Survey: 2014

The respondents were asked to state the extent, to which the current recruitment and selection process has affected the life span of the business, the results on table 4.4 shows a larger percentage 78(72.9%) AGREED that it increased the life span of the business .From table 4.6 it can be deduced that this response recorded a mean of 4.0 with a standard deviation of 0.549 the lower standard deviation of .549 shows that there was a small disparity in the extent to which the respondents AGREE that the current recruitment and

selection has increased the life span of their of business. This can be interpreted that a larger number of the respondents AGREE that the present recruitment and selection practices they embark on have increased the life span of the business. Recruitment and selection, as Elwood and James (1996) point out and as confirmed by this study, is a major part of organisations overall resourcing strategies as it identifies and secures people needed for an organisation to survive and succeed in the short to medium term.

4.3.4.2 Higher commitment of employees

Table 4.8 Responses to commitment of employees

Response	Frequency	Percent	Valid Percent
Disagree	1	.9	.9
Neutral	10	9.3	9.3
Agree	89	83.2	83.2
Strongly agree	7	6.5	6.5

Commitment of employees is very important especially with Family Owned SMEs where loyalty and trust is a key factor in recruitment. It is evident from table 4.6 that 89(83.2%) of the respondents indicated that there is a higher commitment from employees due to the current recruitment and selection practice of their organisation. Table 4.4 shows a mean score of 3.95 and deviation 0.443 from the respondents, the small nature of the deviation indicates the level of disparity in answering this response. This shows that most of the Family Owned SMEs hold the view that there is a higher commitment from their employees due to the current recruitment and selection and this has enhanced the performance of their organisation.

4.3.4.3 Increase in profit margins

For small business profit is key for the sustenance and survival of the business, it is in this light the study sought to investigate to see to what extent has the current recruitment and selection practices of the family owned SMEs improved the profit margins of their businesses. From the results obtained it can be deduced that their recruitment and selection practices has improved on the margins of the profit of most of the family owned businesses. From table 4.6 the mean score recorded for this response is 3.81 and a standard deviation .437. The deviation recorded indicates that there is a very low disparity within the responses given. The mean score also indicates that a larger proportion of the respondents do agree that their profit margins has increased because of their current recruitment process. The frequency table below shows a more comprehensible picture of the results obtained.

Table 4.9 Responses on the increase in profit margin due to recruitment and selection

Responses	Frequency	Percent	Valid Percent
Disagree	1	.9	.9
Neutral	19	17.8	17.8
Agree	86	80.4	80.4
Strongly agree	1	.9	.9

4.3.4.4 Increased in sales volume and expansion of business

The mean score of 3.93 and standard deviation of 0.248 recorded for the sales volume also shows that that family SMEs also indicated that they have increased their recruitment and selection practices has increased the sale volume of their companies.

Table 4.10 Responses on the increase in sales

Responses	Frequency	Percent	Valid Percent
Neutral	7	6.5	6.5
Agree	100	93.5	93.5

Table 4.10 shows clearly that 100 (93.5%) of the respondents agreed that there has been increase in their sales volume because of their current recruitment practices.

4.3.4.5 How Recruitment and Selection Affects the Overall Performance of The Family Owned SMEs.

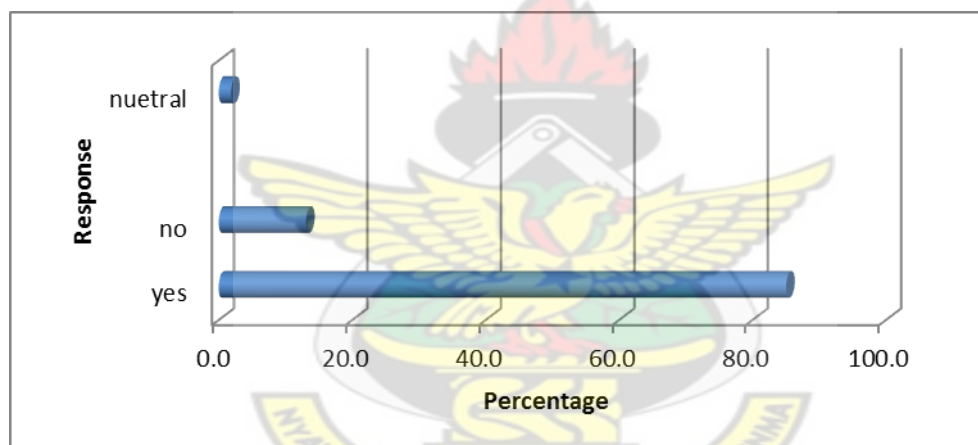


Figure 4.10: Results of the response to knowledge of job requirements.

Having been able to establish some association between recruitment and some performance variables the study sought to investigate the how the recruitment and selection helps improve the overall performance of the family owned SMEs. The respondents were asked whether their current recruitment strategies help improve the overall performance of their business. 91(85%) of the respondents said YES their current recruitment strategies has improved the overall performance of their business, while 14 (13.1%) said NO their current recruitment and selection practices has not

actually improved the overall performance of their business. the remaining 2 refrained from answering this question. This suggest that majority of the SMEs are benefiting from the way they carry out their recruitment and selection. This concurs with Barney (2001) that employees of an organisation create an important source of competitive advantage for organisations and so it is vital for firms to adopt recruitments and selections that make best use of its employees.

4.3.5 Challenges faced during Recruitment and Selection

Recruitment and selection can be challenging, if the right personnel are not recruited into the organisation it can be detrimental to the organisation, but it searching for the right personnel to fill the needed positions in the organisation, there are challenges that can be hindrances to the whole recruitment and selection process, these challenges can lead ineffective recruitment and selection process. The respondents were asked to rank the extent to which they agree or disagree to how the following poses a challenge to their recruitment and selection process thus: the availability of the necessary skilled labour to fill job openings, competition from larger organisations, lack of funds to undertake effective recruitment and selection, and the availability of experts to conduct the recruitment and selection exercise. The respondents were also asked to enumerate some other challenge that confronts them during their recruitment and selection exercise. The results obtained is tabled below

Table 4.11 Challenges of recruitment and selection in Family Owned SMEs

	N	Minimum	Maximum	Mean	Std. Deviation
Lack of skilled labour	107	2	5	3.55	.792
Competition for labour	107	2	5	3.84	.892
Lack of funds	107	2	5	3.80	.840
Lack of skilled expect to conduct recruitment and selection	107	2	5	3.81	1.011

4.3.5.1 Lack of funds

It is evident from the review of literature that most SMEs do not have funds to conduct, the kind of recruitment and selection that larger corporations undertake. The respondents were asked to agree or disagree that funds was one of the fundamental reasons why they cannot conduct effective recruitment and selection. From Table 4.11 this recorded a mean score and S.D of 3.80 and .840 respectively showing the extent of agreement. The detailed responses provided by the respondents is provided in Table 4.11.

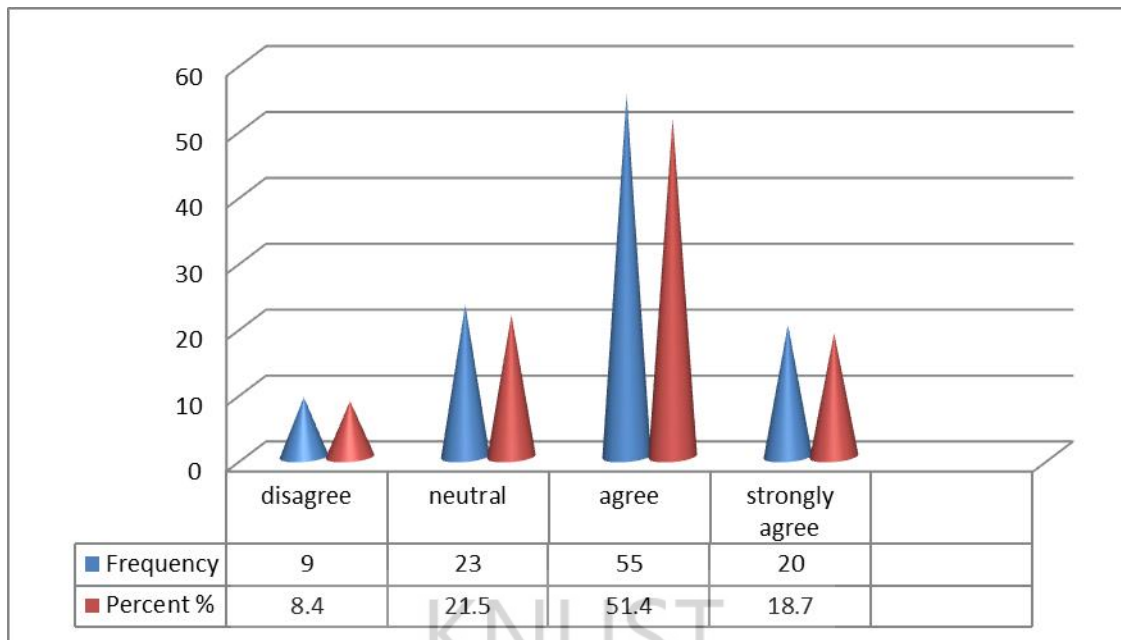


Figure 4.11: Results of the response to lack of funds

It is evident from fig. 4.11 that 75(70.1%) of the respondents agree and strongly agree that lack of funds is the reason why they cannot conduct effective recruitment and selection.. this is in tangent with the works done by Mazzarol (2003) who concluded that SMEs have limited resources to undertake effective recruitment and selection.

4.3.5.2 Lack of skilled labour

The availability of the necessary skilled labour is very important during the recruitment and selection process; if the needed labour is not available it affects the quality of the recruitment that can be made. The respondents were asked to rate the extent to which they agree or disagree to the statement that the unavailability of labour is challenge to the recruitment and selection process. From table 4.11 it is evident that a mean of 3.55 and a S.D of 0.792 were recorded this shows the extent to which the respondents agreed to the notion, the figure 4.9 below gives a clear indication of the responses given.

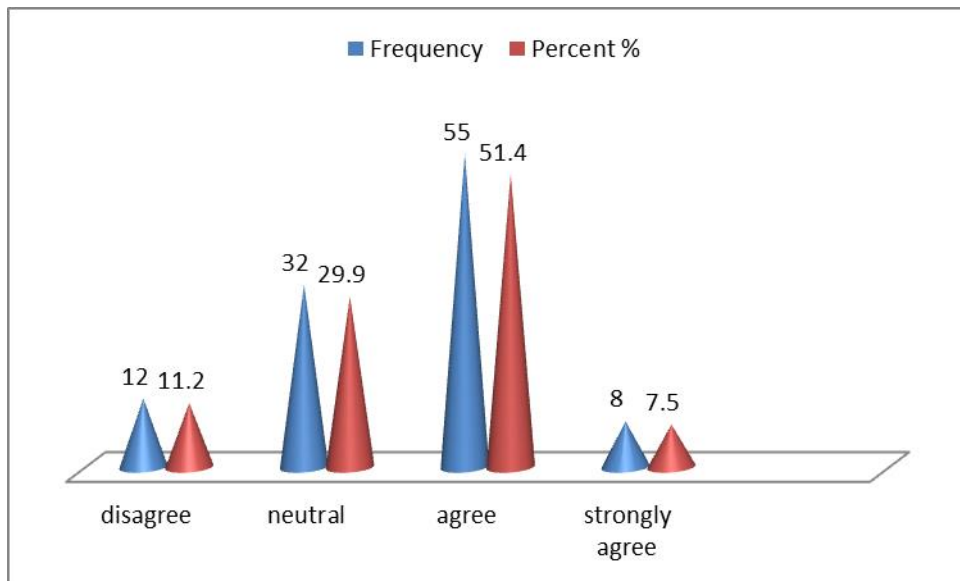


Figure 4.12: Results of the response of lack of skilled labour being a challenge to recruitment.

More than half of the respondents (51.4%) do agree that the unavailability of the necessary skilled labour to fill job openings poses a significant challenge to the recruitment process of family owned SMEs.

4.3.5.3 Competition from larger organisations

Organisations are in constant search for the best of human resource, because when an organisation has quality human resource to steer the affair of the organisation its productivity is likely to be high, the organisation would be efficient and effective. For SMEs, and in particular family owned SMEs competition for the best human resource cannot be ruled. Even though they are likely to employ family members, some expertise may not be available to the organisation, hence the need to go outside to employ. Most SMEs are in competition with larger organisations for vital human resource, on this basis respondents were asked whether they think their organisations are

competing for labour. The respondents were asked to rank the extent to which they agree that there is completion for labour. The results obtained are presented below.

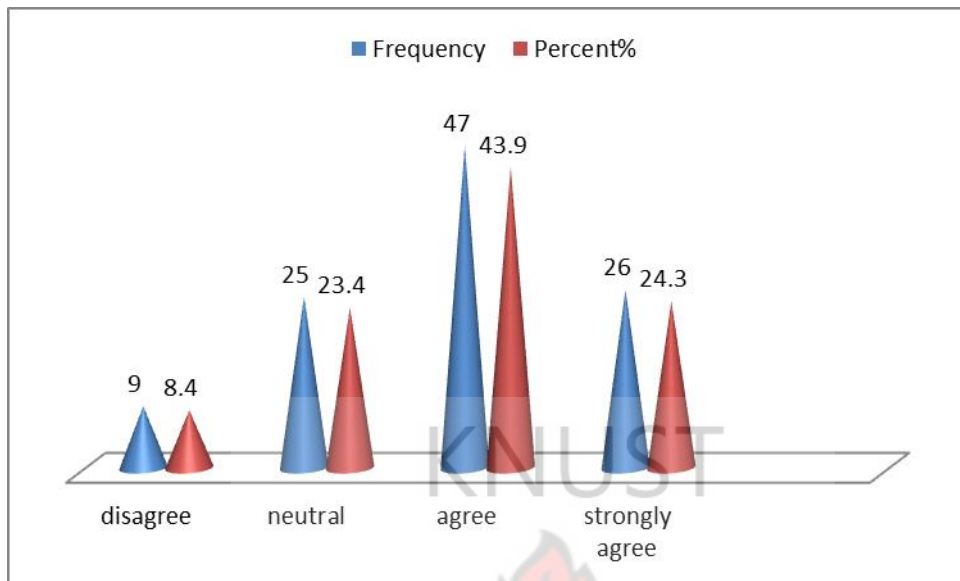


Figure 4.13: Results of the response competition from larger organisations

From figure 4.13 above 68.2% of the respondents agree and strongly agree that they face competition from larger organisations. This is not surprising since the larger organisations pay well, and have better conditions of service than most SMEs hence are able to attract and retain the best of brains than the SMEs, (Killberg and Burren, 1996).

4.3.5.4 Unavailability of skilled expert to conduct the recruitment and selection

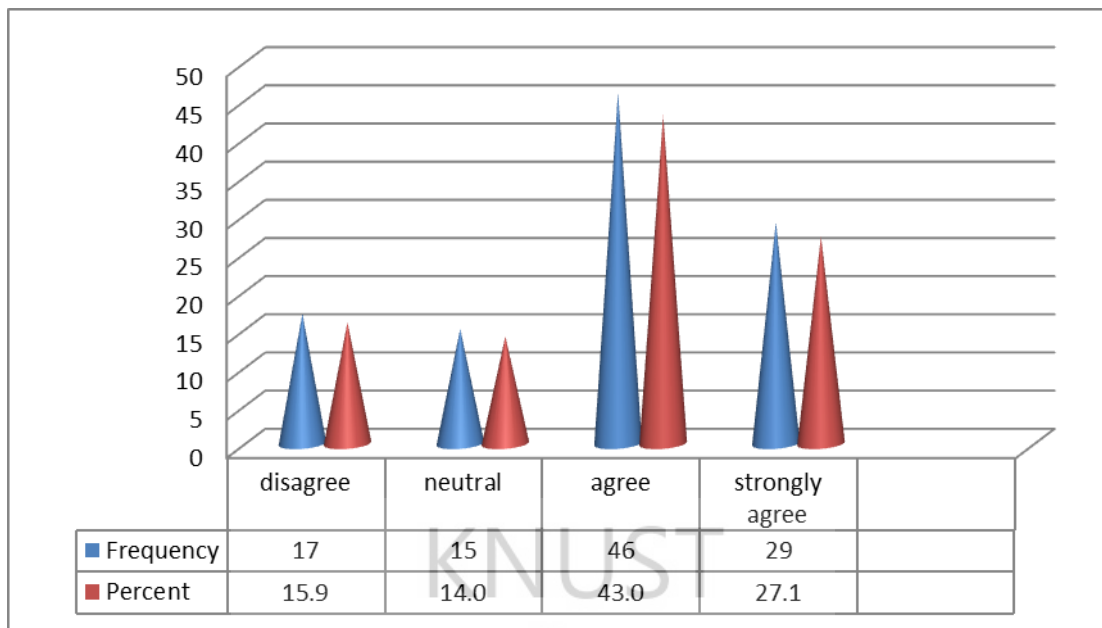


Figure 4.14: Results of the response to lack of expertise

From Figure 4.14 above 75(70.7%) of the respondents agree and strongly agree that they lack experts to conduct the recruitment and selection exercise for them, this is particularly not surprising since most SMEs do not have an HR department and think it is too expensive to have and manage one. Most SMEs have owner managers conducting recruitment and selections and see this as a challenge since they do not have the necessary skills to undertake most recruitment and selection activities. But see the employment of experts too expensive for them. Most of the respondents agree they would love to have one but cannot afford to recruit them.

4.3.6 Factors that would improve the Recruitment and Selection in SMEs

The respondents were asked to enumerate some ways by which recruitment and selection can be improved in their organisations; the following is an aggregate of the view sampled.

Most of the respondents held the view that most of job seekers do not have the necessary skills set that they require looking at the qualifications they possess and therefore think that there should be the development of linkages between higher education careers and SMEs to develop and implement initiative that will facilitate the recruitment of graduates especially into the SMEs. The respondents were also of the view that government should reduce their tax burden so that they can have funds. Access to credit from banks and other government agencies were also highly stated arguing that when the cost of doing business is high cash becomes very limited. Meaning they use the money for other important activities rather than recruitment and selection. Hence measures should be taken for them to have access to funds making it possible for them to employ experts who would help improve their recruitment and selection process. Some of the respondents also suggested that training should be organised for them on recruitment and selection practices.

4.4 Conclusion

Descriptive statistics in the form of percentages and graphs was used to analyse the data collected from the field. Based on the analysis, word of mouth was the recruitment method used by the selected SMEs; while the selection method employed by the family owned SMEs was interview of the prospective applicants. It was also found that the current recruitment and selection method employed by the SMEs is beneficial to

them since it has help improves their profit, life span sales volume and dedication of the workers to work.

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with summary of the study, conclusion and recommendations. The conclusions are made based on the analysis and the literature review. The study sought to investigate the recruitment and selection practices of Family Owned SMEs, the performance of the SMEs in relation to their recruitment and selection and the challenges they face during the recruitment and selection. The target respondents were owners/ managers of Family Owned SMEs. The findings of the study are summarised below based on the objectives set for the study.

5.2.1 Recruitment and selection practices of family owned SMEs

In conducting an effective recruitment and selection exercise, it is important to have a recruitment policy as well as an effective team of experts that would undertake the recruitment and selection exercise. This usually happens in large organisation, but is less prevalent in SMEs particularly family owned SMEs where there are issue of loyalty and strong family bonds. It is on this basis that the research sought to investigate whether the Family owned SMEs have formal HR policies as well as HR manager who take care or personnel issues in the organisations. The result gotten indicated that most of the Family Owned SMEs did not have HR managers since 96 (89.7%) of the respondents said they do not have HR managers, where as 62.7% of the respondents indicated that they do not have a formal HR policy.

With respect to the recruitment practice of the Family Owned SMEs it is evident from the results that word of mouth is the most used recruitment method with 77(72%) of the

respondents indicating that it is a medium that they use for their recruitment, this is closely followed by promotions form within the organisation (69.2%) and family members getting informed (54.2%). This 3 represent the most commonly used recruitment method, the least used method by the family owned SMEs include electronic recruitment (4.7%), Job adverts in news paper and televisions (3.7%), and the use of recruitment agencies(9.3%).

During the selection process most of the SMEs follow the regular selection process of large organisation, where the applicants have background checks conducted on them, the applicants educational background is highly considered, the competence and experience of the applicant is also highly considered, but the most used method of selection by the Family Owned SMEs is the one- on- one interview conducted by the owner where it is easy to form an opinion about the applicants as well as examine his credential and capability. The least used method is the completion of application form.

5.2.2 The influence of recruitment and selection on the performance of the SMEs

Another objective that the study sought to investigate is to examine how the recruitment and selection activities of the organisation affect the performance of the organisation. The performance was measured using increased life span, improved profit margin, increased in sales volume, expansion and dedication of employees.

From the results obtained, it evident that the present recruitment and selection practices adopted by the SMEs is working for them since most of the respondents indicated that have had increase in the variable that were being used to measure their performance. For example the increase in the life span of the business recorded a mean of 4.0

indicating that the business has been able to survive because of the current recruitment and selection, increased in sales volume recorded a mean of 3.93 while profit margin upsurge had a mean of 3.81. The results therefore means that the recruitment and selection strategies employed by the Family owned SMEs has proven beneficial to them and also improved their performance

5.2.3 Challenges of Recruitment and Selection

The results of the study indicated that that the family SMEs recorded significant challenges in their recruitment and selection practices, they bemoan the lack of the skilled labour to fill job openings during their recruitment and selection process, they admit the they lose the best of skills to larger organisations who are able to pay more, for search skills. Another challenge that the SMEs faced was lack funds to undertake effective recruitment and selection process as well as the time to undertake the recruitment and selection.

5.3 Conclusion

Recruitment and selection is key to the success of any organisation, effective recruitment and selection affects the way the organisations perform, recruiting the wrong person can make or unmake the organisation. Whiles recruiting the right personnel can enhance the productivity of the organisation. The aim of the study was to examine the recruitment and selection practices of Family owned SMEs

The study established that word of mouth was the recruitment method used by the selected SMEs, whiles the selection method employed by the family owned SMEs was interview of the prospective applicants. The study was able to establish that the current recruitment and selection method employed by the SMEs is beneficial to them since it

has help increase their profit, life span sales volume and dedication of the worker to work.

The challenge that the SMEs face during recruitment and selection is lack of funds to conduct effective recruitment and selection as well as competition from larger organisations for skilled labour.

5.4 Recommendations

Based on the study undertaken the following recommendation are made

5.4.1 Recommendation for SME owners.

Though most of the SMEs did not follow formal recruitment process, it is recommended that the owners/ managers of family owned SMEs should try and adopt some formal recruitment and selection strategies, such as advertising for the positions to be filled so as to attract a considerable number of applicants from which the selection can be made from, this would increase the probability of getting the right candidate to fill the said position. Owners of family owned SMEs should receive some formal training in Human resource management particularly recruitment and selection to be abreast of the current trends in recruitment and selection.

They can employ the services of recruitment agencies to do their recruitment and selection for them, since these agencies have professionally trained people, who can undertake effective recruitment and selection for them.

5.4.2 Recommendation for policy makers

For policy makers such as NBSSI, Ministry of Trade and Industry, and the Association of Ghana Industry training programs or refresher courses should be organised for the SMEs to equip them with the necessary tools in conducting recruitment exercises. The study revealed that most of the SMEs struggled to attract the right kind of employees or qualified employees into their business; there could be a policy direction that will allow the national service scheme to cover registered SMEs registered with the NBSSI, Ministry of Trade and Industry, A.G.I etc to have some of the academically trained students have working stints with them, particularly in the department their services are needed the most.

5.4.3 Recommendation for future research

The sample size of the study could be increased and more complex statistical tools such as regression and factor analysis could be employed rather than the use of descriptive and lower-level statistics. It is recommended that more advanced statistical procedures, such as regression and factor analyses, should be utilised in further research to examine relations between the performance of the family small business and their recruitment and selection process.

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APPENDIX A

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF ART AND SOCIAL SCIENCE

KNUST SCHOOL OF BUSINESS

Dear Respondent,

I wish to introduce myself to you as a Master of Business Administration (MBA) student of the School of Business, Kwame Nkrumah University of Science and Technology. As part of the programme, I am required to write a thesis entitle 'Examining recruitment and selection practices of family owned SMEs in the Kumasi Metropolis'. I would be most grateful if you could please spare some few minutes of your precious time to answer all the questions that follow. You are assured that all the data/information you provide would be treated with utmost confidentiality. I thank you in advance for your co-operation. Please answer the questions by ticking in the box [] provided, or alternatively, please write in the space provided.

Thank you.

Section A: Background of SMEs and Respondents

1 What age group do you fall?

20-29 years [] 30-39 [] 40-49 [] 50-59 [] 60-above []

2. What is your highest education?

No formal education [] Primary School [] Junior High School [] Senior High School [] HND [] University Studies (Undergraduate) [] University Studies (Postgraduate) []

3. What form is the business?

Sole proprietor [] Partnership [] Company Ltd [] Others [] please specify.....

4. How many years has the business existed?

0 – 2 years [] 3 – 5 years [] 6 – 10 years [] Above 10 years []

5. How did the business start?

The business was purchased as an established business ☐

I/we established the business myself ☐

I/we inherited the business ☐

6. Nature/Kind of organization (please tick as appropriate)

Retail trading ☐ Export ☐ Manufacturing ☐ Services ☐ Real Estate ☐

Farming ☐ other ☐ (specify).....

7. How many people are employed by your company including family members now?

Less than 6 ☐ 6 – 9 ☐ 9 – 29 ☐ 30 – 140 ☐

8. How many of the above employees, including yourself, are family members?

(Please indicate numbers)

Female Full-Time ☐ Female Part-time/casual ☐ Male Full-Time ☐ Male Part-time/ casual ☐

SECTION B: Recruitment and Selection Practices

9. Does your business undertake its own employee selection process?

Yes ☐ No ☐

10. Is the organization doing timeliness recruitment and Selection process?

Yes ☐ No ☐

11 Does HR provide an adequate pool of quality applicants?

Yes ☐ No ☐

12. Rate the effectiveness of your recruitment and selection process.

Poor ☐ Adequate ☐ Excellent ☐

13. Does HR train hiring employees to make the best hiring decisions?

Yes ☐ No ☐

14. On a scale of 1- 4 please indicate the extent, to which your organization indulges in the following activities, where:

1= not at all, 2= Very Little 3= somewhat 4= to a great extent.

To what extent does/did your business have a formal written policy of procedures to deal with human resource issues?	1	2	3	4
To what extent do/did you employ someone to specifically look after human resource issues?	1	2	3	4
Job analysis (The process of determining and recording information about a specific job and about the desirable personal characteristics required to fill it)	1	2	3	4
Formal Job descriptions (Used to identify Tasks, Duties and Accountabilities)	1	2	3	4
Formal Job specifications (Attributes necessary to the performance of the job knowledge, skill and ability)	1	2	3	4
Performance Appraisal (Determines how well employees are performing in their job)	1	2	3	4

15. RECRUITMENT

To what extent does your organization use each of the following methods in recruiting staff?	1	2	3	4
Job Advertisements in News Papers	1	2	3	4
Signing in the Shop/Business Front	1	2	3	4
Electronic Recruiting such as the use of the internet or the web	1	2	3	4
The use of employment or recruitment Agencies	1	2	3	4
The use of Employee referrals	1	2	3	4
Word of Mouth	1	2	3	4
Promotions from within	1	2	3	4
Walk Ins / Unsolicited Applicants	1	2	3	4

Do you employ other recruitment method apart from the above? Please list them

- a).....
- b).....
- c).....

16. SELECTION:

To what extent do/did you use any of the following tools when selecting staff in order to assist you in making the correct selection decision? On a scale of 1- 4 please indicate the extent, to which your organization indulges in the following activities, where:

1= not at all, 2= Very Little 3= Somewhat 4= To a great extent.

Initial screening interview	1	2	3	4
Structured Interview (Follow strict set of questions)	1	2	3	4
Unstructured Interview (Don't follow specific questions)	1	2	3	4
Testing (Please indicate the type)	1	2	3	4
Background Investigation / Reference checks (Speak to referees)	1	2	3	4
Physical examination	1	2	3	4
Literacy test (reading /writing)	1	2	3	4

Do you employ other screening method apart from the above? Please list them

.....

 ,.....

17. To what extent do/did you think that any of the following factors impact on the interview outcome?

Physical Appearance of the applicant	1	2	3	4
Personal characteristics of the applicant	1	2	3	4
Verbal / non-verbal behaviour of the applicant	1	2	3	4
Education / work experience of the applicant	1	2	3	4
Psychological aspects (attitude, motivation, etc.) of the applicant	1	2	3	4
The applicant's knowledge and perceptions of job requirements	1	2	3	4

18. Section C Challenges of Recruitment and selection

This section seeks to examine the challenges faced by family owned SMEs during their recruitment and selection process. Please indicate the extent to which you agree or disagree to the following statements where:

1= Strongly disagree, 2= Disagree, 3= Neutral, 4= Agree, 5=Strongly agree

There is unavailability of the necessary skilled labour to fill specific job openings during the recruitment and selection process.	1	2	3	4	5
There is significant competition from larger organisations for labour making it difficult to get the best.	1	2	3	4	5
There is lack of funds to undertake effective recruitment and selection	1	2	3	4	5
There is unavailability of skilled expert to conduct the recruitment and selection exercise.	1	2	3	4	5

What other challenges do you face during the recruitment and selection?

- 1.....
- 2.....
- 3.....

19. What factors will improve the recruitment and selection practices of your business?

- a).....
- b).....
- c).....
- d).....