HUMAN RESOURCE MANAGEMENT
PRACTICES BY SME OWNERS IN GHANA:
FACTORS CONSTRaining SUCCESS AND
HOW THEY COULD BE ADDRESSED.

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Doctor of Business Administration (DBA)

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ABSTRACT

Private sector development has, of late, become one of the major factors that have assumed a central position in the economic development program of several African countries, with Ghana not an exception. Ghana’s private sector business is dominated by small- and medium-sized enterprises (SMEs), making the development of SMEs very crucial to the nation’s economic growth. Evidence is seen in countries like Malaysia and Korea which through the development of their respective SME sectors are currently among the fast growing economies in the world (AGI, 2008:37). The Government of Ghana, donor communities, and other institutional bodies have put in various supports to develop the sector to enhance economic growth. However, such supports have yielded a result below expectation. Within this sphere, the importance of human resource management (HRM) to the success and growth of SMEs in Ghana cannot be overlooked since most issues serving as barrier to economic development are human-based.

Human beings are the mechanisms which make enterprises run to enhance economic development, an issue that makes HRM very essential to enterprise survival and growth (see, for example McEvoy, 1984; Chandler & McEvoy, 2000; Rauch & Frese, 2000; Cardon & Stevens, 2004; Hargis & Bradley, 2011; Noe et al., 2011). However, HRM practices serve as tools through which HRM functions to enhance the development, success, and growth of enterprises, leading to economic success (see, for example, Huselid, 1995; MacDuffie, 1995; Delery & Doty, 1996; Koch & McGrath, 1996; Guest, 1997; Huselid et al., 1997; Noe et al., 2011). This study suggests that effective HRM practices within the SME sector of Ghana may contribute to accelerating the growth of the sector and the economy of Ghana at large.

Studies on SMEs in Ghana have focused on the sector as an income generating activity area for the people, and survival mechanism for the economy (see, for instance, Arthur, 2007). However, such studies frequently mentioned availability of raw materials, low cost of production inputs, and financial adequacy as the way to accelerate development, success and growth of the SME sector. The studies paid less attention to the role human resource (HR) could play to deliver success to the sector.
This thesis was tasked to contribute to the existing body of research on HRM practices by SMEs in developing countries with its focus on Ghana. It argued that if there could be any significant economic growth in Ghana, effective HRM practices could be one of the key contributors. A search into the available literature on HRM practices by SMEs in Ghana gave very scanty information. However, this did not mean that the sector under consideration in this study had nothing in place for HRM practices. The main aim of this thesis was to explore the HRM practices employed by the SME sector of Ghana to know the type of HRM practices the sector employed, how and why such choices were employed, and highlight on constraints faced in the execution of such choices of HRM activities. After conducting a review of literature on related studies and compiling other secondary data, the study employed qualitative strategy, using face-to-face semi-structured interview to explore HRM practices by a sample of SME owners in Ghana. The interview was conducted on 30 SME owners in Ghana, who fell under the definition of SMEs in the context of Ghana. A theoretical framework was developed from existing HRM models to guide the study. The derived theoretical framework helped in the selection of themes, setting of interview questions, analysis of the data gathered, as well as the discussion of the findings of this thesis.

The analysis of the data revealed that the SME owners in Ghana, who participated in this study, had HRM practices in place. However, they employed informal methods in the deployment of their choices of HRM practices, which cropped up a number of problems, contributing to their ineffectiveness to grow and enhance the economy. Findings also seemed to suggest that the gender imbalances in most workplaces in Ghana, causing enterprise owners to prefer a particular gender sex, could not be wholly attributed to the traditional gender stereotyping that existed within the recruitment / selection, placement, and promotion methods by enterprise owners. It brought to light that the unwillingness of a particular sex to accept certain categories of job offers also cropped up gender stereotyping. The result further indicated that the HRM practices by participants were influenced by the socio-cultural practices in Ghana, as well as the size and profitability of the enterprise. The result of the study was in conformity with findings from similar studies on HRM practices by SMEs in other countries such as Zakaria (2011), El-Kot & Leat (2007), Okpara & Pamela (2008) and Al-Jabari (2011). However, the findings were less supportive to the theoretical framework guiding the study. This was because, whereas the model guided towards the use of effective and efficient HRM practices to achieve the set objectives of
the enterprise to enhance economic growth, the findings revealed that participants mostly delighted in the use of informal HRM practices. This often cropped up lot of problems, which coupled with the challenges they were faced within the external business environment, affected the growth of their respective enterprises negatively. It is left to say that the findings and discussion of the study were based on the information given by the 30 participants of this study.

The study has contributed to the existing knowledge on HRM practices by bringing to light the type of HRM practices engaged in by the SME owners in Ghana who participated in this study, how and why such choices were made, and the constraints encountered in the deployment of such practices. It has brought to light how such practices affected the growth and success of the SME sector in Ghana. It has also added to the existing HRM models a theoretical framework that can be improved upon and used in future research.

Recommendations were given to help the practicing of effective HRM within the enterprises which participated in this study, and the SME sector in Ghana as a whole, which may promote enterprise success to enhance economic growth.
ACKNOWLEDGEMENT

I thank the Most High God for His mercies and abundant grace towards me, for equipping me with knowledge, wisdom, understanding, and all other resources needed to undertake this research programme. I also thank my supervisors Dr Doug Davies and Dr Anni Dugdale for their immerse support both in the form of tuition and supply of text books.

I will like to extend my sincere appreciation to all who gave of their time to offer suggestions and insightful comments that helped to develop and shape the research topic and the research study as a whole. These include Professor Deborah Blackman for her comments on the thesis topic during my initial seminar, which led to changes in the initial research topic.

My sincere appreciation to all staff and colleagues of University of Canberra, whose readiness to answer my numerous questions helped to make learning at the University of Canberra very easy for me.

I also thank Professor S K Asante of East Legon, Accra, Ghana, through whose exceptional support I was able to come over to Australia to undertake this research study. I am also indebted to my children Naana, Percy, and Justice, whose love, understanding, respect and unmeasurable support (both in kind and prayers) lightened my academic load and gave me the strength to quicken my pace to the end of the academic race. I am also using this opportunity to remember my dear mother Abena Serwah and sister Susana Osaa (Mrs Owusu Duodo), who suddenly passed away at the final stage of this course. Finally, I thank all my participants, AGI Head Office staff, GAVE, and NBSSI Human Resource Department staff (all of Accra, Ghana) for providing me with the needed information. I feel much privileged to have them as part of this research project, and I ask God’s blessings upon them and their entire families.
DEDICATION

The researcher dedicates this thesis to The Trinity God of Israel, The Most High God, Creator of Heaven and Earth and all that is within. May His name be glorified forever and ever, AMEN.
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<tr>
<td>ADF</td>
<td>African Development Fund</td>
</tr>
<tr>
<td>AGI</td>
<td>Association of Ghana Industries</td>
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<tr>
<td>APDF</td>
<td>African Project Development Facility</td>
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<td>AU</td>
<td>Africa Union</td>
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<tr>
<td>BEC</td>
<td>Basic Education Certificate</td>
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<tr>
<td>BECE</td>
<td>Basic Education Certificate Examination</td>
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<tr>
<td>BOG</td>
<td>Bank of Ghana</td>
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<tr>
<td>BTI</td>
<td>Bertelsmann Stiftung</td>
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<tr>
<td>CGS</td>
<td>Credit Guarantee Scheme</td>
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<tr>
<td>CV</td>
<td>Curriculum Vitae</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industries</td>
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<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EFC</td>
<td>Export Finance Company</td>
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<td>ERP</td>
<td>Economic Recovery Program</td>
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<td>FCUBE</td>
<td>Free Compulsory Universal Basic Education</td>
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<td>FGI</td>
<td>Federation of Ghana Industries</td>
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<td>FRI</td>
<td>Food Research Institute</td>
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<tr>
<td>FUSMED</td>
<td>Fund for Small- and Medium-sized Enterprise Development</td>
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<td>GAWE</td>
<td>Ghana Association of Women Entrepreneurs</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GEDC</td>
<td>Ghana Enterprise Development Commission</td>
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<td>GEPC</td>
<td>Ghana Export Promotion Council</td>
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<td>GFZB</td>
<td>Ghana Free Zone Board</td>
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<td>GIPC</td>
<td>Ghana Investment Promotion Center</td>
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<td>GMA</td>
<td>Ghana Manufacturing Association</td>
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<td>GPHA</td>
<td>Ghana Ports and Harbours Authority</td>
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<td>GPRS</td>
<td>Growth and Poverty Reduction Strategy</td>
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<tr>
<td>GNCC</td>
<td>Ghana National Chamber of Commerce</td>
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<tr>
<td>GNI</td>
<td>Gross National Product</td>
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<tr>
<td>GRATIS</td>
<td>Ghana Appropriate Technology Industrial Services</td>
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<td>GSB</td>
<td>Ghana Standard Board</td>
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<td>GSS</td>
<td>Ghana Statistical Service</td>
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<tr>
<td>GTFA</td>
<td>Ghana Trade Fair Authority</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>HIV/AIDS</td>
<td>Human Immune-deficiency Virus / Acquired Immune Deficiency Syndrome</td>
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<td>HR</td>
<td>Human resource</td>
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<td>HRD</td>
<td>Human resource Development</td>
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<td>Human Resource Information Systems</td>
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<td>HRP</td>
<td>Human resource planning</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
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<td>IDC</td>
<td>Industrial Development Corporation</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IHRM</td>
<td>International Human Resources Management</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>INSTRAW</td>
<td>International Research and Training Institute for the Advancement of Women</td>
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<tr>
<td>ISSER</td>
<td>Institute of Statistical, Social and Economic Research</td>
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<tr>
<td>ITTU</td>
<td>Intermediate Technology Transfer Unit</td>
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<tr>
<td>JGM</td>
<td>Journal of Global Management</td>
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<tr>
<td>JHS</td>
<td>Junior High School</td>
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<tr>
<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
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<tr>
<td>NBSSI</td>
<td>National Board for Small Scale Industries</td>
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<td>NCWD</td>
<td>National Council on Women and Development</td>
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<td>NGOs</td>
<td>Non-Government Organizations</td>
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<td>NHIS</td>
<td>National Health Insurance Scheme</td>
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<td>NIVT</td>
<td>National Institute of Vocational Training</td>
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<td>ODA</td>
<td>Overseas Development Administration</td>
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<tr>
<td>ODI</td>
<td>Overseas Development Institute</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>OIC</td>
<td>Opportunity Industrial Center</td>
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<tr>
<td>PAMSCAD</td>
<td>Program of Action to Mitigate the Social Cost Adjustment</td>
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<td>PEED</td>
<td>Private Enterprise and Export Development</td>
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<td>PEF</td>
<td>Private Enterprise Foundation</td>
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<tr>
<td>PNDC</td>
<td>Provisional National Defence Committee</td>
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<td>PPA</td>
<td>Public Procurement Authority</td>
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<td>PURC</td>
<td>Public Utility Regulatory Commission</td>
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<td>SAP</td>
<td>Structural Adjustment Program</td>
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<td>SBA</td>
<td>Small Business Association</td>
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<td>SES</td>
<td>State Enterprises Secretariat</td>
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<td>SHRM</td>
<td>Strategic Human Resource Management</td>
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<td>SHS</td>
<td>Senior High School</td>
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<td>SMEs</td>
<td>Small- and Medium-sized Enterprises</td>
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<td>SPP</td>
<td>Sustainable Public Procurement</td>
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<td>SPX</td>
<td>Sub-contracting and Partnership Exchange Program</td>
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<td>TIP</td>
<td>Trade and Investment Program</td>
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<td>TPU</td>
<td>Trade Promotion Unit</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<tr>
<td>UNECA</td>
<td>United Nations Economic Development for Africa</td>
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<td>UNECE</td>
<td>United Nations Economic Commission for Europe</td>
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<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WBG</td>
<td>World Bank Groups</td>
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<td>WiLDAF</td>
<td>Women in Law and Department in Africa</td>
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<td>WWB</td>
<td>Women World Banking</td>
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## LIST OF GLOSSARY

<table>
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<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td><em>Gari:</em></td>
<td>Grated cassava tubes, put under weight for liquid extraction, dried, and dry-fried in a hot pot into granules, which are normally used as snack or an accompaniment to stew / soup for main meals.</td>
</tr>
<tr>
<td><em>Kente:</em></td>
<td>A hand woven intricate patterned fabric made from brilliant coloured silk or cotton yarns.</td>
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<tr>
<td><em>Fufu:</em></td>
<td>Boiled cocoyam, yam, plantain, or cassava, pounded into a smooth paste and used as accompaniment with soup.</td>
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CHAPTER ONE
INTRODUCTION OF THE STUDY

1.1. Introduction

Globalization has caused enterprises to rely greatly on human capital for competitiveness, with the single most important factor for economic growth today being human beings. It has been argued by a number of studies that Ghana’s competitive advantage lies in its private sector development (IMF, 2009; Debrah & Mmie, 2009; Fening, 2012) - a sector dominated by small- and medium-sized enterprises (SMEs). The government and private institutions have tried to support SME growth, but have not gained the expected results. Human Resource Management (HRM) recognises that competitive advantage in activities by employees with superior know-how, commitment, and motivation, among others, may lead to enterprise success (Stone, 2011). It is argued in this thesis that Ghana can improve on its global competitiveness by embracing effective human resource management practices in its private sector, particularly within the SME sub-sector. The opening chapter of the study seeks to provide an overview of the research project. It sets out the background of the study by presenting a brief history of Ghana during and after the colonial era and the impact of its early post-colonial economic development plans on the overall economy. The chapter follows up with some early economic reform policies embarked upon, the current state of the economy of Ghana, then highlights some basic statistics of the country and some key information on the human resource issues in Ghana. The final section of the chapter presents the justification of the study, introduces the central research question with its aims and objectives, and follows up with the scope of the study, sources of data collection, and organization of chapters for the thesis.

1.2. Background to the Study

estimate, the national adult literacy rate for adults aged 15 and above is 71.5%, while that for youth aged 15 to 24 is 80% (UNECA, 2012:94; UNDP-Ghana, 2012:12; Ghana Web, 2013; The World Bank, 2013:39), which is an improvement on that of the period 2005-2006 (see Ghana Statistical Service, September, 2008:14). Of the male population, 78.3% is literate as against 65.3% of females (Ghana Web, 2013). Its most recent human development index (HDI) value is 0.558, ranking the nation 135th out of 187 countries in 2012, and placing it at the lower end of the medium human development category (Betelsmann Stiftung, 2012:2; Human Development Report, 2013; Ghana Web, 2013; OECD et al., 2013; ILO, 2013:37). It is rich in natural resources and has been popularly known on the global front for its gold and cocoa production, and in recent years, for its Black Star national soccer team. It has been classified as one of the world’s top ten gold producers and second in Africa (OECD et al., 2013). Ghana is a founding member of the Economic Community of West African States (ECOWAS) and the African Union (AU) (Addai, 2011:348). These and other related issues will be discussed in some detail in the next section 1.3.

The nation has a tradition of small private business ownership that goes back before the time when it was a British Colony, from the late 1800s until independence in 1957 (INEWS, 1996). The period which immediately followed Ghana’s independence saw a number of vigorous industrialization economic plans, under the leadership of Dr Kwame Nkrumah. The country moved towards socialism leading to government gaining greater control over the economy, a situation that led to corruption (Debrah, 2001:193; Asare & Wong, 2004:4). The government of the time, in order to be self-reliant in its production, embarked on the establishment of large-scale state owned factory projects, whilst building numerous schools, universities, and hospitals (Debrah, 2001:193). There was massive government expenditure on road construction, mass education, and health services (Sedco, 2003:29). Such post-independence development plans were based on major import-substitution industrialization goals while export expansion was held in secondary position. This encouraged the government to be largely dependent on borrowing and importing technology. Since exports were only limited to the traditional products of the country (namely cocoa, timber and minerals), its volume was far below that of imports, which created an imbalance of trade deficits during the period (Asare & Wong, 2004:4). The deficits were, in turn, being financed from external loans, the cost of which in terms of interest was also on the increase. Hence the interest payment on these advances further reduced the country's scarce foreign exchange resources, creating a system of deficit.
There was also great economic reliance on administrative measures, instead of market forces, in determining incentives and resource allocation (AGI, 2008:36), with economic protection basically dependent on high tariffs and import restrictions. Even though this and other measures contributed to growth in employment and an increase in the contribution of the manufacturing sector to GDP in the early 1960s, such developments were wiped away in 1966 due to the overvalued local currency (AGI, 2008:36).

Inflation was high and accompanied by a decline in output of all government major economic sectors (Tangri, 1991:524). This led to the overthrow of the first government by a military coup in 1966 (Debrah, 2001:193; Bertelsmann Stiftung, 2012:3). The victory of that coup encouraged numerous military coups to follow, leading to a long period of political unrest which turned the economy upside down (Chamlee-Wright, 1997:6-9; Republic of Ghana, 2012:12), breeding governments whose concerns were different, and making Ghana a country wracked by political instability, which cut the nation off from potential direct investors (Asare & Wong, 2004).

The drought of the early 1980s worsened the economic situation by negatively affecting the water level of Lake Volta, the only industrial power source, leading to a temporary shutdown of large scale industries like Volta Aluminium Company (VALCO) amongst others (AGI, 2008:36). The scanty rainfalls further caused frequent outbreaks of bush-fires, which led to poor harvests in 1983 and 1984 (Asare & Wong, 2004:10), and pushed the already deteriorating economy of Ghana to a worse state. Such events affected human resource deployment to a large extent with a reduction in formal industrial employment by nearly 60% from the 1975 total of 158,000 to 68,000 in 1982 (the most affected economic area being the manufacturing sector). Labour productivity declined by 43% between 1977 and 1981, and all the economic sectors started recording declines and negatives (AGI, 2008:36). The poor performance of the industrial sector led to the closure of about 120 state factories and the sale of the nation’s shares in large enterprises such as Lever Brothers, Ghana Cement Works, Kumasi Brewery, Ghana Aluminium Products, and others from 1988, to enable the local enterprises to be competitive on the global market (Debrah, 2001:194; AGI, 2008:36).

Under such critical economic conditions, there was little the nation could do to save its economy than accept the IMF/World Bank sponsored Structural Adjustment Program (SAP) under the Economic Recovery Program (ERP), which was designed to liberalise various aspects of the
The economy of Ghana began to show signs of recovery with the introduction of the International Monetary Fund’s (IMF’s) Economic Recovery Program (ERP) in 1983 (Chamlee-Wright, 1997:7; Debrah, 2001:194; Apusigah, 2004; ADF, 2008:9; Republic of Ghana, March 2012:12). The SAP led to workforce retrenchment and restructure in the public sector, which influenced HRM activities in Ghana (Debrah, 2001:195) thereby causing employers to search for the right candidate to fill job vacancies. Also, it eliminated the then existing problems of inappropriate skill mix and staffing ratios in the state enterprises by making workers redundant. This had the added benefit of lowering government financial commitments by adjusting liability in the area of retirement benefits (Davis, 1991:998-999). However, other studies see the SAP as being more of a solution to Ghana’s macroeconomic stabilization than a stimulus to economic growth (see for example, Sowah, 2002). According to such studies, there has not been any significant change in the economic activities over the past two decades (Agyei-Mensah, 2006), even though such stabilization exists.

Past governments tried to improve the balance of payment by diversifying the export-base with commodities initially produced for local consumption, such as yams, charcoal, fruits and others, which were termed the ‘non-traditional exports’ of Ghana. A process of political liberalisation was also initiated in the 1990s which led to political rights, civil liberties, and freedom of the press (Ghana - Country Brief, 2008). Other efforts at both national and community development aiming at reducing poverty and promoting economic growth in Ghana were made (Nikoi, 1998). It seems clear from the above discussion that industrial growth and development was identified as the key to socio-economic development in Ghana since independence (AGI, 2008:36). The problem was the different approaches by various governments (AGI, 2008:36). What was not entirely known at that early stage of the reforms was whether the choice of outward-orientation would be implemented through complete trade liberalisation or an active governmental intervention through export subsidy and packages (Legon Export Outlook, 1997:11).

Currently, the economic reforms have created a new business environment for the private sector leading to creation of small- and medium-scale enterprises by both males and females in Ghana. The political reforms have led to democratic processes being introduced, which have provided
stability and thus become a strong competitive advantage for the country. Ghana is experiencing good and sustained growth even though there is still the problem of high inflation (BTI, 2012:10), as well as some persistent problems such as structural, investment, environmental and cost of input problems, and bureaucratic bottle necks which are hindering the acceleration of the growth of the economy (ADF, 2008:9). Aryeetey (2001:1) attributed such achievements to the country’s greater interaction with other economies as well as globalization. In actual fact, there has been gradual but steady economic growth following the ERP/SAP that began in 1983, but recent times are witnessing an even more steady growth (Republic of Ghana, 2012:12). An example is the manufacturing sector which has grown at an average of 2.8% between the years 2004 and 2007 (AGI, 2008:37). However, the growth is below expectation for the achievement of the country’s millennium development goals (ISSER, 2004; Republic of Ghana, 2012:12-14). Something needs to be done to resolve the question of what it will take to accelerate and sustain the economic growth of the country. Aryeetey (2001:7) argued that self-sustaining growth may be achieved through the mobilization of all available resources to lead to the effective employment of the available human resources. Such an issue points to human resources as the key contributor to the country’s current economic problems.

The government of Ghana, seeing reforms in HRM activities as an antidote to the country’s economic problems, prescribed some HRM issues in the Fourth Republican Constitution, which reflected on HRM practices, important issues that have been ignored by Ghanaians (Abdulai, 2000:447). Even though the intention of the constitution is to impose some limit on the extent to which the government and public officials can exercise power and authority, there are 299 articles of the constitution reflecting on HRM issues such as human resource management policy, recruitment and selection, compensation strategies, human resource development, equal employment opportunity, employee rights and welfare, as well as gender issues at the work place such as equal rights to training and development, gender balance in recruitment and selection, and gender balance in appointments (Abdulai, 2000:449). The government has recognized the importance of human resource development as one of the four key pillars on which economic growth and poverty reduction strategy is grounded (WiLDAF–Ghana, June 2006:23). However, as noted by Abdulai (2000), the stress in the articles on HRM has been more effective on the public sector than the private, yet neither the public nor private sector enterprises in the country give the necessary attention to HRM issues (Abdulai, 2000:450).
Ghana’s blueprint for economic growth is currently through private sector development, especially within the informal sector where new employment opportunities lie (Addai, 2011:347). SMEs dominate the private sector of Ghana. This means that successful development and growth sustainability of the SME sector may enhance the economy of Ghana. Evidence from the literature shows that most of the fastest growing economies like Vietnam, South Korea, and Malaysia developed SMEs as the bedrock of their superior economic performance (AGI, 2008:37). There have been attempts by the government and private institutions to accelerate growth of the sector through various supports, but they have not yielded much, even though they have been helpful. These will be discussed further in Chapter Two of this thesis.

1.3. General Information on Ghana

Some general information on Ghana has been given earlier on in this chapter. However, for the sake of this study, further information is explored in this section which highlights the geographical location of the country, the nature of its relief, climatic conditions and vegetation, the people and some of their socio-cultural practices in place, as well as their system of education, the workforce and some health issues. The section also notes available natural resources within the economy and the system of government in operation.

1.3.1 Location, total area, and population of Ghana

Ghana lies between latitudes 4.50 and 11.30 degrees north of the equator, on the west coast of Africa. Its position in relationship to other countries and its administrative regions are shown in Figure 1.1. The capital of Ghana, Accra, lies on the southern coast border. Ghana has a total land area of about 238,537 km2 (Ghana Statistical Service, May 2012: 2; The World Bank, 2013:21). Its population as at the year 2000 was 18,912,079 with an estimated annual growing rate of about 3% per annum (Ghana Statistical Services, 2002; Agyei-Mensah, 2006; Countries and Their Cultures, 2010). However, results from the most recent population census in 2010 shows a total of 24,658,828, an increase of 30.4% within a decade, out of which 51% are females and 49% males (Republic of Ghana, March 2012:12; Ghana Statistical Services, May 2012). Settlement of the population is concentrated within the major southern cities of Accra, Kumasi and Sekondi-Takoradi, while it decreases towards the northern part of Ghana.
Approximately 52% of the population lives in the urban regions (The World Bank, 2013:21). Whereas factors like employment availability, business infrastructure, and security may be contributors to such an imbalance of population, most of the youth are attracted by the social life and better job prospects in the cities and as such come to settle down in the cities and look for jobs. However, the situation around Kumasi and Accra and their respective suburbs are different.
Since such areas attract both skilled and unskilled labour readily (BTI, 2012:5), entrepreneurs are attracted to the areas to establish enterprises. This has caused rapid and uncontrolled urbanization in and around these cities and their suburbs, creating a lot of informal settlement. The urbanization situation helps enterprise owners to readily identify people for recruitment and selection. The only problem is that most of these people are unskilled labour; hence they need lot of training to enable them to perform effectively. The inflow of people to the city centres to seek jobs has caused advertising for recruitment to be very limited; personal recommendation is much more preferred by enterprise owners (Debrah, 2001:199).

1.3.2 Topography, climate and vegetation
The country generally lies between 0 to 1000 meters above sea level (Sedco, 2003:12). Highland areas occur as river escarpments (Countries and Their Cultures, 2010:1), with a number of rivers flowing from the southern inlands into the sea. The Volta River has been dammed at Akosombo in the south to form Lake Volta, the major source of hydro-electric power supply for all enterprises in the country (Sedco, 2003:22; AGI, 2008:36). This means that any abnormality in connection with the water level of the dam that affects regular supply of power affects the operations of the enterprises, especially, the SMEs which may not be in a sound position to employ an alternative source of power supply for operation.

Ghana has an annual weather cycle of dry and wet seasons. It experiences temperatures ranging from 21 degrees centigrade to 32 degrees centigrade, with an annual rainfall from less than 750mm to over 2000mm in some areas (Sedco, 2003:14). The country’s sub-equatorial climate is warm and humid, with distinct alternations between rainy and dry seasons (Countries and Their Cultures, 2010:1). The northern climate is generally hotter and drier than that of the south (ODI, 2005:3), with the duration and amount of rainfall decreasing towards the north, resulting in broad differences between two regions (southern rain forest and northern savannah), which form distinct environmental, economic, and cultural zones (Countries and Their Cultures, 2010:1).

The extremes of both rainy and dry seasons negatively affect human employment issues, especially agro-farming. The long period of heavy rains can cause bad harvests for agriculture enterprises, whilst formal sector jobs experience a lot of employee absenteeism due to continuous rains. The long droughts cause seasonal vegetation fires across Ghana, with the savannah region
of the country experiencing the highest rate of global vegetation fires during the peak of the dry seasons. Many of the victims are temporarily unemployed due to such natural disasters. Job creation is more at the southern part of the country than towards the northern partly due to the savannah vegetation in the north (which favours few agricultural enterprises) and the lack of business infrastructure.

### 1.3.3 Ethnicity, tribes, religions, and languages

Ghana is an ethnically diverse and multi-cultural country (ADF, 2008:2; Ghana Statistical Service, September 2008:8). However, there is also a sense of national unity with unifying symbols and a sense of common identity and destiny (*Countries and Their Cultures*, 2010). For example, one of the common identity symbols is the national dress, *kente* cloth (a hand woven intricate patterned fabric made from brilliant coloured silk or cotton yarns) and the most prominent symbol is the black star, which can be found on the national flag. Studies on traditional Ghanaian societies present the socio-cultural issues of the nation as embedded in sophisticated and complex systems, with structures that are unique in their formation and functions (ADF, 2008:2). This is because the country consists of ethnic groups such as Akans, Gonja, Dagomba, Mamprusi, Talensi, Konkomba, and also Mossi immigrants from Burkina Faso, as well as Hausa. The Akans form the greater part of the population – about 40% (*Countries and Their Cultures*, 2010:3). Within these ethnic groups are numerous tribes/clans and their different religions. The most popular religions are Christianity which forms about 71% of the population, Islam (18%), and traditional African religions (7%, with their traditional supernatural beliefs differing according to ethnic group or tribe), while the rest have no religion (Ghana Statistical Service, September 2008:9; UNDP-Ghana, July 2012:5). Such diversity of ethnicities, culture, and religions comes with a lot of observances of sacred days. The migration of people to the urban centres for greener pastures has caused multi-religious observances within any particular workforce. As such, enterprise owners have become obliged to observe the religious holidays that come with this, either nationally or individually.

The system of marriage and its rites differ according to the individuals’ ethnic group, tribe and its traditions, religion and its beliefs, formal educational level, and even social status. However, all of them are based on two fundamental marriage structures namely, monogamy and polygamy. Whereas the former is mostly practised among the formally educated Ghanaians and the Christian
community, the latter is seen among the other religious groups and most people in the rural areas. The typical traditional Ghanaian man believes that building a large family through polygamous practices has the advantage of providing human resources readily available in time of need, especially those in enterprises like farming, carpentry, fishing, and the like. However, such ideologies have not encouraged effective HRM practices within the enterprise due to close family links and trust. Traditionally, there are two main systems of kinship and lineage, the matrilineal and patrilineal systems, which are very influential factors in the socio-economic and political spheres of Ghana (ADF, 2008:2). It is of great importance to emphasise that HRM practices at the workplace are much influenced by these systems of kinship and lineage leading to practices of nepotism at most enterprises which do not encourage enterprise growth and success.

The people of Ghana place great value on respect for the elderly and people in authority, as well as politeness, hospitality, and formality, irrespective of ethnicity, tribe/clan or religion, an issue that has led to a high degree of subservience to elderly and authority figures in the work place. This characteristic has been described by Debrah (2001):

*Social distance between superiors and subordinates is marked, with sharp distinction and status difference between management and rank-and-file employees. Workers are expected to do their work and follow management’s instructions and directives. Subordinates rarely question or challenge those in authority, not expressing their opinions openly – but there is no shortage of opinions privately* (Debrah, 2001:197).

The traditions and culture of Ghana which embrace extended family system have led to a high sense of collectivism among Ghanaians to the extent that people render help to their relatives and friends, expecting to reap back from them. Tribalism and nepotism as such are seen in the HRM practices such as selection, placement, appraisal, and promotion (Debrah, 2001:197). Such tribalism can be observed with, for instance, enterprise owners having a greater number of the employees coming from one family, tribe or village. Debrah argued that such issues affect the decision making of managers in respect of selection, placement, performance appraisal, promotion and other HRM practices (Debrah, 2001:199).

The people of Ghana have six main local languages (Debrah, 2001:190), but speak over sixty dialects, with the *Akan* language being the most widely spoken (*Countries and Their Cultures*, 2010:2). Other languages include *Ga-adangwe, Ewe, Hausa, Dagomba* (Ghana Web, 2013). Most Ghanaians are multi-lingual, speaking one or two indigenous languages beside their native
dialect and English (Debrah, 2001:197). The national language, English, is a heritage from the
country’s former colonial status (the main language of government and medium of instruction at
all levels of schools and at workplaces); even those who have a very low rate of formal education
are able to understand basic English, sufficient to carry out simple instructions. This makes
communication at the workplace easy, and enhances easy training of employees.

1.3.4 Education and workforce
At independence, Ghanaians inherited an educational system that paid little attention to the social
and cultural environment of Ghana, but was attracted to alien and abstract forms of education.
This leads to a puzzle of how to break away from the colonial legacy to develop an educational
system that will reflect the peculiar characteristics of Ghanaian culture. Ghana has undertaken
some landmark educational reforms with the objective of making it more functional for the nation
(Flolu, 2000:25). All middle schools were converted to junior secondary schools (currently
referred to as junior high school) in 1987, which reduced the total period of pre-university
education from seventeen to twelve years, followed by changes in the curriculum of education by
the Educational Reforms Review Committee in 1994, and then the launch of Free Compulsory
Universal Basic Education (FCUBE) in 1996 (Flolu, 2000:25). Within the Ghanaian tradition and
culture and until recently, males were favoured for formal education while females were seen as
needed in the house to help with house chores and generation of income in farming, an aspect
that has disadvantaged the female in many developmental issues. Even with the introduction of
free and compulsory universal primary education by the government of Ghana and later its
extension to include secondary schools and tertiary institutions, with the objective of enhancing
formal education (Asare & Wong, 2004:6), the gender ratio in education has never been
comparable, as statistics continue to show a higher rate of males being formally educated than
females (see Ghana Statistical Service, September 2008:11-14; Republic of Ghana, March
2012:16-17). Evidence from the Education Management Information System, as at 2012, shows
an increase in the net school enrolment rate from 59% in 2001/2002 to 81.7% in 2011/2012 (see
also, The World Bank, 2013:39), yet HDI shows disparities between rural and urban settings,

The new structure of education, which was enacted in 1987, has nine years of compulsory basic
education, consisting of six years of primary and three years of junior high school level (JHS).
Emphasis is placed on the acquisition of literacy and numeracy and on technical, vocational and scientific knowledge and skills (Flolu, 2000:26). The current education system in Ghana is such that the individual generally goes through pre-school, kindergarten, and primary education before being eligible to enter into JHS, but with a special education system for categories of people living with disabilities, such as visual, hearing, and mental impairments (ADF, 2008:20). Students obtain a Basic Education Certificate after taking the Basic Education Certificate Examination (BECE) at the end of the basic education cycle to assess their eligibility to enter into Senior High School (SHS) (IMF, 2009:98). Eligible students can then move on to tertiary institutions, while those unable to reach this level enter into trade training, most often as apprentices. The average age for apprenticeship in Ghana is 15 years, with the duration of the training differing from trade to trade, and dependent on the individual’s educational level, learning capacity, learning rate, and other factors (Ghana Statistical Service, September 2008:15). Apprenticeships in trades such as food preparation/processing, textiles, apparel and furnishing are dominated by females; major trades for males include construction (road, building, and others), transportation and automotive, mechanical and electrical industries, as well as fishing, hunting, forestry and others (Ghana Statistical Service, September 2008:15).

Available reports depict decreasing enrolment in the highest levels of education (ADF, 2008:18). There is also evidence that a significant number of JHS graduates are not able to qualify to enter the next level of education (IMF, 2009:98), while others drop out of school due to economic constraints. This contributes to lack of training and marketable skills among the youth, a good number of whom migrate to the urban areas to seek jobs. However, there have been successful stories in Ghana of individuals who dropped out of school to start their own enterprises. Until the educational reforms of 1987, the curriculum of education in Ghana was geared towards the colonial system, where mathematics, history, geography, English, physical education, and religion were compulsory studies at schools. This has produced graduates at all levels of education that cannot be fitted into most jobs straight from school, a phenomenon that causes enterprise owners to train employees on-the-job after recruitment and selection.

Reports on labour statistics in Ghana are very scarce (IMF, May 2013:9). The available report shows that the labour force participation rate for those aged 15 and older in 2011 is 69% (The World Bank, 2013:39). Statistically, 66.7% of the population of Ghana aged 15-64 are
economically active, with 52% self-employed in agriculture, 34.3% in the informal sector (but non-agricultural economic activities), while 13.7% are in the formal public and private employment sector (ADF, 2008:11). This confirms the fact that the formal employment sector of Ghana employs only a small percentage of the population. Education has become the distribution tool for formal sector jobs, especially within the public service, where the few available job offers are strictly allocated on the basis of formal education level and paper qualifications (Asare & Wong, 2004:6; Countries and Their Cultures, 2010:5). There have been many reports of unemployed university graduates (UNDP-Ghana, July 2012:20).

1.3.5 Health issues: Malaria, HIV/AIDS and others
One of the major aspects that help to sustain economic development is the health of the workforce and the population as a whole, since a healthy workforce is more productive and can contribute for a longer period to economic development (Asare & Wong, 2004:5-6; UNECA, 2012:77). As such, the overall goal of the country’s health sector is to ensure that every Ghanaian has access to good quality health and nutrition services (IMF, 2009:102). Even though there have been indications of improvement over the years, access to health services is still limited (IMF, 2009: 102) due to a number of issues outside the discussion of this study.

The country has a modern medical system funded and administered by the government. Facilities are scarce and are predominantly located in the cities and large towns, while some clinics and dispensaries (staffed by nurses or pharmacists) have been established in rural areas and have been effective in treating common diseases such as malaria. The shortage of key health professionals (with national level doctor-to-population ratio of 1:10,641 as at the year 2006) is largely due to the exodus of health professionals in search of better job opportunities in other countries (IMF, 2009:106). As a result of scarcity, traditional medicine and medical practitioners remain important, hence the tendency for Ghanaians to patronize indigenous and modern systems simultaneously (Countries and Their Cultures, 2010:11). The health care system operates on a cash and carry system (WiLDAF-Ghana, June 2006:2), but to improve the situation, there has been an introduction of a National Health Insurance Scheme (NHIS), which was established under ACT 650 of 2003 with the objective of removing financial barriers which particularly limit the access of the poor and vulnerable population to health care facilities (IMF, 2009:105).
As a developing country, communicable and parasitic diseases such as tuberculosis, typhoid, and malaria are prevalent in Ghana (Williamson et al, 2004:78; Republic of Ghana, March 2012:16), as well as guinea worm infections which are reported to be increasing (IMF, 2009:105). Malaria still remains the single most important cause of mortality and morbidity, especially among children under five years and pregnant women, accounting for about 32.5% of all out-patients illnesses (Republic of Ghana, March 2012:16; UNDP-Ghana, July 2012:47; OECD et al., 2013).

Until recently, there was a very serious problem of high rate of maternal deaths, ranging from 500 to 800 deaths per every 100,000 births, the majority of the causes being haemorrhage and complications from unsafe abortion, as at 2005 (WiLDAF-Ghana, June 2006:2; ADF, 2008:23). To combat that, the government initiated various intervention plans, among which was the training of traditional birth attendants (TBA) to enable them to deal with child birth emergencies (Williamson et al., 2004; IMF, 2009:104). This and other measures initiated have worked positively, reducing the rate to 350 deaths per 100,000 live births in 2010, while the infant mortality rate improved from the same period to 39.7 deaths per 1,000 live births (Republic of Ghana, March 2012:15; UNDP-Ghana, July 2012:8-9; Ghana web, 2013; The World Bank, 2013:39).

Compared to other countries within the Sub-Saharan African Region, the national prevalence rate for HIV in Ghana is relatively low, being 2.1% in 2011 (Ghana Sentinel Survey Report, 2006-2011). Evidence from studies shows HIV prevalence is higher among both males and females in the middle wealth quintile (Oppong, 1998:438; GSS et al., 2004). Reports show an increase in HIV prevalence for adolescents and the 25 to 29 year group (IMF, 2009:105). However, the widespread trend reported in literature that poverty is associated with higher rates of HIV/AIDS (Cohen, 2005) does not pertain to Ghana, in that even though poverty levels are very high in the northern regions, their HIV prevalence remains one of the lowest while the Eastern Region has the highest (Agyei-Mensah, 2006:315).

One of the key goals of the GPRS II under the HR development is good health care and nutrition for the population of Ghana in order for the country to produce a knowledgeable, well-trained and healthy population with adequate capacity to support economic growth and poverty reduction (IMF, 2009:93). The nation has made progress towards its millennium development goals.
However, it continues to face challenges in reducing child mortality, improving maternal health, and sanitation (OECD et al., 2013).

1.3.6 Government

Although Ghana’s national government was originally founded on a British parliamentary model, the current constitution follows an American system (Countries & Their Cultures, 2010:6). The country is a multiparty democracy organized under an elected president, a legislature, and an independent judiciary (UNDP-Ghana, July 2012:5). Chiefs assume the major responsibilities for traditional affairs and are also represented in the National House of Chiefs which is tasked with the formulation of general policies on traditional issues. Its ten administrative regions (as mentioned under section 1.3.1 of this chapter) are sub-divided into local districts which are organized under district assemblies, with the government objective of decentralizing the system of government to devolve administrative and financial decision making to the local level (ADF, 2008:28; Countries and Their Cultures, 2010:6).

1.4. Economic Activities

The Gold Coast, which became Ghana, consisted of a number of states, which were closely involved in trade with the Europeans in items such as kola nuts, ivory, gold and later slaves until the colonisation by the British in 1874 (Sedco, 2003:28).

During the colonial era, little was done to develop indigenous enterprises apart from those economic activities that were in the interest of the colonial rulers such as mining, plantations, traditional crafts, and some artisan works (Ninsin, 1992; Lall et al., 1994; Arthur, 2007). The economy was largely based on cocoa farming, even though lumbering and mining were also done, which led Ghana to become the world’s leading exporter of cocoa by 1914 (Sedco, 2003:28). The colonial rulers exported such raw materials to their home country and imported the finished goods into Ghana for domestic consumption (Arthur, 2007:417), a factor that led the country to largely rely on consumption of foreign goods. This made the first government after independence focused on shifting the economy from a dependence on importing manufactured goods under the colonial rulers to being a self-reliant nation, through manufacturing locally what was previously imported. This explained the vigorous industrialisation programs embarked on by the then policy makers in establishing large-scale import-substituting industries to bring about

The post-colonial era has seen the economy of Ghana still depending largely on agriculture (Debrah, 2001:190; Aryeetey, 2001:4; UNDP-Ghana, July 2012:5), with the major agricultural export being cocoa. Other major exports are minerals like gold, diamonds, bauxite, and manganese, whilst the tourism industry is also picking up gradually as a foreign exchange earner (Aryeetey, 2001:5). Recent years are also witnessing oil extraction as a key export commodity, which has attracted large foreign direct investment inflows (UNECA, 2012:37; IMF, June 2013:7). The current industrial sector of Ghana is made up of manufacturing (food and wood processing, metal work, textiles and garments, etc.), mining (quarrying and mineral extraction), construction (ports and harbours, housing, roads, railways, and others), and electricity and water sub-sectors, which accounts for nearly 40% of the total industrial output of the country, and contributes to about 18.6% of the country’s GDP (AGI, 2008; UNECA, 2012). The manufacturing sector contributes 6.5% of the nation’s GDP, while the service sector leads with a GDP contribution of 51.1% (UNECA, 2012:84; UNDP-Ghana, July 2012:5). Ghana’s national GDP for the year 2011 was 14.4%, but decelerated in 2012 (OECD et al., 2013; ILO, 2013:90).

Many of the key economic activities contributing to Ghana’s economic growth come from the southern part of the country. For instance, almost all the mining industries are located within southern Ghana. Key export commodities like cocoa, timber and others also come from the southern forest. Entrepreneurs are normally not attracted much to the northern regions to create jobs, a factor that has contributed to less business infrastructure in the area. It is argued that attraction of SMEs into these regions may accelerate economic growth (ODI, 2005:15). A comparison between the northern and the southern regions brings out enormous variations in economic activities due to differences in climate, vegetation, natural resources, traditions and culture, education of the population and other factors.

Currently, the government and private institutions have seen the private sector as among the potential sources of economic growth and a key back-up for economic survival, hence, the various institutional supports for SMEs (as will be further discussed in Chapter Two of this thesis). However, the nation’s economic growth has been at a very slow pace with a gradual decline in the manufacturing sector for the period between 2004 and 2007 (AGI, 2008:37). This
does not mean that the growth of the economy of Ghana cannot be revived and accelerated. Already, Ghana has gained recognition internationally as an investment destination, the World Bank ranking the nation 3rd in the top reforming countries of the world (World Bank Group, 2008), which placed the country in the top 90 countries in the Ease of Doing Business. A more recent report has ranked Ghana the 67th out of 183 countries (World Bank Group, 2014). Ghana is committed to reforming and providing a good investment climate for its private sector which is dominated by SMEs. For instance, there was growth of over 160% in the manufacturing sub-sector of non-traditional exports from 2001 to 2007 (USD 362 million in 2001 to USD 963 million in 2007). Gold production has increased since the ERP, leading to an expansion in the mining sector (Aryeetey, 2001:9). The economy has been gradually changing since 2006 from being agriculture-led, and is now led by the service sector. Ghana is reported to have made great strides in reducing poverty and reaching lower middle income status (UNECA, 2012:84; IMF, June 2013:2). Its economic performance is considered as one of the best in Sub-Saharan Africa (UNDP-Ghana, July 2012:5). However, it still relies heavily on agriculture and national resources with most of its jobs in the informal sector of the economy (IMF, June 2013:7). About a quarter of Ghana’s population live below the poverty line (IMF, June 2013:7). It is known that sustainable economic development and global economic growth require qualified people, competent institutions (which are also based on human skills), as well as common learning processes (InWent, November, 2006; UNECA, 2012:77). All these needs are human based as they need a certain calibre of human beings, who are willing to undertake the required tasks and can perform effectively.

1.5. Justification of the Study

From the background information given at section 1.2 of this chapter, it can be argued that despite the economic reforms and the positive growth rates the country is experiencing, there is not much evidence of significant structural change in the economy of Ghana (Aryeetey, 2001:5). The government, sensing this and the good role HRM practices in the country could play, made some prescriptions in its 4th Republic Constitution (as explained earlier on) but no seriousness has been placed on such issues by both private and public enterprises. There is as such the need for research to be conducted into this area of business discipline to ascertain what is happening within this sector so far as HRM practices are concerned. This study helps to throw light on what
the sector has in place in terms of HRM practices and what factors are shaping them and driving or restricting changes.

An examination of the existing studies on SMEs in Ghana shows very limited information on HRM practices employed by this sector of the economy (as will be discussed in chapter two of this thesis). Research conducted on SMEs in Ghana focuses on issues such as availability of funding to the sector, cost of inputs for production, contributions of the sector to economic growth, problems facing the sector, and support from both government and private institutions to the sector, whilst little is known officially about their HRM issues. This study will help to fill the gap in knowledge and add to the existing knowledge on SMEs in Ghana.

More, the lack of knowledge in the area of HRM practices by this sector makes it very difficult for any meaningful quantitative measures to be carried on to know the trends of movements in the sector’s HRM practices. However, before any meaningful conceptual studies can be carried on, there is the need for an exploratory study to delve into the existing HRM practices employed by the sector. This study throws light on the HRM activities in the sector, and will enable quantitative measures to be carried out in the future to measure frequencies and costs of various HRM practices and make appropriate decisions for improvement. Furthermore, the lack of existing knowledge on HRM activities in the sector may mean that researchers are not attracted to the area. This study will serve as one of the studies to attract researchers to this business discipline, and be used as a platform for future research to be carried out, to enhance effective and efficient HRM for the sector.

What this study does do is explore the human resource management practices of SMEs in Ghana, to find out the types of HRM practices they employ in their enterprises, how and why they employ such practices, and the constraints they face in the practising of such HRM activities. It is assumed that such an in depth study may be informative enough to bring to light what is happening in the HRM area of the sector, to help design an effective way of improving the area to enhance economic growth. The choice of HRM as a study area does not mean the other management sub-areas are unimportant to the researcher. All the business management areas are very important, but then, it takes effective and efficient HRM practices to achieve the objectives and goals of all the other areas of business management. Lack of HRM skills therefore affects all the other areas in a negative way, hence may hamper the success and growth of the SMEs. It
seems not out of the way, then, to start investigating a general business problem from an area that handles all the other areas. Consequently, the study argues that HRM deficiencies may be one of the key factors negatively affecting the success and growth of the SMEs in Ghana. As such, the researcher has chosen HRM as the core study area, with the hope that future studies may be conducted within other management sub-areas such as marketing, accounting, finance, and others to boost up and balance the already existing knowledge in all the discipline areas affecting SMEs’ success and growth.

The study is grounded in theories including motivational theories such as Maslow’s Hierarchy of Needs theory and Herzberg’s Two-Factor Hygiene Theory, the resource-based theory, and strategic human resource management theory (SHRM). These will be discussed in some detail in Chapter Three. Some aspects from these well-known theoretical perspectives have been put together to form a theoretical framework to guide this study, which will be revisited in the analysis and discussion (Chapters Six and Seven).

1.6. The Research Question

It is against this economic background that the importance of this study is examined. The question motivating the research is how to develop an HRM practices model for SMEs in Ghana for gaining competitive advantage, since little is known about the sector’s HRM practices. The formulating of effective use of HRM practices to gain both local and global competitive advantage to enhance economic growth calls for an exploration into such practices of the sector. This will enable one to know what is already in existence and what can be done to make it effective for the purpose it is to serve. Based on the research gaps in the human resource management area identified in the literature review (and which will be discussed in the next chapter), the study is tasked to provide qualitative information on the HRM practices by SME owners in Ghana. The study, therefore, addresses the central question:

What are the human resource management practices employed by SME owners in Ghana, how and why are these practices employed, and what are the constraints associated with these human resource management practices?
1.6.1 Questions arising from the central question

In attempting to address the core question of this research, a number of secondary research questions listed below need to be considered:

1. What are the set objectives and goals of SME owners?
2. What are the human resource management practices employed by SME owners?
3. What barriers work against the successful implementation of the human resource management practices they employ in their enterprises?

1.6.2 Aims and objectives of the research

The background information provided on the study earlier in this chapter suggested that HRM practices within the SME sector of Ghana need to be rendered more effective and used to achieve success and growth for the enterprise to enhance general economic growth. As we will see in the next chapter, a preliminary search shows very limited knowledge on the field of HRM in SMEs and this calls for an exploratory research study into this sector’s HRM activities before any measures can meaningfully be put in place. It seeks to provide the reader with an understanding of the HRM practices in Ghana, as well as to throw light on the probability of the effectiveness of various practices, to give understanding of HRM functions in Ghana and how they might be improved.

1.6.2.1 Aims

The main aim of this research study was to explore the human resource management practices employed by SME owners in Ghana, throw light on the factors constraining success in such practices, and how such constraints could be addressed. It also aimed at providing space and opportunity for the SME owners to critically analyse their human resource management problems and suggest ways by which these problems could be addressed. It was anticipated that these aims might help in bringing to light the HRM practices of the sector and the problems militating against the SME owners in their deployment of such practices.

1.6.2.2 Objectives

The followings were the objectives of the research:
1. To produce an insight into the type of HRM practices SME owners in Ghana employed.
2. To demonstrate how such practices were employed.
3. To examine participants’ perception of their choice of HRM practices and bring to light the constraints they faced, and how such constraints could be addressed.

The following areas were probed to address the aims and objectives of the research:

1. The enterprise’s recruitment, and selection processes.
2. Training and development programs available for employees.
3. Performance management and performance appraisal system.
5. Problems and challenges in connection with such choices of HRM practices.

It was anticipated that the data that would be gathered from the above investigations together would help to answer the core research questions. To be able to achieve the set objectives outlined above, six sub-research questions were constructed in the light of the theoretical framework (which will be discussed in detail in Chapter Three) to obtain a good coverage of the major themes embodied in HRM practices, such as:

1. What were the recruitment and selection methods engaged in by the SME owners?
2. What training and development programs did they have in place for their employees?
3. What performance management approach was in place?
4. What compensation methods did they employ and what were the effects of such methods on performance?
5. How did they employ some general administration activities such as employee promotion, work assignment, and work supervision?
6. What were the general HRM practices problems and challenges they faced in executing their choice of HRM practices?

In addition, to enable interpretation of participant responses, information would be gathered on why the SME owners enter into establishing their own enterprises, the nature of the enterprises they are engaged in, their education level, experience, and marital background, as well as their position title and role in the enterprise.

1.6.3 The scope of the study

1. The research study focused on SME owners in Ghana, who employ five or more employees.
2. The study only covered SME owners who were located within Accra (the capital) and its suburban areas, in Ghana.

3. The main focus of the study was on HRM practices rather than policies.

**1.6.4 Sources of data collection**

The main source of primary data was the responses from interviewing thirty SME owners in Ghana. (The sampling strategy will be discussed in Chapter Four.) In order to help develop a good understanding of, and insight into previous research studies, data was collected from the following sources:

Secondary literature sources such as thesis, reports, government publications, company reports, conference proceedings, national statistics, international statistics, were useful sources of information on the theme of the research study. Others in the form of books, journals, newspapers and some government publications were also reviewed to help clarify the research questions, aims and objectives as well as the approach.

Tertiary literature sources such as abstracts, citation indexes, were employed to help to locate primary and secondary sources that were relevant to the study.

**1.7. Organisation of Chapters**

Even though the study could not cover all the dimensions of HRM practices, it captured the key areas of HRM practices in the sector, and guided by the theoretical framework, developed an analysis which is important to the success and growth of SMEs in Ghana, as well as other developing economies. The study is made up of eight chapters.

Chapter One has provided the background of the study by examining the background history of the economy of Ghana. It continued by giving brief information on Ghana as a nation reflecting on some issues that might have shaped HRM in Ghana such as its economic trends, and socio-cultural practices. The chapter then presented the justification of the research study based on the background of the economy and its current needs. The aims and objectives of this study have also been outlined. The chapter concludes with the organization of the chapters of this thesis.
Chapter Two presents an overview of the study to bring more meaning to the context of the study. It then reviews the existing studies on SMEs and the HRM practices they engage in, first in general and then from the context of developing countries. Some key HRM practices such as recruitment and selection, training and development programs, performance management and appraisal, compensation methods and other general HRM activities are considered under this chapter.

Chapter Three provides an overview of some leading theories that have gained prominent attention in HR literature on the use of effective HRM practices by enterprises, including some motivational theories that reflect on employee willingness to work. The chapter explores the applicability of such theories in the context of Ghana, and selects some specific parts, puts them together and develops a framework to guide the study. It goes on to explain how the derived theoretical framework embraces the major HRM practices that may enhance the creation of competitive advantage for SMEs in developing countries.

In chapter Four, the study highlights the research plan and the research design employed. The first part of the chapter explains how the research question was derived, and outlines the research strategy and techniques to be adopted. The second part of the chapter explains the way the research was operationalized and outlines the techniques used in collecting and analysing the needed data. The readers’ attention has been drawn to the techniques employed in the field and the problems encountered during the interview process.

In order to analyse qualitative information gathered through field study it is important to have a precise understanding of the field situation. Thus, Chapter Five presents the demographic profile of the SME owners who participated in the study and the general characteristics of their respective enterprises. The chapter takes the reader through the family backgrounds of the SME owners who participated in the study, their educational backgrounds, experiences, marital status, roles they play in their respective enterprises and their position titles. It continues by throwing light on the operational history of the respective enterprises of these participants, the year of establishment of an enterprise, the product/service lines, and the size of the enterprise in respect of the number of employees. These profiles served as part of the foundation against which some aspects of the empirical discussion in Chapter Seven were made and the subsequent conclusion in Chapter Eight was drawn.
This is followed by a presentation of the data collected from the exploration of the HRM activities of the participants in Chapter Six. It takes a detailed look at findings on what the participants are really involved in so far as HRM practices are concerned, in the context of developing countries, by examining the recruitment and selection strategies of the participants, their training and development programs available to their employees, type of performance management system in place, compensation methods, and looks at the problems and challenges the participants face in their deployment of their choice of HRM practices.

Chapter Seven follows up with analysis of the key findings. It analyses the significance of the findings reported in Chapter Six, takes up those which need further discussion, and sets out to answer the core research question. The researcher attempts a deeper analysis and discussion of the findings, under the key themes of the study in the light of the theoretical framework provided in Chapter Three, and supports such discussions with references from the literature review in Chapter Two. The key issues highlighted entail a range of assessment of HRM practices covered in the responses of the participants, their informal methods of practices, and how these affect the development, success and growth of the overall performance of the enterprises. The question addressed here is the extent to which the HRM practices by the participants conform to what is in the literature as best practice, in order to enhance enterprise success and growth.

Finally, Chapter Eight draws a conclusion to the study by revisiting the central research question, aims and objective of the study outlined in Chapter One. It then pulls together both the theoretical framework and the empirical discussion in Chapters Three and Seven respectively, identifies helpful emerging HRM practices and the concerns of the participants, and gives recommendations.

1.8. Conclusion

Ghana, like most African countries, has gone through a period of political and economic instability until 1992 when it ushered in a democratic government. Efforts have been made by governments since then to turn the country’s economic situation around through political and extensive economic reform programs. The hope to accelerate economic growth has been put in private sector development, which in the context of Ghana lies in the development of the country’s SME sector. A lot of support from both government and private institutions are in place
to help reach this goal, but that alone may not bring the expected rate of economic growth. In this chapter, the main argument that acceleration in economic growth of Ghana may be possible through reforms in HRM issues of the nation has been developed. The study directs attention to this area for the success of SMEs in Ghana, success that can be enhanced by the effective and efficient execution of HRM practices within this sector. Having presented its central question to be answered, and made known the main objectives in place towards the achievement of its main aims, the chapter has also addressed the relevance of this study and its contribution to HRM. This leads to the exploration of the HRM practices engaged in by a qualitative sample of the SME owners in Ghana to ascertain the type of HRM practices they employ, how they employ them and why such choices are made, whilst, at the same time, taking a look at the constraints they face in making such choices.
CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

Private sector development has, of late, become one of the major factors that have assumed a central position in the economic development programs of several African countries. This, according to Spring and McDade (1998), has caused an increase in research on economic development in Africa focusing on the study of private sector development. Ghana’s private sector business, dominated by small- and medium-sized enterprises (SMEs), has become a basic target for success in its economic development. Even though there has been lot of support from both government and private institutions to accelerate SMEs’ development and growth, the growth has been underwhelming. A study of its HRM practices is of key interest if SME development, success and growth are to be fully realised. This chapter reviews the existing research on the topic. First, it gives an overview of the study before taking a look at the existing studies on SMEs in general, their characteristics, contributions and constraints. The chapter then continues with a literature review on SMEs in developing economies with focus on Africa and then singles out Ghana as a nation. It follows this up with a review on the existing studies in the field of human resource management practices of small- and medium-sized enterprises in general, then the practices by those in developing economies while still focusing on Africa, and tapers it down to the human resource management practices by SME owners in Ghana. The chapter concludes with a summary of all the issues covered in the literature review and a brief conclusion.

2.2. Overview of the Study

The focus of the study is on SMEs in developing countries. Even though SMEs are common in many countries, depending on the economic system in operation, their definition is normally adapted to the economic developments of the individual countries. Whereas some researchers define the term based on qualitative criteria, others base their definition on quantitative criteria (Von Potobsky, 1992; de Kok, 2003:12; Fisher & Reuber, 2007:2). However, most definitions of
the term are based on quantitative criteria in order to make it easy to evaluate and make comparisons. The most commonly used quantitative criteria is the number count of people employed by the enterprise, second is finance - either the turnover, income, or the assets of the enterprise (UN, 2003:6). The definition of the term also varies amongst international bodies, from government to government, amongst government agencies or ministries, and even from industry to industry in the same country.

In the case of Ghana, the definition of what constitutes an SME as adopted by the National Board for Small Scale Industries (NBSSI), is as follows:

- Micro-sized enterprise is any enterprise having 1 up to 5 employees, with fixed assets (excluding land, building and vehicles) not exceeding US$10,000.00.
- Small-sized enterprise includes any enterprise with between 6 and 29 employees, with fixed assets (excluding land, buildings and vehicles) not exceeding US$100,000.00.
- Medium-sized enterprise includes any enterprise with between 30 to 100 employees with fixed assets (excluding land, buildings and vehicles) not exceeding US$1,000,000. Any enterprise beyond this specification is regarded as a large-sized enterprise. (UNIDO, 2004:1; AGI, 2008).

The criteria in Ghana for classification, therefore, include the number of employees and cost of fixed assets (excluding land, buildings and vehicles) similar to some other African countries. The research location for this study is Ghana, even though the study as a whole is taken under the tuition, supervision and directions of the University of Canberra in Australia. For the purpose of this research study, the definition of small- and medium-sized enterprises in Ghana will be used.

Just like the term ‘SMEs’, there are many definitions of ‘human resource management (HRM)’ in the available literature. For example, whereas Torrington and Hall (1987) use a descriptive-functional definition for the term ‘HRM’, seeing HRM focused on “planning, monitoring, and control, rather than on problem-solving and mediation”, others, like Armstrong (1987) and Guest (1987) argue that HRM is just personnel management rebadged. Tracey (1994) describes HRM as:

.... dealing with the human element in the enterprise: elements such as recruitment and selection, training and development, compensation, utilization of services, appraisal,
promotion, termination, retirement, transfers, work assignment and supervision, 
motivation and empowerment.

On the other hand, Storey (1995) defines HRM as:

.....a distinctive approach to employment management which seeks to achieve competitive 
advantage through the strategic deployment of a highly committed and capable 
workforce, using an array of cultural, structural and personal techniques.

Schermerhorn (2009:240) takes a similar approach and defines HRM as “the process of 
attracting, developing, and maintaining a talented and energetic workforce to support 
organizational mission, objectives, and strategies”. While some definitions like that from Teo 
(2002:89-105) have focused on the criteria for an effective HR department, that of others have 
focused on the value of human resources in terms of knowledge, skills and competencies (Hitt et 
al., 2001:13-28). Another body of studies defines HRM in terms of HRM practices (Batt, 
2002:587-597) or bundles of practices (Capelli & Neumark, 2001:737-775). Others like Wright et 
al. (1994:301-326) have sought definitions that assist studies of the impact of HR systems on 
both the human capital value (knowledge, skills and competencies) and employee behaviour (in 
terms of high motivation, increased satisfaction, less absence and increases in productivity). Thus 
taking a critical look at the various definitions, there seems to be no consensus on the nature of 
HRM as there is not one fixed list of generally applicable HR practices or systems of practices 
that defines or constructs HRM (Paawe & Boselie, 2005:4-5).

The current study falls between the operational and functional definitions of HR rather than 
policy definitions. For the purpose of this study, the definition by Storey (2001:6) is adopted and 
HRM defined as:

a distinctive approach to employment management which seeks to achieve competitive 
advantage through the strategic development of a highly committed and capable 
workforce using an array of cultural and personnel techniques.

This definition is considered as appropriate for the study as it does not state HRM as a particular 
approach. Rather, this definition covers elements such as beliefs and assumptions, strategic 
qualities, the critical role of the line managers, and key levers of HRM. Its coverage of the most 
fundamental belief and assumption of HRM, that it is the human resource which gives a 
competitive edge through enhanced employee competencies and commitment, highlights the 
importance of all the HRM functional areas common to enterprises. This thus reflects on the key
functional areas explored by this study, namely recruitment and selection, training and development, performance management, compensation, and some general administration practices (such as employee promotion, work assignment, and work supervision). The definition also covers the goals, philosophy and underpinning theories of HRM and the various HRM models, providing a sound basis for understanding and developing HR practices.

HRM practices as such are “the methods or techniques employed in these functional areas of HR to make HR function effectively to support the achievement of the enterprise’s set objectives”. The existing studies on HRM practices of the five key functional areas explored by this study (mentioned earlier in this paragraph) will be considered in section 2.4.

The definition of SHRM, just like that of HRM, seems to have problems due to its nature and phenomena underlying the term (Wright & McMahan, 1992:296). However, they differ conceptually in that whereas the concept of HRM can be interpreted as a philosophy for managing people, strategic human resource management (SHRM) is a macro-organisational approach to viewing the role and function of HRM in the enterprise (Butler et al., 1991). This will be further explained under section 2.4.1 of this chapter. For the purpose of this thesis, SHRM is defined as:

the pattern of planned human resources deployments and activities intended to enable an enterprise to achieve its goals (Wright & McMahan, 1992).

This definition provides a clear exposition of the variables of interest and their interrelationship to SHRM theory. It entails the linking of human resource management practices with strategic management process of the enterprise vertically (Guest, 1989), and also emphasises the horizontal integration among the various HRM practices (see for instance, Schular & Jackson, 1987; Wright & Snell, 1991) through a pattern of planned action, to achieve enterprise success.

This thesis takes a structural functionalist approach, exploring the structures of HRM practices such as recruitment and selection, training and development, performance management and compensation. It investigates how they are functioning in the Ghanaian context and how they are contributing to the set objectives of the enterprise. This thesis is not an evaluation of HRM practice but an exploration of the structures of HRM practised by SMEs in Ghana, how they function and the influences that shape them.
2.3. Small- and Medium-sized Enterprises (SMEs)

There is evidence from the literature that SMEs are of special importance to private sector development and growth (Gibson & Vaart, 2008; AGI, 2008). Why and how this is true is yet to be fully investigated by various governments in developing economies in their developmental policy circles. According to the literature, many SMEs are established each year but a great number of them are not able to survive a decade from the time of their establishment (Beaver, 2002). A lot of factors contribute to such short lives of SMEs, with some of the major contributors being their nature, behaviour, and characteristics, which burden them with a large number of problems leading to their inability to survive against competition coming from large enterprises both within and outside their localities. Large enterprises often attract greater government attention and over-shadow the importance of SMEs in the building of the economies within which they are established. According to the literature, SMEs make up over 90% of enterprises worldwide, and account for between 50% and 60% of employment (UNIDO, 2002:2; JGM, 2012:24). This means that success or failure on the part of the SME sector has a huge positive or negative effect respectively on the economy.

2.3.1. General characteristics of SMEs

There is evidence in the literature supporting the fact that SMEs are unique (de Kok, 2003:1), yet the literature elaborates on the fact that SMEs as a body share certain characteristics that distinguish them from their large counterparts. For instance, SMEs are said to be characterised by the employer having a dominant position (Hornsby & Kuratko, 1990; Koch & de Kok, 1999:5; de Kok, 2003:13) which may make them less oriented to pursuing a growth strategy. They also have a strong accent on team spirit (Koch & de Kok, 1999:34), informal working procedures (Jameson, 2000), normally without full-time managers, and there is often a lack of specialization within the production process (Bacon et al., 1996; Rauch & Frese, 2000; de Kok & Uhlaner, 2001:275). In addition, it is reported in the literature that there is a more informal personal relationship between the owner and the individual worker as well as among the workers themselves in SMEs, than in large enterprises. More, it is known that one of the central characteristics which distinguish SMEs from large firms is that of uncertainty. Whereas large firms are more characterized by internal uncertainty, SMEs are particularly characterised by external uncertainty (Westhead & Storey, 1996:18) due to lack of power at the market place.
2.3.2. Contributions of SMEs in general
SMEs make up over 90% of enterprises worldwide (as noted earlier on), most of them are agricultural-led enterprises – a sector known for its labour intensiveness (Kayanula & Quartey, 2000:10) and most are in rural areas. The sector’s labour-intensive nature helps in creating jobs with very low capital, which tends to attract many people who want to own enterprises. This makes the sector the primary source of employment creation worldwide, spreading jobs over both rural and urban areas of economies, which in turn reduces migration of manpower from the rural to urban areas (Kayanula & Quartey, 2000), and makes income distribution more equitable. Their labour-intensiveness contributes significantly to the provision of jobs to not only the individual employees but also the owner-employer, leading to income generation by individuals (Arthur, 2007:419), thus enhancing poverty alleviation (Fisher & Reuber, 2007:4).

Despite the dominance of agriculture-based SMEs in the SME sector, SMEs are seen as the key to the transition from agriculture-led to industrial economies, in the sense that they provide opportunities for self-employment which may generate sustainable livelihoods (UNIDO, 2002). They serve as a mechanism for technological and managerial growth, and are seen as the seedbed for entrepreneurship development, innovation and risk-taking behaviour (UNIDO, 2002; JGM, 2012). SMEs, it has been argued by Fisher and Reuber (2007:4), are the driving force behind inter-related flows of trade, investment and technology in that they support the building up of systematic productive capacities leading to linkages to large enterprises which attract foreign investment. SMEs also tend to be more flexible than large enterprises. They are the perfect sector for the development of product differentiation, and specialized product niches due to their size and innovativeness, characteristics that enable them to adapt to changes in market situations (UNECE, 2003; Rogerson, 2004:766; Fisher & Reuber, 2007:4). Furthermore, SMEs serve as a resource base for skill acquisition in large and multinational enterprises. They provide a setting in which skills can be accumulated by the individual (Fisher & Reuber, 2007).

The above are but a few examples of the important roles SMEs play in contributing to the success and growth of their respective economies. It is in the light of this that this study sets out to investigate the HRM practices of SMEs in Ghana as one way to strengthen the sector and ensure its potential contribution to its nation’s economy.
2.3.3. Constraints of SMEs in general

There are startling statistics on the failure of SMEs’ to effectively play their role as the back bone of their respective economies in much of the business literature (McEvoy, 1984). Despite the wide range of economic reforms instituted to enhance the operational effectiveness of this sector in most nations, they still face a variety of constraints which serve as barriers to their effectiveness in functioning.

There is the problem of lack of funds for financing their operations, which makes them vulnerable to external shocks of global market competition cropping up from liberalized trade (Arthur, 2007:420). SMEs are less able to spend time and effort developing relationships and partnerships with NGOs, governments and other agencies as their counterpart large enterprises do, making it hard for them to shape government policy development affecting their enterprises. They have to compete with large enterprises for raw materials and labour, however, their inadequate financing situation makes them less powerful in the market (Arthur, 2007). They also lack access to current information on the market, due to their inability to conduct research, a factor that limits their ability to identify and exploit new opportunities readily (Arthur, 2007). SMEs are also more likely to struggle with the demands for formal monitoring and appraisal standards to improve their operations. They find it difficult to invest heavily in such activities due to their financial incapability (UNIDO, 2002:56).

Furthermore, the inability of SMEs to finance operations limits their expansion, which may cause underutilization of most of their equipment and manpower, depriving them of enjoying economies of scale. Lack of economies of scale in turn may cause per unit cost of their product and services to be high on the global market, contributing to their non-competitiveness in global markets. Whereas large enterprises find it easier to have direct access to international and local capital markets, it is difficult for SMEs to enjoy the same advantage due to the high intermediation costs of smaller projects.

2.3.4. SMEs in developing countries: Africa

Statistically, SMEs represent over 90% of private enterprises and contribute to more than 50% of employment and GDP in most African countries (UNIDO, 1999). For instance, SMEs in South Africa contribute between 52% and 57% to GDP, and provide about 61% of employment in South Africa with 91% of all formal business entities being SMEs (Berry et al., 2002). In Nigeria,
about 97% of all enterprises are SMEs and they employ an average of 50% of the workforce and contribute up to 50% of the country’s industrial output (Ihua, 2009: 200), and 70% of GDP. Tanzania has more than 70% of all registered enterprises being SMEs, with the sector contributing to about 40% of the country’s GDP, and employing 22% of the people. In Ghana, 92% of all enterprises fall under the SME category (Abor & Quartey, 2010), a key issue to this study, which will be discussed in more detail in section 2.3.5. However, most of the studies on HRM activities in Africa have been centred on local large enterprises and multi-national companies (Kamoche, 2002).

2.3.4.1 Characteristics of SMEs in Africa
There are some characteristics that are peculiar to SMEs in developing economies. In Africa, SMEs are mostly small independent enterprises, often rural-based, one person owned but with a family-based workforce, standing alone and producing for a well-defined market at the local or national level (UNECA, 2001). As noted by Spring and McDade (1998), 98% of enterprises in Africa have less than ten employees. In fact, Fisher and Reuber (2007:3) specifically note that more than 50% of the SME workforce falls within the single employment category in most developing economies. SMEs in Africa are said to be largely labour-intensive enterprises, employing low-level technologies, most of which lack the motivation to expand or grow, but rather stay small and engage in simple technology that does not require great use of national infrastructure (UNECA, 2001). These characteristics do not support economic development and growth.

2.3.4.2 Constraints facing SMEs in Africa
The literature recognises industrialization as critical for Africa’s economic development and acknowledges that African enterprises can make significant impacts if they are competitive. Unfortunately, Africa’s enterprises are said to be saddled with many constraints, some of which are import-driven (AGI Newsletter, January, 2011:3 and 7). Earlier studies have reported that, Africa’s comparative advantage lies in processing primary products, yet the region only accounts for a tiny share of developing countries’ total industrial exports, with its economic growth depending on commodity exports (see UNECA, 2001:10, 2012:34, January-February 2013:4). A report from UNECA (2001:11) explains that the economic performance of SMEs in Africa may be positively or negatively affected by many different factors, both internal and external – with
some being generic to all SMEs while others are country or enterprise specific. It is to these factors that we now turn.

SMEs in Africa face an unstable, highly bureaucratic business environment with rules, laws and regulations governing the private sector that are very complex and difficult, especially in the areas of business registration and taxation (Chu et al., 2007), which contribute to the slow growth rate of their respective SME sectors (UNECA, 2001:19). A typical example is Uganda, where according to the literature, extensive numbers of out-dated and cumbersome laws, and regulations have increased the transaction costs of SMEs (UNECA, 2001:19). Similar reports have been made on Cameroon, Ethiopia, Gabon, Nigeria and Senegal, showing that their regulatory and policy environments have been a major handicap to the success and growth of their respective SME sectors (UNECA, 2001:18). For instance, in Ethiopia a complex customs system with its numerous forms and declarations has negatively impacted on SMEs’ business efforts and competitiveness. SME owners in Senegal complain of complex administrative procedures for trade transactions, as well as non-transparency in the processing of administrative matters (UNECA, 2001). The situation of SMEs in Ghana is not different, as the literature notes their complaints on cumbersome business procedures, high cost of production inputs and others (AGI, 2008), which will be discussed in more detail in section 2.3.5.4.

There are some policies of governments that should be designed to assist SMEs, but there is a problem of government inconsistency and lack of transparency in implementing such policies in Africa (UNECA, 2001:19). For instance, in Nigeria the SME sector has failed to move forward due to corruption and poor implementation of government policies and corporate governance (Onugu, 2005). In Democratic Republic of Congo, the prevailing political instability has served as a major barrier to the success and growth of many SMEs, whereas in Ghana, poor implementation and monitoring of government policies concerning SMEs are contributing factors to the slow rate of growth of the sector.

Another limitation to the development of SMEs in Africa is the under-developed business infrastructure (UNECA, January-February 2013:8). The rate of acceleration in growth of every business sector is to a large extent dependent on availability of business infrastructure (UNECA, 2001:22, 2012:115; The World Bank, 2013:88). Whereas SMEs in advanced economies have access to such facilities readily, those in Africa do not. Even though there has been investment in
physical infrastructure in Africa, many of its nations still have very poor and inadequate facilities for industrial development (UNECA, 2001:22). Also, it is noted that problems facing SMEs in Africa differ from country to country. For instance, whereas SMEs in Nigeria lack good transport facilities, good pipe borne water supplies and adequate electricity supplies, SMEs in Ethiopia are burdened with scarcity and high cost of land for industrial use, while in Uganda SMEs are faced with the problem of inadequacy in various business infrastructures, such as reliable telecommunication services (UNECA, 2001:23). SMEs in Ghana also lack adequate physical infrastructure (see section 2.3.5.5 for further discussion). According to AGI Newsletter (January, 2011:7), Africa has a huge challenge of filling an investment gap of about US$31 billion annually to meet its infrastructure requirements. A more current report shows an infrastructure gap of US$93 billion (see UNECA, January-February 2013:8). The question is where and when can such amounts be raised to meet such an important and urgent purpose?

Furthermore, the generic problem of lack of access to finance associated with SMEs is a major limitation to SMEs’ development and growth in developing economies like Africa when compared to those in advanced economies. While it is relatively easy and cheap for SMEs in advanced economies to access credit facilities from commercial institutions, SMEs in Africa are disadvantaged. In Senegal, Cameroon, Gabon and Uganda, most financial institutions do not serve SMEs due to their lack of management experience and staff and in Nigeria access to capital in the form of short-term loans and overdraft facilities is highly limited (UNECA, 2001:27). Apart from these problems, SMEs in Africa are unable to meet the conditions required by such financial institutions (Chu et al., 2007) as the costs of accessing the few available financing opportunities are really unbearable. For instance Kenya, even though it is reported as a success in creating a good environment for private sector development and growth, still lacks adequate funding for SME operations. It is reported that such constraints have prompted many African governments to provide technical, institutional and financial support to their respective SME sectors (Debrah & Mmieh, 2009:1554).

2.3.5 SMEs in Ghana
Ghana, like most developing countries, has seen the need for a vibrant SME sector to support its private sector development programs in order to be able to accelerate its economic growth. This has caused the government and various private institutions to render support from all angles to
the sector to enable it to stand strong and grow the economy. Despite these supports, the sector seems not to be performing to expectation.

2.3.5.1. Overview of the business sector
Statistically, SMEs account for about 92% of enterprises in Ghana (Abor & Quartey, 2010; Modern Ghana News), with 90% of all enterprises registered under the Registrar General’s Office falling under the SME category (UNIDO, 2004:1; AGI, November 2009:3, 22). The sector employs close to 70% of the Ghanaian labour force (Government of Ghana, 2003; The World Bank, 2006), and caters for about 85% of manufacturing employment in Ghana (Abor & Quartey, 2010), yet contributes only 6% to gross domestic product (AGI, November, 2009:3).

Generally speaking, SMEs in Ghana fall into two major categories, namely, the urban enterprises and the rural enterprises. Among these two broad categories, some are well organized with registered offices and paid workers, while others are mainly made up of individual artisans and family enterprises without registered offices or paid workers, the latter being normally characteristic of rural enterprises. The SME sector consists of sub-groups such as individual self-employed persons who have no employees, but are sometimes helped by their family members who tend to receive no pay, or trainees/apprentices who place themselves under the old hands to learn the job. Such are categorized as micro-enterprises in Ghana. Most of the rural enterprises belong to this category. There is also the small-sized enterprise sub-group which employs up to twenty-nine employees. According to the literature, 90% of enterprises in the private sector of Ghana employ less than twenty persons; hence they fall under this category (UNIDO, 2004:1). Then there is the third SME category, which is the medium-sized enterprises, which consists of all firms having from thirty but not exceeding one hundred employees. This research study focuses on the second and third sub-groups – that is with 1-100 employees - which form these SMEs.

The activities of the SMEs in Ghana range from farming, agriculture, pottery and ceramics, carpentry, art and craft, textiles and garments, tourism, financial services, construction, food and food-processing, to manufacturing of spare parts and electronic assembling (World Bank, 2006; Kayanula & Quartey, 2007:21). They tend to be engaged in retailing enterprises more than the other business areas, with the nature of the retailing dependent on the area (whether it is urban or rural), and the major economic activity in that area. The self-employed one-man-enterprise
category is often officially under-represented in statistics as most of them exclude themselves from registration requirements, a situation that may lead to failure to recognise their prevalence within the SME population, and which affects government decision making on SMEs negatively.

### 2.3.5.2. Characteristics of SMEs in Ghana

De Kok (2003) pointed out that SMEs have some general characteristics that distinguish them from large enterprises. However, different geographical locations and natural resources, economic conditions, and other factors operating differently in different macro-economic environments cause some SMEs in a particular economic environment to inherit some characteristics in a peculiar way. Apart from SMEs in Ghana having all the general characteristics mentioned earlier in this chapter, the prevailing economic environment causes them to behave in certain ways, just like SMEs in other developing economies. For example, the management structure is based on ownership, with no separation of ownership and management (Abor & Biekpe, 2007); hence the concentration of management is on one key person, who makes decisions for all areas of the enterprise. This characteristic is coupled with a lack of succession planning, causing operations of such enterprises to cease in the absence of the owner. Also, the economic situation in the country has encouraged extreme diversification within the SMEs, impacting negatively on their desire for product or service specialization and enterprise expansion, which will be discussed further under section 2.3.5.5.

### 2.3.5.3. Contributions of SMEs to the economy of Ghana

The SME sector in Ghana, as seen for SMEs in other developing countries, is a major contributor to the economy, supporting economic growth by creating jobs for the people, thus helping to reduce unemployment, enhancing the standard of living of their employees. The SME sector also reduces the rate of rural to urban migration, and serves as the starting point of many larger enterprises.

Moreover, SMEs in Ghana have been quite active in promoting the use of local raw materials. Even though they have a high taste for imported raw materials, the high cost of importing the needed raw materials, coupled with their lack of adequate funding for operations, push them to make use of local raw materials, a situation that has enhanced their ability to fully process or semi-process local raw materials as inputs for large enterprises both local and abroad. Through their entrepreneurial capabilities, they have developed many of the communities’ indigenous
technologies - especially in the areas of processing and manufacturing, such as art and craft, batik and tie-dyeing, soap manufacturing, extracting of cooking oil, and metal work - upgrading them to acceptable export standards. Many of the well-established SMEs undertake voluntary social responsibilities such as upgrading of roads, building schools, clinics, police stations, digging of water wells, and other local infrastructure construction. Such tasks help to lessen the burden of rural area developmental programs on the government. SMEs in Ghana also create attractions for tourists and attract potential investors to the rural areas, especially areas with traditional carvings, wall hangings, kente weaving, and others.

It is left to say that being within a developing economy, the sector’s contribution in the area of job creation and employment is highly valued given the fact that the government is hampered in the creation of more jobs and employment for the people, due to macro-economic problems such as high inflation, high unemployment rates and others (Ghana Web, 2013). Secondly, SMEs in the more advanced economies work alongside large multinational enterprises that can shoulder part of such burdens and contribute to government tax income. In Ghana large and multinational enterprises are very few.

2.3.5.4. Issues, government and private institutions supporting SMEs in Ghana

As discussed in Chapter One of this thesis, many issues cropped up during the period immediately after Ghana’s independence, which led to poor economic growth and increasing unemployment among Ghanaians. Ghana’s business literature claims that self-reliance leading to creation of jobs has been boosted since the introduction of the economic reforms from 1983 and has since been on the increase, as some old enterprises wind up and new ones start up. The creation of enterprises since that period can be attributed to a variety of factors.

In the historical context, the idea of developing the SME sector came into being as early as the 1950s, when the first African administration was installed and the Industrial Development Corporation (IDC) was established to lay the foundation for industrial take off, and to boost the development of SMEs in the rural industries (NBSSI, 1994:3). Unfortunately, the inefficiency of the IDC management coupled with constant government interference, excessive political pressures, and outside interferences caused the disbandment of the institution in 1962 (Omaboe et al., 1966:288; Killick, 1978; Frimpong-Ansah, 1991). The State Enterprises Secretariat (SES)
was established in 1964 by the government to take charge of the smooth operation and profitability of state corporations within trade and industry.

Also, the process of indigenous Ghanaians owning enterprises within the Ghana economy (Africanisation), which followed the independence of Ghana in the early 1960s, led to the establishment of the Ghana Enterprise Development Commission (GEDC) in 1970. It assisted Ghanaians (both technically and financially) to enter into fields of enterprise where foreigners formerly operated.

Moreover, the failure of the development plans of the government immediately after independence to encourage the domestic indigenous SME sector to guarantee economic growth (see Kayanula & Quartey, 2000) led the government and private institutions’ attention to the SME sector, as explained in Chapter One of this thesis. Hence began the flow of promotional, facilitating, and regulatory support from these institutions to the SME sector to help its development.

Furthermore, the severe drought of 1983 in Ghana slowed down the growth of the agriculture sector. A large number of farmers embarked on artisan work to support themselves and their families, many of which have developed into enterprises within the SME sector of today.

Again, as part of a general liberation of trade and investment, the export sector development assumed a central position in economic development of several African countries, with Ghana not an exception. The launching of the Economic Recovery Program (ERP) in 1983 by the Ghana Government, in collaboration with the World Bank and International Monetary Fund (IMF), to address the economic imbalance in the country (as explained earlier in Chapter One of this thesis), the government of Ghana’s measures to downsize the public workforce, the privatization of state owned enterprises (SOEs) as pre-conditions for receiving aid from donor communities, coupled with the growing unemployment rate, prompted Ghanaians to enter into their own enterprises (Legon Export Outlook, 1997:11; Chamlee-Wright, 1997; Arthur, 2007:422; Chu et al., 2007:306; AGI, 2008).

The importance of the developmental success of the SME sector to the economic recovery of Ghana has drawn support from both government and private institutions. Functionally, these SME supporting institutions are in three categories, namely, promotional institutions, facilitating
institutions, and regulatory institutions. These include the Association of Ghana Industries (AGI), Ghana Export Promotion Council (GEPC), National Board for Small Scale Industries (NBSSI), Ghana Standard Board (GSB), Ghana Free Zones Board (GFZB), Public Procurement Authority (PPA), Ministry of Trade, Industry, Private Sector Development and Presidential Initiatives Food Research Institute (FRI), Ghana Appropriate Technology Industrial Services (GRATIS), Intermediate Technology Transfer Units (ITTU), Mutual Credit Guarantee Scheme, Trade and Investment Program (TIP), Credit Guarantee Scheme (CGS), Sub-contracting and Partnership Exchange Program (SPX), Export Finance Company Limited (EFC), Ghana Investment Promotion Centre (GIPC), VAT Deferred Payment System, Government Sponsored Skill Training Programs, 31st December Women’s Movement, National Council on Women and Development (NCWD), and Product Associations (see Appendix 1 for further details).

Other institutions which in one way or the other have been of help include Women World Banking (WWB), International Research and Training Institute for the Advancement of Women (INSTRAW), International Fund for Agricultural Development (IFAD), African Development Bank (ADB), International Labour Organisation (ILO), United Nations Development Programs (UNDP), and others. As a result of these aids, recent years have seen Ghanaians undertaking entrepreneurial activities, especially in the non-traditional product export sector.

Thus with all the issues and support mentioned above, one expects the SME sector to grow smoothly, be very competitive globally and enhance the economy, but this has not been the case due to constraints facing the sector. Despite all these support structures and policies, SMEs in Ghana are still struggling to find their feet in developing the economy. According to the Global Competitive Index (2009 – 2010:11), Ghana ranked 114th out of the 134 countries covered - a drop from rank 102nd in the 2008 – 2009 report (see World Economic Forum, 2009:13, 38), whereas countries like Libya, Kenya, and Nigeria ranked 88th, 98th, and 99th respectively. Even though more recent reports show improvements in the country’s global competitiveness (as discussed in Chapter One), it is still below expectation. This implies that SMEs in Ghana still have a long way to go in improving Ghana’s competitiveness on the global scene, to enhance economic growth. In as much as the literature attributes this low competitiveness to deterioration in Ghana’s macro-economic stability in the previous years (Global Competitive Index, 2009 –
2010:38), there are also many constraints militating against local enterprises at national, industrial, and enterprise levels, some of which are considered in the next section, 2.3.5.5.

2.3.5.5. Constraints facing SMEs in Ghana

As explained in the section 2.3.5.4, Ghana’s SME sector’s contribution to the growth of the economy has fallen short of expectation due to a number of both internal and external constraints, some of which are considered below.

The available literature on funding for SMEs in Ghana shows that a lack of access to adequate financing and the high cost of credit have been recognised by many authors as a major barrier to the achievement of success and growth in the sector (see, for example Chu et al., 2007). Results from Chu et al. (2007:304) reveal that 95% of SME owners use personal and family savings to fulfil the financial needs of operating their enterprises. There is limited access to long term funds (Kayaluna & Quartey, 2000), and the cost of the few that are accessible is very high due to high interest and banks’ administration charges. Successive high interest rates have sharply raised the cost of operating enterprises in Ghana, with the prevailing lending rates by banks ranging between 29% and 33%, which has impacted negatively on the operations of SMEs and the economy as a whole (AGI, November 2009:24; AGI Business Barometer: 3rd and 4th Quarters, 2010). To address this, the usual form of SME assistance by government and private institutions has been focused on providing easy access to credit, hence the introduction of policies including credit guarantee schemes and subsidized interest rates. However, such traditional credit programs have not succeeded well in their primary objectives of increasing the SMEs’ access to financial resources, since access to finance and cost of credit still remain dominant constraints (AGI Business Barometer: 3rd and 4th Quarters, 2010).

Increases in utility tariffs and petroleum products affect the cost of inputs, hence increasing the rate at which SME owner can access credit for operating enterprises in Ghana. The high cost of energy as well as fluctuations in power supply caused by out dated equipment and technologies, coupled with natural disasters such as low rainfall seasons, are major challenges to the operation of SMEs, especially, those in the manufacturing sector (AGI, November, 2009:22). Apart from the SMEs suffering from paying for labour that is never executed at times of power outages, they also suffer high rates of equipment breakdowns in the process of such sudden power cuts, their repairs and replacements adding more to the already incurred overheads. There have been
government interventions from time to time, through AGI’s negotiations with the Public Utility Regulatory Commission (PURC) to enable enterprises to pay lower electricity tariffs, which led to a revision in tariffs effective from 01/06/2010 (AGI Business Barometer 3rd Quarter, 2010), yet the cost still remains high for the SME sector, and the supply unreliable.

Recent empirical evidence has revealed that almost all developing economies are very sensitive to changes in the price of crude oil and the quantity of supply, of which Ghana is no exception. An increase in the price of petroleum products pushes up transportation costs, affecting prices of all goods and services. This heavily impacts on the operational cost of local enterprises with SMEs suffering the most (AGI, November, 2009:22). For instance, inflationary pressures from increased fuel costs have affected pressures on the pay levels of both the public and private sectors of Ghana, creating demands on enterprises to pay their employees a higher wage. Such economic difficulties cause many SMEs in Ghana to wind up their enterprises, or reduce the number of employees in order to survive (McCourt and Eldridge, 2003:144).

Another key constraint facing SMEs in Ghana, which needs mentioning, is the lack of availability of raw materials for production. The local raw materials are very expensive, causing SME owners’ over-dependence on imported raw materials. The cost of imported raw materials too changes frequently as a result of the unstable exchange rate of the local currency, which offsets any budget forecast made for production. Recent literature shows that shortages and high costs for raw materials are the third rated constraint nominated as a major challenge facing SMEs (AGI Business Barometer 4th Quarter, 2010; AGI Newsletter, January, 2011:6).

Moreover, SMEs in Ghana have problems gaining access to new equipment and technology (Mensah, 2004). The lack of credit encourages the use of old equipment and great dependence on second hand spare parts, which serves as a major barrier to efficient and effective products and services, as well as expansion. The poor product and services output due to second hand equipment, coupled with the use of out dated and inefficient technology (especially in relation to processing, preservation, and storage) impacts negatively on increasing profitability and thus on the scanty financial resources available. SMEs fall increasingly behind in updating technology, and this impedes growth opportunities and competitiveness (UNIDO, 2004:1).
Apart from these problems, and as mentioned in section 2.3.4.2 of this chapter, African countries in general face the problem of inadequate infrastructure, a fact that does not exempt Ghana. This has slowed down growth in the SME sector. The increasing infrastructure investment gap, as mentioned earlier on, means that it will take a lengthy time for Ghana to be abreast with modern infrastructure. However, one way that can accelerate the growth of an economy through improved productivity is adequate infrastructure (UNECA, 2012:115).

Another constraint commonly mentioned in the literature of SMEs in Ghana is the lack of managerial know-how amongst SME owners (Kayanula & Quartey, 2000; Fening et al., 2008). Fening et al. (2008:695) attribute the failure of the sector to perform up to expectation largely to a lack of effective and quality management and a lack of a coordinated effort to support SME operations. One outcome of poor managerial skills is failure to hire skilled and talented people crucial to the competitiveness of the enterprise. Other problems identified as outcomes of poor management include poor documentation of policies and strategies, ineffective information systems and lack of proper financial record keeping (which leads to an inability to separate business finance issues from family or personal ones). In addition, there is a lack of succession planning among the SME owners in Ghana, which has largely contributed to the collapse of many SMEs after the death or retirement of the owner (de Cieri & Kramar, 2005:237). Knowing that the development of a country’s industrial capabilities requires major investment in human capital, especially in the area of employee training and development, the government has provided educational programs to improve this deficiency. For instance, the main goal of human resource development (HRD) in the growth and poverty reduction strategy (GPRS II) is the production of a knowledgeable well-trained and healthy population with the capacity to drive and sustain private sector-led growth (IMF, 2009:93; UNDP-Ghana, July 2012:6). However, as reported in the literature, the SMEs in Ghana are not taking full advantage of such government support services, leaving a skill-based gap to be filled.

The legal administration requirements for SMEs, including licensing and registration of enterprises, impose excessive and unnecessary financial costs on SMEs, especially the small-sized enterprises (Kayanula & Quartey, 2000:13). Despite the good work done by public institutions, enterprises generally perceive these institutions as excessively bureaucratic, manned by corrupt and poorly motivated officials, whose calculated efforts impede rather than facilitate
their activities. Consequently, despite the large number of government supported SME assistance policies listed earlier in section 2.3.5.4, the SMEs feel reluctant to make full use of government-sponsored support services delivered through both private and public institutions (Mensah, 2004; AGI, 2008).

The lack of access to adequate credit, the high cost of credit, lack of proper production inputs such as raw materials, equipment, and talented and well-trained personnel, coupled with lack of managerial training for the SME owners have led to low quality products that fall short of global standards but have high prices due to high production costs. This contributes to non-competitiveness on the global market (Fening et al., 2008:695). Even within local markets, SMEs in Ghana are faced with keen competition from foreign enterprises as the local markets are flooded with cheaper imported goods following the lowering of tariffs, leading to a lack of patronage of locally produced goods and services, which is threatening the survival of SMEs. A typical example is the influx of cheap textile products into the country, which has contributed significantly to the collapse of many SMEs in textile production and is currently pulling down the well-known large enterprises in textile production (AGI Newsletter, October 2010:6).

Moreover, (as already mentioned under sub-section 2.3.5.2 of this chapter) most SMEs in Ghana are characterized by extreme diversification. The idea that ‘if one product does not sell to give returns, the other will’ in the minds of Ghanaian SME owners causes them to diversify into many products and services. Even though diversification is supposed to help SMEs move into new areas of business activities so as to reduce dependence on one business and to capitalise on opportunities for growth, extreme diversification makes effective analysis of new investments difficult (Hart, 2002; Dzisi & Otsyina, 2011:242, 249).

The continuing global crisis of recent years affects enterprises in all countries, but SMEs in developing countries like Ghana experience repercussions more than SMEs in more advanced countries. Steep inflation periods lead to upward movement of commodity prices, transportation costs and costs of living. This can set the pay budgets of SMEs high, leading to constant lay-offs of employees to enable the business to exist, or a complete winding up of enterprises, causing affected employees to look for new jobs. SMEs in Ghana run a risk of valued and trained employees leaving them to work for large enterprises in their search for job security and greener
pastures. Working for SMEs is thus often used as a stepping-stone to greener pastures – most often to work with large enterprises or even to migrate outside the country (Meyer, 2008:1).

In conclusion, despite all the economic reforms in Ghana since independence, the various policies and institutional structures set up by the government to help the development of the SME sector, the numerous interventions by the government and development partners to save the sector, various measures taken by NGOs and donor communities to strengthen and develop the SME sector, the numerous supports from international agencies, and the immense support coming from financial institutions both local and international to ease access to funds for the sector, the SME sector has not been able to accelerate in development to function effectively as the expected backbone of Ghana’s economy. The sector still cries out for access to funding, reductions in the cost of loans, reduction in cost and availability of raw materials, as well as reduction in utility costs (AGI, 2008; AGI Business Barometer 3rd and 4th Quarter, 2010). How does one evaluate all the above-mentioned supports then? Have all been failures or unnecessary? All that the various bodies have contributed and are still doing is very important to the development and success of the SME sector. However, one factor crucial to the success of enterprises has not been seriously looked at – the key production factor of human resources – the one common factor that influences every reform taken by a nation in development of its economy. As discussed above, much emphasis has been placed on problems such as lack of access to adequate financing, cost of credit and cost of raw materials, and these are often identified by SME owners as the primary barriers to their development. Most studies acknowledge that the single most important factor constraining the development, success and growth of the SME sector in Ghana is lack of adequate finance for their operations (Mensah, 2004; UNIDO, 2004:4; Tagoe et al., 2005; Abor & Biekpe, 2007), but other studies have indicated that most problems of SMEs are HRM related (McEvoy, 1984). This suggests that effective management of HR may be a key to successful SME management. Unfortunately, despite the numerous economic contributions by SMEs in general, little is known about their HRM activities (Cardon & Stevens, 2004; Mayson & Barrett, 2006). This study takes up the literature review of some HRM activities among SMEs in the next section.
2.4. Human Resource Management (HRM)

The continuous intensity of global competition, rising educational standards and increasing access to technology, coupled with innovation have become ever more critical to gaining and maintaining competitive advantage (Bateman & Snell, 2009:355), and this calls for strategic human resource management. This has caused many studies to give recognition to the importance of human resources in firms (Campbell et al., 1970; Asher, 1972; McEvoy, 1984, 2000; Hornsby & Kuratko, 1990; Hall, 1993; Huselid, 1995; Koch & McGrath, 1996; Guest, 1997; Huselid et al., 1997; Koch & de Kok, 1999; Rauch & Frese, 2000; Boselie et al., 2001; de Kok & Uhlaker, 2001; de Kok, 2003; Sel et al., 2006). Such studies have highlighted the dependency of all firms (both large and small) on the skills and capabilities of the work force to achieve success and growth.

A body of research evidence shows a strong relationship between how enterprises manage their people and the economic results achieved. Generally, the purposes of HRM are to improve productivity, quality of work life, and ensure legal compliance (Kramar et al., 1997). However, HRM achieves these purposes through effective operation of its functions. When such functions are effectively planned and practised by the enterprise there is increased productivity and success. This means that, to ensure economic growth and sustainability of such growth, there is the need for enterprises to know the key factors that directly affect their performance such as HRM activities and watch for continuous improvement. Key to effective human resource management is human resource planning (HRP), which ensures that enterprises have sufficient staff with the required skills, knowledge and abilities to cost effectively produce the goods and services required to achieve an enterprise’s set objectives (Compton & Nankervis, 1991:5).

This section briefly takes a look at the existing studies of the value of HRM, particularly of HRM practices for SMEs. The section goes on to examine the components of HRM practices by SMEs. It explores what scholars of HRM have found out about recruitment and selection methods, training and development programs, performance management and appraisal, compensation methods, and some general administration activities such as employee promotion, work assignment and supervision in SMEs. It then looks at HRM practices in developing countries (specifically in Africa), narrowing down to look at research on HRM practices in Ghana, and finally draws a conclusion to the section.
2.4.1. The concept of HRM

The term ‘human resource management’ (HRM) emerged on the scene in the late 1980’s as a replacement for traditional personnel management (Storey, 2001). It has evolved substantially over the past two decades in its theory, research and practices (Journal of Global Management, 2012:77). Before then, studies had focused on the development of valid and fair personnel management practices in large enterprises (de Kok, 2003:4). According to the literature, the traditional personnel manager was primarily an administrative expert and employee advocate, taking care of employee problems, making sure employees were paid correctly, administering labour contracts, and avoiding legal problems.

Human resource management, on the other hand, primarily functions as a means to contribute to the realizing of the set goals of the enterprise by enhancing and supporting business operations (Noe et al., 2011: 2). According to Fombrum et al., (1984), the field of HRM consists of the various practices used to manage people in enterprises such as selection, training, appraisal, and rewards. Whereas personnel management looks at employees as a means to improve performance, HRM sees employees as the key to enterprise success and growth (Boselie, 2002:13). Thus, it directs the human resources to the achievement of the enterprise-set objectives.

Even though HRM is seen by some researchers as one of the many approaches to manage the employment relationship (Storey, 2001:5), its dual role of functioning administratively as well as being a source of sustained competitive advantage in support of the enterprise has not been overlooked by such researchers.

However, literature notes that there has been a functional differentiation within the HR field due to the lack of great levels of integration across the various HRM functions; each of the functions evolving in relative isolation from one another (Wright & McMahan, 1992:297). With enterprises becoming more concerned with their success and growth, the need for strategic management increased, causing early efforts to focus on tying each functional area to the enterprise strategy, but independent of the other activities (Fombrum et al, 1984). Such attempts only broadened the perspective of HRM by recognising the need for each individual function to be aligned with the enterprise goals without any horizontal integration (Wright & Snell, 1991). Thus the individual functions of HRM were still seen from individual micro-perspective each focusing on its own
particular function (Wright & McMahan, 1992). SHRM is one of recent attempts to approach the area of HRM from a much more macro-orientation (Butler et al., 1991).

Studies like Wright & Snell (1991) considered SHRM as an outcome, while others like Ulrich & Lake (1991) described it as a process. However, the concept of SHRM involves designing and implementing a set of internally consistent policies and practices to ensure that the enterprise’s human capital contributes to achieving the business objectives. Many studies have argued that the field of SHRM consists of two distinct normative schools commonly referred to as the ‘Harvard Approach’ and ‘Michigan Approach’ (Legge, 1995; Boselie, 2002). The Harvard Approach, also known as the ‘soft’ version of HRM or universalistic perspective, is more conceptual in objectives and considers a set of values which together make “best practice” (Guest, 1997). The scholars of this approach argued that many HR practices are consistently better than comparative practices, and claimed that all types of enterprises should adopt these “best practices” (Miles & Snow, 1984; Pfeffer, 1994; Delery & Doty, 1996). This approach considered SHRM to positively influence enterprise performance (Martell & Carroll, 1995). The scholars of this approach assumed that SHRM could help enterprises improve their human resources cost benefits, promote operating efficiency, increase innovation and revolution ability, and increase enterprise performance benefits (Dyer, 1983). Under this approach, “strategic” HR practices are those that are found to consistently lead to higher enterprise performance independent of an enterprise’s strategy.

The Michigan Approach or the ‘hard’ version of HRM, also known as the contingency perspective, considers the resources aspect of human resources, and argues that the assumptions underlying the strategy performance link are applicable only under high external fit conditions termed the “best fit” (Boxall & Purcell, 2001). According to this approach, HRM should strive for an internal fit of HRM practices and an external fit between HRM practices and business strategy (Snell, 1992; Delery & Doty, 1996). The task here is the specification of how individual HR practices interact with the strategy to result in higher enterprise performance (Fombrun et al., 1984; Schular & Jackson, 1987). Thus the effectiveness of HR practices is contingent on how well they integrate with other aspects of the enterprise. The primary concern is with vertical fit alignment with strategy rather than horizontal fit (HR practices hanging together on a coherent, self-reinforcing system).
The co-existence of different normative models allows HRM to guide different approaches in the management of human resources. This causes some problems as there are contradictions between the various HRM models (Legge, 1995; Storey, 2001). Recent years have witnessed theoretical arguments between the human capital theories, the resource-based theory, motivational theories like the expectancy theory, the strategic human resource theory, and others, which support the idea that HRM practices affect performance. These theoretical arguments provide some insights into how HRM practices translate into higher enterprise performance. The focus of studies has shifted from examining the nature of HRM to examining the impact of HRM on enterprise performance (Delery & Doty, 1996; Koch & McGrath, 1996; Storey, 2001; Boselie, 2002), with many of them focusing on HRM practices that may improve enterprise performance through improved employee competencies and commitment (de Kok, 2003).

This study explored HRM practices of sample of SME owners in Ghana to ascertain if the practices they employed were effective and efficient to positively affect performance of their respective enterprises to enhance success and growth. The explorative nature of the study makes it difficult to choose any one of the SHRM perspectives discussed earlier on to guide it. However, based on the notion from the literature that most high performance enterprises adopted SHRM measures (Cook & Ferris, 1986) and that a positive relationship existed between best HRM practices and enterprise performance (Huselid, 1993) the current study adopted best practices under SHRM perspective. This study assumes that with highly motivated workforce who possess the needed core competencies in place, the enterprise may achieve a sustainable competitive position and succeed, seeing employee motivation and competency as factors to high employee performance.

Some theoretical perspectives of HRM practices oriented towards the achievement of competitive advantage are motivational theories, the resource-based theory, and the strategic human resource management theory (Barney, 1991; de Kok, 2003). The theoretical framework for the study (see Chapter Three of this thesis), even though more in line with the “best practice” perspective of SHRM, reflects elements from all the above-mentioned perspectives of HRM. In the first place, HRM sees employee motivation as integral part of high levels of enterprise performance. In the second place, the discipline of HRM, in its investigation of best practices, developed the resource-based theory as a guide to the achievement of a competent workforce for competitive
advantage through efficient and effective recruitment and selection practices, training and development, performance management and appraisal, compensation methods in a good environment of general administration. In the third place, the discipline of HRM looked to SHRM, especially in the areas of training and development programs, for efficient and effective output, and employee retention. In the fourth place, the informal HRM practices and habit of SMEs in general have been investigated by some studies, and the impact is that SMEs are different in their application of HRM. Such characteristics could lead this study to reflect on the contingency/configuration approach of HRM practices (Meyer et al., 1993; Storey, 2001; Colbert, 2004). This was based on the assumption that there could be some SME owners, who through the mirror of informal HRM practices, might employ certain bundles of practices mixed to suit their own peculiar situations in their respective enterprises to help them achieve their set objectives. However, in all these perspectives, there was still the need for a motivated, competent, committed workforce and management for the enterprise to be successful.

This thesis was grounded in the knowledge of the above perspectives and their common understanding that it is the capability of HR which determines the competitive advantage of the enterprise (Barney, 1991) in the light of the motivational theory, resource based theory (RBT) and strategic human resource theory (SHRM); that when HR functions effectively through well-planned and effective HRM practices, the enterprise’s performance could be driven by motivated, competent and efficient staffing; which could contribute to a greater overall performance and bring success to the enterprise at a lower operating cost (Becker & Huselid, 1998:56). This makes HRM one of the key areas of business to be considered by all enterprise owners. No matter the enterprise’s size and what happens, the importance of HRM issues to the success of enterprises cannot be over looked. The next section will present some of the evidence for this.

2.4.2. HRM practices by SME owners in general

The above theoretical studies are backed-up by empirical studies on SMEs. However, the relatively few studies that have investigated HRM practices in SMEs are still in the explorative stages (de Kok, 2003). There are some studies on HRM practices that specifically explored the importance of HRM practices to SMEs (McEvoy, 1984; Hornsby & Kuratko, 1990; Preffer, 1994; Deshpande & Golhar, 1994; Westhead & Storey, 1996:13-24; Chandler & McEvoy, 2000; Rauch & Frese, 2000; Cardon & Stevens, 2004; Hargis & Bradley, 2011). Preffer (1994)
and Cardon and Stevens (2004) have found that effective and efficient HRM practices in the areas of recruitment and selection, training and development programs, and compensation have a link to higher employee performance. McEvoy (1984), in the study Small Business Personnel Practices argued that effective management of human resources is a key to successful small business management. Hornsby and Kuratko (1990), supporting this idea, found that SMEs need to develop effective personnel management and improve this as they grow. It has also been found that enterprises which place importance on training and development, performance appraisals, recruitment, and the setting of competitive compensation levels performed better than those who did not (Carlson et al., 2006). Other studies have noted that such engagement in HRM practices could help SMEs improve their financial performance and the individual productivity of the employees (Hayton, 2003), resulting in higher revenue growth and profit, and leading to significant reduction in employee turnover (Huselid & Becker, 1997; Collins & Allen, 2006).

Even though SMEs may not have the same kinds of resources as their counterpart large enterprises to implement sophisticated HRM practices, they still need to attend to HRM to keep employees satisfied and productive (Saru, 2007: 36-51). There is considerable evidence that SMEs cannot overlook human resources management practices if they aim at success and growth, despite the fact that not all human resource practices are suitable for every enterprise within the SME sector, due to their heterogeneous nature (de Kok, 2003). There is, however, the need for more research on this area of management to help bring out those practices that are more effective and efficient for the survival and growth of SMEs in specific contexts. This is where this thesis seeks to make a contribution. Before commencing this research project, this researcher familiarized herself with various aspects of HRM. It is the knowledge of these (as will be seen in the next chapter on methodology) that has influenced the interview questions and the development of the theoretical framework. The setting of the interview questions, and the analysis of the data collected from the interviews have both been shaped by an understanding of these basic components of HRM.

2.4.2.1 Recruitment and selection

As stated earlier in this section, human resource planning (HRP) is recognized as the first HR function in an enterprise’s staffing activities, which ensures that the enterprise has sufficient staff with the required skills, knowledge and abilities to cost-effectively produce the goods or services
required. Recruitment and selection as such have been noted as major HRM activities in any enterprise for managing its human resources (Boxall, 1996:66-67; Becker & Huselid, 1992).

Effective recruiting is a very complex process as it should make sense in terms of the enterprise’s strategic plans. There have been diverse claims as to where recruitment starts and ends, however, the stages of the recruitment process generally aim at attracting the right candidates to the job vacancies, followed by the assessment of those who responded to the call, and the selection of the most suitable candidates. An effective recruitment program identifies job requirements and is built on job analysis and produces a pool of job applicants from both internal and external sources (Stone, 2011:150).

Whereas the function of recruitment attracts candidates from the above sources, it is the function of selection which identifies those applicants with the necessary knowledge, skills, abilities and other characteristics that fit the job task in question and who are worth hiring to perform the task (Boxall, 1996:66-67; Marchington & Grugulis, 2000:1107; Noe et al., 2011). The stages of the selection process differ from enterprise to enterprise. Basically, the selection process includes: preliminary screening which reduces the number of applicants to the best qualified to perform the job, testing and reviewing work samples in order to rate the abilities of candidates, interviewing candidates with the best abilities, checking references and conducting background checks and making a selection decision for the applicant to receive the job offer (Noe et al., 2011:158; Dessler, 2012:120-150). The selection process is followed up by feedback to the applicant.

Recruitment and selection are areas where SMEs typically exhibit poor HRM practices (Mayson & Barrett, 2006; Behrends, 2007). Prior studies have highlighted the fact that SMEs, unlike their counterpart large enterprises, employ informal recruitment and selection practices (Aldrich & Longton, 1997; Carroll et al., 1999; Jameson, 2000). Specifically, they recruit through existing staff, families and friends without application or interviews being conducted (Zakaria, 2011). Their objectives of creating and maintaining good employee relations lead them to use personal connections to recruit new employees (Koch & de Kok, 1999), and they rarely measure the applicant’s suitability for the job. Research has also shown that SMEs do not put much emphasis on specific types of education (Koch & de Kok, 1999), which makes training and development of employees very difficult. As outlined in the literature, one of the key focuses of good human resources management practice is to attract talented applicants to an enterprise through
recruitment processes (Noe et al., 2003; Schuler et al., 1988; Stone, 2011). This makes a search for capable and motivated employees an important function that should not be overlooked by SME owners, yet as noted by some researchers such as Barrett and Mayson (2007), this has been one of the functions of HRM that SME owners do not pay much important attention to. The fact is, while these informal methods of recruitment have certain advantages, they may also give rise to a number of problems including high staff turnover (Carroll et al., 1999; Cascio, 2006: 224). Although such informal methods are believed to save direct costs, the literature argues that bad employee recruitment and selection may actually cause unwanted expenses to the enterprise (Cascio, 2006: 224). Moreover, many SME owners feel that hiring based on employees’ recommendations leads to formation of dominant groups and cliques that could be dysfunctional (Singh & Vohra, 2009: 104).

A search for the right talent to build the workforce has been a number one priority for most large and multi-national enterprises. This has attracted a lot of studies to investigate employee recruitment. A recent review of the recruitment literature shows that most such studies concentrated on large and multinational enterprises in developed countries (Ongori, 2010). Little attention has been paid to the recruitment and selection practices by SMEs, especially those in the developing economies. This study investigated the recruitment and selection processes of SMEs in Ghana with the research sub-question 2 to ascertain whether their choice of practices are similar to what the literature has noted. The data gathered from such investigations will be analysed and described in Chapter Six of this thesis.

2.4.2.2 Training
Sustainable economic development and globally competitive growth require qualified people, competent institutions, and effective learning processes organisations in industrial, transitional and developing economies (InWENT, 2006). Globalization and global markets for skilled labour mean that enterprises face the challenge of the need for more highly trained employees. If developing economies are to catch up with the advanced economies, there is the need for well planned, intensive and effective employee training and development programs (Schuler et al., 1988; Cascio, 2006; Stone, 2011; Noe et al., 2011). Noe et al. (2011) referred to training as a planned effort to facilitate the learning of job-related knowledge, skills, and behaviour by employees. Employee training programs are said to be grouped into two main categories, namely,
training designed to improve performance and training for employee development. Training can be on-the-job, which is the most common and which supports the learning of day-to-day operations and basic concepts of the assigned job task; or off-the-job which is usually available for key personnel and contributes to enhancing the intellectual capital and skills of the enterprise (UNIDO, 2009). Off-the-job training can take the form of short courses, orientation, apprenticeships, or internships.

Not only do effective training and development programs help employees to learn job skills, but also they help the enterprise to retain and motivate employees (Bartel, 1994; Lee & Bruvold, 2003). Training helps to eliminate some performance problems and to improve performance (Gomez-Mejia et al., 2004:261). Furthermore, the literature notes that an entrepreneurial enterprise’s investment in employee training and development helps build technical expertise and facilitates innovation (Gundry, 1991). However, training and development programs need to be accompanied by relevant incentives and working conditions so that improved skills can be properly used to enhance the overall business strategy of the enterprise.

Evidence from the literature shows that firms with sophisticated training systems, and strong management support for training, are more successful at maximizing the effectiveness of their training programs (Huang, 2001). Since SMEs dominate the business sector of most developing economies, it seems appropriate that well organized and effective training and development programs be in place to improve performance. However, this seems not to be the case. The research literature shows that SMEs have often been ignored and the central value of their human resources as core assets have been given insufficient attention by governments education and training systems as well as the SMEs themselves (Beaver & Hutchings, 2005). More, the SMEs favour informal training methods and usually value training that is specific to the job in question (Kotey & Slade, 2005). Nonetheless, the advantages of training and development programs should not be over emphasized in the realm of SMEs, given the cost of training employee and high employee turnover associated with SMEs (Noe et al., 2011). Training employees only to see them leave for other enterprises without staying long enough to contribute to the objectives of the training has no investment returns but only costs to the SMEs. Thus, it may not be appropriate to expect the SME sector to shoulder the responsibility of training alone as benefits flow to the broader economy.
2.4.2.3 Performance Management: Performance appraisal

Performance management is that part of HRM through which supervisors ensure that employee activities and outputs contribute to the enterprise’s goals (Noe et al., 2011:224-5). To Dwyer & Hopwood (2010:192), it is:

...a process of establishing performance standards across the organization, sharing and understanding them, and evaluating performance objectively against the standards for the purpose of getting the best performance from the individuals, teams, and the organization at large.

It aims to improve the enterprise’s functions, and the unit and individual performance by linking the objectives of each to the others (Stone, 2011:286). Performance appraisal is concerned with determining how well employees are doing their job, communicating that information to employees, agreeing on objectives and establishing a plan for performance improvement (Stone, 2011:286). It is a key component in performance management, and can be linked to employee retention, termination, promotion, transfer, salary increase, bonuses, and training and development ((Cascio, 2003:204; Dwyer & Hopwood, 2010:193; Stone, 2011:286).

Although there is little literature on performance management among SMEs in general, the few studies available that reflect on its importance to enterprises recommend its effective adoption by SMEs (Cardon & Stevens, 2004; Carlson et al., 2006). The available literature notes that SMEs pay little or no attention to this important HRM activity and adopt informal methods to execute performance management (Jackson et al., 1989:727; Rauch & Frese, 2000; Dransfield, 2000; Cassell et al., 2002). Cassell et al., (2002) went further to explain that the performance appraisal employed by SMEs tended to focus on monitoring and controlling employees rather than employee development towards the achievement of the enterprise’s goals. Most often, it has been based on the traditional annual performance appraisal technique, where copied annual appraisal forms are filled in by individual employees and signed by supervisors as a routine. Usually, there is no effective discussion, nor feedback given to employees. As noted by Cascio (2003:356), the cost of not providing such feedback may result in the loss of key professional employees, the continuous poor performance of employees (Noe et al., 2003:361), and loss of commitment by all employees.
2.4.2.4 Compensation methods

The term compensation is used interchangeably, in the context of this study, for remuneration or pay (Shields, 2007:33) and can be described as “The package of quantifiable rewards an employee receives for his or her labours including base pay, incentives pay and benefits” (Gomez-Mejia, 2004:329). According to the literature, a compensation system embodies direct compensation such as base pay (salary and wages), merit pay, incentive pay, and deferred pay (Baker et al., 1988; Fisher et al., 2006:485). Incentive pay such as bonuses, commissions, piece work rates, profit sharing, stock options, and shift differentials are all ways of linking pay to performance – each having its own advantages and disadvantages (Baker et al., 1988; Noe et al. 2011:356). Benefits have become an important means of gaining a competitive advantage on the labour market. Provision of a particular non-financial benefit allows the enterprise to address specific employee needs (Shields, 2007:320). Some financial benefits such as social security contributions, pensions, and retirement saving plans help employees prepare for their retirement (Noe et al. 2011:384). Compensation systems are an important tool for motivating higher levels of job performance and enhancing enterprise effectiveness (Delaney & Huselid, 1996), but the components need to be coordinated to work together towards the achievement of the enterprise objectives (Fisher et al., 2006). It may strategically enable an enterprise to attract the right talented people at the right time for the right position thereby minimizing the cost of internal training for employees, as well as to retain the best employees by recognizing and rewarding their contribution, and motivating them to contribute to the best of their capability (Shields, 2007:320).

Even though there are laws and regulations affecting compensation systems, the research literature demonstrates that compensation systems constitute one area of employment where employees are often dissatisfied (Fisher et al., 2006). Individual employees attach different values to any specific reward and make comparisons internally, externally, and individually (Rice et al. 1990; Noe et al. 2011). Noe et al. (2011:327) argue for the need for enterprises to plan what they would pay employees in each job, and further caution against the adoption of unplanned methods in which each employee’s pay is independently negotiated.

A search of the scholarly SME literature shows that the gathering of information on the compensation practice use by SMEs is under developed; however, the literature that exists does emphasise that SMEs tend to informal systems of compensation such as recognition and
reinforcement pay increments (McEvoy, 1984; Carlson et al., 2006). This may end up in ineffective compensation structures which may lead to unfairness in pay structures and lack of motivation among employees. This research was designed to explore the compensation strategy employed by the participants to ascertain the types, method of administering, and the reasons for type and method.

In conclusion, this section has not only shown the benefit of HRM functions, but it has also indicated that SMEs employ informal HRM practices (Hill & Steward, 1999; Koch & de Kok, 1999; Singh & Vohra, 2009). Hill and Stewart (1999) suggested that such informality of HRM practices in SMEs could be a response to the need to be flexible and to respond fast to market conditions, but other studies have attributed this neglect partly to the dominant role of the owner manager (Hornsby & Kuratko, 1990; Singh & Vohra, 2009:99-100). According to Koch and de Kok (1999), SME owners do not have the time, knowledge or even the inclination to spend much time developing and monitoring explicit long term strategic plans for HRM. The lack of managerial training among these SME owners has also been mentioned by other studies (Deshopande & Golhar, 1994; Dunn & Bradstreet, 2001). It is in the light of these arguments that this thesis was conceived and its aims and research questions developed.

The questions that one may ask are: Why do SMEs employ informal HRM practices, with all the above-mentioned advantages of formal HRM practices? Is it due to their size? What costs are involved? Are they ignorant about the importance of HRM practices? Are there any problems or challenges serving as barriers to the effective practices of HRM by SME owners? The literature from the research shows that SME owners recognize the importance of HRM issues to their enterprises and they rank them as second most important in their management activities (Hess 1987; Gialuisi 2012; Sujlana 2013). This thesis sought to find answers to such questions in the context of developing economies.

Looking at the various advantages of the above laid out HRM practices, it seems clear that efficient and effective practices by SMEs are likely to increase the chance of success. However, the dynamic nature of businesses and their micro- and macro-environment experiences bring complexity to the HRM practices, which makes generalization and standardization of such practices less valued. This cause the practices of HRM differ from enterprise to enterprise and from economy to economy. From the perspective of the SME literature, SMEs in advanced
economies seem to have more standardized HRM practices than their counterparts in the developing economies. One of the questions guiding this research is “What HRM practices are engaged in by SMEs within the developing economies? Why are they not practising something similar to SMEs in advanced economies?” In the search for answers to these questions, this thesis presents reviews of existing literature on HRM practices employed by SMEs in developing economies, with special emphasis on Africa, in the next section.

2.4.3. HRM practices by SME owners in developing countries: Africa

As could be deduced from the discussion under section 2.4 of this chapter, one of the factors relevant to the smooth running of enterprises towards improved performance, success and growth is the adoption of a system of good HRM practices (Cappelli & Neumark, 2001). However, this may differ from place to place and even over trend of time. Traditional African ideas of management and the nature of management in African societies show that system patterns were followed for positive results in pre-colonial Africa. HRM practices such as recruitment and selection, as well as employee training, were used for choosing people to send to the war front using criteria such as good health, being well-built, skillfulness, and boldness. Traditional on-the-job training was given in the effective use of the weapons employed and strategic target placements were made. Again, in a typical African traditional home, training on-the-job and placement through some type of job rotation was practised before colonization. However, the complete absence of official written records on such HRM activities makes any comparisons as to their progress over the years very difficult.

Literature shows that the generic problem of lack of access to adequate finance for the operations of SMEs reflects negatively on acquisition of managerial skills and expertise, which makes it difficult for SMEs in developing countries to develop complex and sophisticated structures for performance management (de Waal, 2007). According to de Waal (2007), performance management is relatively unknown in many African countries, and the interest in such a practice is of recent origin but is growing among some enterprises in some specific African countries. Whereas performance-oriented staff appraisal systems have been successfully used to link promotion to performance in most advanced economies, this has not been so in developing countries, in that, in many developing countries, promotion is still linked to seniority or family relations (de Waal, 2007). It is commonly known that SMEs in developing economies, such as
Africa, have the advantage of lower wage costs as compared to those in advanced economies like the United Kingdom, United States of America, Australia and Germany (UNECA, 2001:3), yet their informal methods in the area of compensation are a great setback to gaining the full benefit from such a great opportunity.

Some individual studies highlight the HRM practices of some specific African countries. For instance, El-Kot and Leat (2007) noted that HRM practices are traditional and affected by the cultural context in Egypt. In Nigeria, it is noted that traditional HRM functions such as recruitment and selection, training and development, and performance appraisal are practised by HR professionals, and that HRM practices face some challenges such as tribalism and corruption, which need to be addressed (Okpara & Pamela, 2008). A more recent study showed that the staff strength in most SMEs in Nigeria was an average of two persons other than the owner (Babatunde & Lauye, 2011:279). According to these two researchers, rapid change of hands might lead to much productive time being wasted as a result of the owner training new employees, leading to a negative effect on production. This confirms the high level of dependence the owner might place on the employees (Babatunde & Lauye, 2011:279). They also reported on the difficulties faced by the SME owners who need skilled labour in staffing, and the high rate of employee turnover. Ghebregiorgis and Karsten (2006) showed that the concept and knowledge of HRM practices such as training, recruitment, compensation, performance appraisal, and reward systems were being practised in Eritrea. Nevertheless, SMEs in African countries have been shown to practice informal HRM activities.

The lack of formalized HRM practices among SMEs in developing countries does not exist only in African countries. In India, SMEs practice informal recruitment and selection methods, and have informal performance management systems with some of them not having anything like a performance appraisal method (Singh & Vohra, 2009:104). Yearly written performance appraisals (where it is done) tends to be carried out through observation by a person without the employee’s involvement; it is done through a simple self-designed form by the enterprise or a complex form may be copied from a large enterprise. In Jordan, Doleh and Salhieh (2005) found that human resource planning, job analysis, staffing, training and development, performance appraisal, compensation and reward systems were applied at a minimum level in both public and private enterprises, including SMEs. Findings from Al-Jabari (2011:37) showed that in Palestine,
employee selectors relied on interviews as their exclusive tool for selecting employees, whilst promotion was based on favouritism and nepotism.

2.4.4. HRM practices in Ghana

Studies have revealed that HRM policies and practices differ from country to country (Bae et al., 1998; Debrah, 2001; Storey, 2001; Myloni et al., 2004). This has been attributed to various factors by researchers. In Ghana, HRM policies and practices have been shaped by several factors such as historical, political, economic, as well as socio-cultural structures. Such factors will be looked at in this section.

The few studies on HRM in Ghana are limited to public sector enterprises and large enterprises in the private sector such as the commercial banks. There have also been studies supported by donor communities and agencies such as the World Bank, IFC, UNDP and UNIDO, which have findings relevant to this study. Such studies reflect on human resources in Ghana taking a micro-view but do not specifically investigate the type of HRM practices SMEs are engaged in, how and why such choices are employed, nor do they discuss any details about the problems and challenges faced by SMEs in this area. There has been research that throws light on HRM practices engage in by the public sector (Abdulai, 2000; Debrah, 2001). There is an important study by Fening et al., (2008), which investigated the relationship between quality management practices and the performance of SMEs in Ghana, that found that there were significant relationships between quality management and enterprise performance, and that implementation of quality HRM practices could improve enterprise performance (Fening et al., 2008:703). Yet, little is known from the existing studies on what is happening in the field of HRM and HRM practices at the SME sub-sector level.

2.4.4.1. The trends in HRM practices in Ghana over the years

The trends in HRM in Ghana can be looked at from three developmental stages, namely, the pre-colonial era, the colonial era, and the post-colonial era. The nature, objectives, and functions of HRM in Ghana during the pre-colonial era were different from that of the colonial era. Whereas the pre-colonial era saw HRM functioned under traditional and customary practices, with lords and kings having their own way through the processes of HRM activities, under the colonial era the indirect rule of the British caused the traditional rulers to serve as intermediaries in HRM for the British and other European traders (Kimble, 1965; Debrah, 2001:192). The indirect rule of
Britain put traditional rulers in charge of personnel sourcing, selection, placement, and training (Kimble, 1965). As far back as the 1930s, the Gold Coast Labour Department had been established operating under a labour officer (Obeng-Fosu, 1991:2-3), who was in charge of demands and complaints from the local workforce. The Ghanaian workforce in colonial times was largely unskilled and lacked the academic qualifications, experiences, and competencies to influence decisions taken by the expatriate staff (Akinnusi, 1991).

The process of indigenising the economy of Ghana, commonly termed Africanisation, and the loss of expatriate staff from Ghana just after independence (Debrah, 2001), led to a vacuum in the top managerial positions. Replacement with Ghanaians was done by the government without any proper recruitment and selection processes to check for suitability of candidates. On the other hand, the government’s vigorous industrialization plans to develop the economy, through the setting up of public enterprises, while encouraging joint ventures and foreign investment, stimulated employment opportunities and increased HRM activities, particularly personnel management.

Existing research literature on HRM in Ghana concentrates on public enterprises and large enterprises including multi-national enterprises (which is taken as the formal sector HRM). There are, however, few studies of HRM practices by SMEs (which is the informal sector).

2.4.4.2. HRM practices in the formal occupational sector of Ghana

Just like its sister African country Nigeria, the HRM practices in the formal occupational sector of Ghana have been described as more bureaucratic and administrative, rather than a strategic activity for achieving enterprise goals (Debrah, 2001). Some enterprises used to recruit from the universities, but with the growing rate of unemployment, the number of walk-ins or voluntary applicants has increased, causing potential employers to rely on mostly media advertising for sourcing. Aside from this, recruitment and selection for the few available jobs are heavily influenced by family and friendship relations more than by objective assessment of the suitability of job applicants (Fashoyin, 2000). As rightly pointed out by Debrah (2001), the prevailing high unemployment rate has contributed, to a large extent, to nepotism and ‘who you know’ in the recruitment and selection process across the formal occupational sector, notably in the public sector, where people in influential positions routinely recommend their relatives and friends to be selected for job offers without going through formal processes. Advertising a vacant position at a
public enterprise is normally seen as a formality as the final list for selection is compiled even before the vacant position is advertised. A lot of HRM studies argue against such practices with the explanation that wrong recruitment and selection practices nullify strategic selection and contribute to enterprise failure or inefficiencies.

Training and development is encouraged especially in the public sector, where there are limited opportunities for employees to undergo training outside the enterprise, on government and donor scholarships. The large private-owned enterprises encourage more on-the-job training. However, training and development programs are recognized as essential in the large private and multinational enterprises for high performance. Mandatory training programs are organized for employees either at their designated training centres, as in the case of Electricity Company of Ghana, Standard Chartered Bank, Unilever, Barclays Bank and others. There is also outside country training and development program opportunities for higher level employees. Appraisal in public enterprises is normally done annually by the traditional routine of supervisors filling out the tick-box form.

Wages / salaries, benefits and incentives are largely determined by educational qualifications and level of position in the job. Most public enterprises base their differentials on seniority in a particular job, with no linkage of performance to pay, whereas the private-owned large and multinational enterprises have a variety of methods linking pay to performance to help achieve the enterprise’s objectives. Labour unions and mandated labour standards are embraced as essential instruments for providing working conditions that respect human dignity (Budd et al., 2004), with the potential to create greater levels of economic fairness across society (Western & Rosenfeld, 2011). In Africa, trade unions have been very instrumental in the fight for political independence as well as workplace fairness (Britwum, 2003). Ghana has not been an exemption from such events. Trade unions in Ghana, originating from workers reaction to situations they considered as infringement on their rights, ended in the formation of the Trade Union Congress (TUC) in 1953 (Britwum, 2003; Obeng-Fosu, 2007; Osei-Boateng & Torgbe, 2013). Even though economic reform conditions in the 1980s caused some erosion in the strength of the Trade Union Congress, it still commands great influence on the labour front (Britwum, 2003; Osei-Boateng & Torgbe, 2013). The rights of the trade unions are recognised by the national legislation in Ghana. Negotiation for better conditions of service is among their major priorities, and bargaining
agreement may contain both monetary and non-monetary benefits including wages and salaries, condition of services, allowances and bonuses, social security/pension, provident fund, free medical care, interest-free loans, education bursaries, free or subsidised transport and housing, maternity leave, paid bereavement leave, paid casual leave, paid sick leave, funeral undertaking allowance, meals allowance, long service award, overtime, and severance awards (Osei-Boateng & Torgbe, 2013: 134). Currently, compensation is to a large extent determined by the national minimum wage and collective bargains as well as individual negotiations, with the trade unions playing a vital role. Compensation, as noted by researchers and highlighted earlier in this chapter, has been the most controversial HRM activity in most economies with Ghana not an exception, as public workers often engage in demonstrations for pay increases due to the continuous inflation. Upward adjustment normally occurs when there is a review of the government budget, especially in times of increases in oil and petroleum prices, which is commonly followed by strikes or hard bargaining by unions with the government. The benefit system of the early post-colonial era comprised a negotiated lump-sum retirement gratuity and payment of social security scheme (Davis, 1991), which was dependent on the cash flow of the enterprise concerned in the retirement year (Debrah, 2001:195).

There is constitutional influence on the current HRM activities. Under the Ghana Constitution, provision for proper labour practices is declared which binds all enterprises operating in the country. For instance, the Fourth Republic Constitution set a number of HRM practices in Ghana, and requires all to avoid discrimination and prejudice at the workplace. The constitution also encouraged human resource development but such was directed more to the public sector enterprises.

Economically, the Alliance Compliance Order (which caused multinational companies to leave the country) and the SAP under the ERP opened up challenges for HRM managers in the country. The government’s attempt to attract foreign investors meant that there should be HRM expertise to handle HRM activities; however, there was little scope for further development in HRM (Turner, 1999: 5). Ghana is still seen as an agricultural economy, with meaningful HRM limited to the large and multi-national enterprises. The redundancy caused by the state of the economy is encouraging people to apply for jobs below their qualifications and competencies (Debrah,
2001:199), as recruitment and selection occur in an employers’ market and the employers have the advantage and keep wages low.

Moreover, the national socio-cultural factors in Ghana still impact on HRM practices. Traditional Ghanaian behaviour, beliefs, practices, and attitudes affect performance and enterprise output (Boohene, 2008). The belief in a high degree of subservience to the elderly and people in authority still creates social distance between superiors and subordinates; hence subordinates rarely question or challenge those in authority (Debrah, 2001). Furthermore, the extended family system in Ghana, coupled with friends and relations, encourage nepotism in recruitment and selection, placement of employees and promotions. In addition, the Ghanaian customs and beliefs concerning death, as well as the large number of holidays created locally, encourage waste of production time, all of which affects enterprise output.

**2.4.4.3. HRM practices by SMEs (informal occupational sector) in Ghana**

Although some studies have addressed HRM practices of SMEs in general, few have mentioned anything about the HRM practices of the SME sector in Ghana. Many studies on SMEs in Ghana focus on the sector as an income generating activity area for the people and a survival mechanism for the economy (Arthur, 2007). Studies focus on financial adequacy as the way to success without paying much attention to the role of HR, and the development of the very resource charged with using such finances effectively.

A thorough search into the available literature on HRM practices by SMEs in Ghana gave very limited information. However, this does not mean that the sector under consideration in this study has nothing in place for HRM practices. This brings to the front a question that has been ignored by researchers: What is happening at the forefront of the human resource management practices area of this business sector in Ghana? How are HRM practices structured within the SME sector? Do the findings on HRM practices in the literature also apply to SMEs in Ghana? What do they practise? How do they practise HRM activities? Why do they engage in such activities? These and many other questions need answers.
2.5. Conclusion

There is enough evidence from the literature that SMEs form the backbone of every economy. This is particularly true of developing economies like Ghana. SMEs then should be the focus of economic growth policies in developing economies. Nonetheless, evidence from literature shows that, in developing economies, SMEs are saddled with many problems which affect their development and growth, contributing to low and poor economic growth. This indicates that somehow the SMEs, which are supposed to be the backbone of economic growth, are disabled in one way or another by persistent problems, some of which have been discussed in this chapter.

The SME sector in Ghana is seen as a key area to lead the economy to global competitiveness and to enhance economic success and growth. The ERP, with its SAP, has helped to put the economy back on its feet, to stand and grow: there is political stability in the country which has attracted both local and foreign investors into the sector and past and present governments have helped and are still helping with many private sector friendly reforms to help the country to be competitive on the global market, especially in the area of promotion of export-based diversification. This has caused an increase in the establishment of SMEs. In addition, there are numerous supports coming from both government and private institutions, helping in the areas of promoting, facilitating, and regulating SME activities. However, there has not been much improvement in the sustainability, profitability, and growth of SMEs towards the achievement of this goal. The question is, why is the economy still performing below expectation? Why is it finding difficulty in being competitive enough to enhance economic development?

This chapter has argued that ineffective HRM practices form one factor contributing to the unexpectedly poor performance of SMEs in Ghana. Can this be the solution for SMEs, in Ghana’s inability to promote growth in the economy? A search into the literature has shown a gap in knowledge of the HRM practices by the SME sector, and it is evident that there has been little analysis undertaken in the area of HRM practices by SMEs in Ghana, despite the expectation that this sector will promote economic growth for the country. There is, therefore, the need for more research based on data collected from SMEs, to be conducted into this area in order to help bring out the key HRM practices that may be common to SMEs and find ways to make improved HRM practices attractive to the SME owners.
CHAPTER THREE
THEORETICAL FRAMEWORK GUIDING THE STUDY

3.1. Introduction

Theories and models normally guide HRM studies to help them arrive at accurate and usable results, and this study is not an exception. For the study to successfully explore the HRM practices of SMEs as outlined in Chapter One and supported by the literature review in Chapter Two, the need arises for a theoretical framework. Such a framework needs to be one that covers not only effective and efficient HRM practices in enterprises, but also such practices should be motivating in themselves to enable employees to perform in order to achieve the enterprise’s set goals. The preceding chapter mentioned briefly HRM normative models and some of the different theoretical perspectives guiding research studies on HRM practices. This chapter describes the theoretical framework of this particular study. It begins with brief descriptions of some underlying key theories such as motivation, the resource-based, and the strategic human resource management, explores their applicability in the context of this study, and develops a theoretical perspective by putting together elements from the key theories in a way to make it applicable to the study. It then draws a conclusion to the whole chapter.

3.2. HRM Theories and SMEs

Among the key theoretical perspectives in HRM literature today are motivation theories like the Maslow Hierarchy of Needs Theory (Maslow, 1943) and Herzberg Two-Factor Theory (Herzberg, 1959), the resource-based theory (Barney, 1991; Peterof, 1993; Rangone, 1999), and the strategic human resource management theory (Deleny & Doty, 1996).

3.2.1. Motivation theories (Maslow and Herzberg theories)

Employee motivation plays a vital role in the field of management and enterprises see motivation as an integral part of performance at all levels (Steer et al., 2004:379). More recently, motivation theories have been folded into more complex ideas concerning the scope of HRM. The term
motivation is concerned with why certain people take a line of action and persist in that direction. It has been defined by Campbell and Pritchard (1976) as:

motivation has to do with a set of independent/dependent variable relationships that explain the direction, amplitude, and persistence of an individual’s behaviour, holding constant the effects of aptitude, skill, and understanding of the task, and the constraints operating in the environment (Campbell & Pritchard, 1976:63-130).

In an enterprise, motivation directs people to stay and contribute towards the achievement of the set goals of the enterprise. It affects both quality of work and productivity; the extent that an individual employee is satisfied with his or her job is directly dependent on motivation.

There are two main groups of motivational theories - the content theories (Inner pushes) and the process theories (Outer pushes). The content theories include Abraham Maslow’s Hierarchy of Needs Theory (Maslow, 1943), Frederick Herzberg’s Two-Factor Theory (Herzberg, 1959), Douglas McGregor’s Theory X and Y (McGregor, 1960) and Alderfer’s ERG Theory (Alderfer, 1972), whilst the process theories include Victor Vroom’s Expectancy Theory (1964). Whereas the content theorists suggest that people have the same needs, the process theorists assume differences in people’s needs and focus on cognitive processes, viewing work motivation from a dynamic perspective (Steers et al., 2004:381). Generally, motivation theories explain the factors that affect goal-directed behaviour and therefore influences the approaches used in HRM to enhance the situation in which people are committed to their work and the enterprise, and are motivated to achieve high levels of performance.

The best known among the content theories are Maslow’s Hierarchy of Needs Theory and Herzberg’s Two-Factor Theory. To these two theories, a common way of looking at the problem of motivation is to assume that human beings have inner needs for which they seek gratification at the work place. These needs could be generally grouped into two: the need to survive as a biological being and the need to grow psychologically (Maslow, 1943; Herzberg, 1959; Alderfer, 1972).

Abraham Maslow’s Hierarchy of Needs Theory is based on the assumption that people are motivated by a series of five universal needs which are hierarchically ranked according to the order in which they influence human behaviour (Maslow, 1943). These are physiological needs, safety or security needs, social needs, esteem needs, and self-actualization needs (Maslow, 1943). Physiological needs are the most basic needs of the individual – necessary for the individual’s
survival – which includes food, clothes, shelter, water, and the like. These physiological needs are imperative and until they are met they may render higher needs relatively unimportant (Maslow, 1943; Iguisi, 2009:142). The next on the hierarchy are safety needs which are the needs to be freed of physical danger and the deprivation of the basic physiological needs. It also includes concern for the future and job security. The third on the hierarchy are social needs, which include the need for affection, love, companionship, and meaningful interaction with others. The fourth in the hierarchy, esteem needs, develop at the stage where the individual begins evaluation of self, including self-respect and recognition by others. The individual wants to be given the opportunity to achieve and needs self-confidence and appreciation from his/her employers and other employees. The fifth level is self-actualisation, which involves needs for self-fulfilment. The individual wants to become what he/she is capable of becoming and have the opportunity for the full use of skills and potentialities. To this end, the individual would like to do challenging jobs to be able to give the best that is within him/her. It thus becomes the responsibility of the enterprise to find ways to keep the employees in the upper level of the hierarchy and make the best use of their talents and skills.

Maslow’s theory has many practical implications at the workplace. It highlights on the danger of unsatisfied needs dominating employee attention and influencing his/her attitude and behaviour at work (hence performance), and the importance of the enterprise seeing to such needs (Iguisi, 2009:142). The approach of the theory is applicable to employee motivation to perform through job design, award, and compensation programs, which makes it relevant to this study.

Whereas Maslow’s theory focuses on the role of individual differences in motivation, Herzberg’s Two-Factor Theory (also known as the Motivation-Hygiene Theory) improves on Maslow’s Hierarchy of Needs Theory, and seeks to understand how work activities and the nature of one’s job influence motivation and performance (Herzberg et al., 1959; Herzberg, 1966). It argues that work motivation is largely influenced by the extent to which a job is intrinsically challenging and provides opportunities for recognition and reinforcement (Bassett-Jones & Lloyd, 2005:932; Furnham et al., 2009). It recognises two main factors in its context, namely the factors that produce satisfaction (motivators) and those that produce dissatisfaction (dissatisfiers). The theory emphasises that workers’ happiness and unhappiness at work are based on two separate themes: 

satisfiers and dissatisfiers (Furnham et al., 2009). It assumes that satisfaction and dissatisfaction
at work come about from different factors. It is generally known that the factors that motivate people at work are the factors involved in doing the job; and dissatisfiers deal with the factors which define the job context. Herzberg’s study proves that people will strive to achieve ‘hygiene needs’ because they are unhappy without them, but once satisfied, the effect soon wears off. People are only truly motivated by enabling them to reach for and satisfy the factors that Herzberg identified as real motivators, such as achievement, advancement, recognition, the work itself, and responsibility that represent a far deeper level of meaning and fulfilment. He identifies the hygiene needs at the work place as policies and administration, relationships with supervisors, working conditions, salary, company cars, status, job security, relations with subordinates and personal life (Herzberg et al., 1959). Herzberg proposes that managers should identify and concentrate on both motivators and hygiene factors if they are to achieve job satisfaction to lead to productivity. Whereas the presence of motivators may bring job satisfaction, lack of hygiene factors would result in job dissatisfaction, as the presence of hygiene factors only reduces or eliminates the job dissatisfaction of employees (Herzberg et al., 1959; Herzberg, 1966).

Although some studies have criticized these two theories (see for example Vroom, 1964; Dunnette, 1965; Burke, 1966), other research has established positive relationships between need fulfilment and intrinsic motivation (Gagrie et al., 1997). Also, Kuvaas (2006, 2007) suggests that intrinsic motivation is a potent predictor of task performance. More, it is generally known from HRM literature that motivated workforce could positively affect enterprise performance (see for example Steers et al., 2004). One of the current study’s objectives is to explore how the participants employ their HRM practices, if such practices are motivating in themselves, and could enhance employee performance to contribute to the achievement of the enterprise’s objectives. The content theories of Maslow and Herzberg highlight this based on extrinsic and intrinsic rewards respectively (Lee & Bruvold, 2003; Furnham et al., 2009:776). The concepts of these two theories thus become relevant to this study, especially in relation to work design, motivation, and performance. This study suggests that if the HRM practices employed by SME owners in Ghana are motivating in themselves, employees may be motivated to perform.
3.2.2. Resource-based theory

The concepts of Maslow and Herzberg motivational theories at the workplace, leading to employee willingness to perform, serve as a foundation to the resource-based theory (RBT). Indeed, the RBT does not oppose the concepts of Maslow and Herzberg theories, but rather builds on them in the light of highly motivated and highly competent workforce in the core area of the enterprise’s source of competitive advantage.

RBT emphasises that the long-term competitiveness of an enterprise depends upon the resources that differentiate it from its competitors, that are durable and are difficult to imitate and substitute (Barney, 1991; Peterof, 1993; Rangone, 1999), where the enterprise’s resources are referred to as its capabilities (Barney, 2001:645) or tangible and intangible assets, which are used to develop and implement strategies (Ray et al., 2004:24). It follows then that not all the enterprise’s resources and capabilities can be used to achieve competitive advantage, but only those which fall within the core competencies of the enterprise. It also follows that the theory sees HR as an asset which can be utilised for competitive advantage (Becker & Huselid, 2006; Chadwick & Debu, 2009), a stance that renders HRM practices as functions that could enable the enterprise to sustain competitiveness (Olalla, 1999).

In effect, the resource-based theory shifts the emphasis placed on external factors of the strategic planning of the enterprise towards the enterprise’s internal resources (Hoskisson et al., 1999), and states that such assets, which include the human capital pool, could be source of competitive advantage to the enterprise if they are effectively and efficiently planned to enhance the objective of the enterprise (Schuler & MacMillian, 1984: 241; Paauwe, 1994; Wright et al., 1994; Boxeall & Purcell, 2003). Thus conceptually, RBT proposes that the human capital pool, where it is highly skilled and highly motivated (making it valuable, rare, costly to imitate, and non-substitutable) could constitute a source of sustainable competitive advantage for the enterprise (Wright et al., 2001). Motivation as such becomes an important factor in RBT since the actual stock of human capital is liable to changes overtime, and as such needs constant motivation to keep its match with the needs for achievement of continuous competitive position of the enterprise (Wright et al. 2001:704). However, despite the suggested link between motivational theories and RBT, not much research has been conducted on the issue.

Effective HRM practices can, therefore, increase the value of the human capital pool through developments such as good recruitment and selection practices (Pfeffer, 1998:100), and skills and
developmental training (Paauwe & Boselie, 2005), that enable the achievement of competitive advantage by the enterprise, by ensuring such practices are efficient and effective enough to cause human resources to be valuable, rare, costly to imitate, and non-substitutable (Olalla, 1999:87). This has resulted in substantial disagreement between researchers (as mentioned under section 2.4.1 of this thesis). Despite these different stances, the resource-based theory of the enterprise still provides a core theoretical rationale for HR’s potential role as a strategic asset in the enterprise (Wright & McMahan, 1992).

Competitive advantage forms the basic first step to take forward in an enterprise’s path toward success and sustainable growth and this is the view of RBT. Strategically, enterprises can gain their sustainable competitiveness through the perspective of the RBT. Secondly, whereas theories like transaction cost economics and agency assume enterprises to make the same choices in the long run (and are therefore considered non-strategic), RBT assumes enterprise to outperform their competitors. Thirdly, consistent with the tradition of strategic management as a field of application, RBT logic can have important implication for management practice. Such a logic can be apply to help the SME owners who are experiencing strategic disadvantages to gain strategic parity by identifying those valuable and rare resources their enterprises currently possess, and help those whose enterprises have the potential for gaining sustained competitive advantages to express such potentials fully. These attributes (and many others) make resource-based theory relevant to this study. It emphasises the practices of effective HRM, in order to increase motivation and competencies of the employees, to enable the enterprise to outperform its competitors and succeed.

Building on an earlier discussion under motivation theories, this study suggests that if the SMEs in Ghana are able to execute their choice of recruitment and selection processes effectively and efficiently, develop well-designed plans for training and development programs, and with well-designed and executed performance management and appraisal in place, competent employees who are willing to work towards the achievement of the enterprise’s objective may be developed. However, developing competent employees will require commitment to their added costs and thus will need justification. This study seeks to contribute evidence towards such a justification to provide a framework that can help individual enterprises track benefits against costs.
3.2.3. Strategic human resource management theory

Not only has RBT been influential across all areas of management, but also by shifting emphasis in the strategy literature away from external factors toward internal enterprise resources as sources of competitive advantage, it has particularly been very instrumental to the development of SHRM (Hoskisson et al., 1999; Wright et al., 2001:702). RBT’s assertion that people are strategically important to enterprise success called for a link between strategic planning and HR planning, signifying the conception of the field of SHRM (see Walker, 1978), with its advent devoted to exploring HR’s role in supporting business strategy (Wright et al., 2001).

Tichy, Fombrum & Devanna (1981:4) describes the strategy of an enterprise as the process by which the set mission, goals and objectives of the enterprise can be achieved using the available resources of the enterprise. However, Barney (2001) defines strategy as:

A firm’s theory of how it can gain superior performance in the markets within which it operates.

Strategy takes into consideration characteristics such as scope, resource deployment, distinctive competencies of the enterprise and competitive advantages. The strategic plan describes how the enterprise’s objectives will be achieved in functional terms (Hofer & Schendel, 1978:42). Strategic activities are, as such, different from managerial and operational ones (Anthony, 1965), in that managerial activities are concerned more with the availability and allocation of resources to carry out the strategic plan. However, it takes a good workforce and managerial practices for a strategic plan to be realised – this is what is recognised in resource-based theory, which means recognising HRM as a critical component of strategic management. This calls for HR involvement in the strategic decision-making process of the enterprise (Wright & McMahan, 1992:295), which is recognised in SHRM.

As mentioned under section 2.2 of this thesis, SHRM assumes that HRM activities need to be integrated with the enterprise strategic objectives and context. Also, it assumes that effective HRM activities improve enterprise performance (Schular & Jacksons, 2005) and that HRM activities reinforce each other in alignment (Jackson & Seo, 2010). Thus SHRM considers how to incorporate HRM into strategic management at a more detailed level. It emphasises the need for HR plans and strategies to be formulated to respond to the dynamic nature of the external environment of the enterprise on a long term basis. SHRM theory proposes that strategy is related to HR practices, and that a fit between strategy and HR is a precondition for effective enterprise performance (Rogers & Wright, 1998:12). Thus, in effect, the concept of SHRM builds on the
factors laid down by resource-based theory and focuses on how the competencies and commitment won by the enterprise can be strategically directed to affect the central business strategy towards the achievement of the enterprise’s set objectives. This means that, apart from HRM functioning internally by performing its role of focusing on individual performance and playing its part as a solution to the enterprise’s problems, it should also focus on the enterprise’s performance by supporting each of the individual HRM practices to have an external fit of supporting the achievement of the broader business strategy of the enterprise (Becker & Huselid, 2006:899).

**Figure 3.1 Integration of motivation, resource-based, and strategic human resource management theories towards the achievement of enterprise set objectives**

In sum, RBT’s conceptualization that human capital could constitute a source of sustainable competitive advantage means constant motivation is needed to keep its match with the needs for achievement of continuous competitive position of the enterprise (Wright et al., 2001), which makes motivation very important in RBT. Further to this, SHRM theory embraces RBT and focuses on how the competencies and commitment won by the enterprise could be strategically directed toward the achievement of the enterprise set objectives, as illustrated in Figure 3.1. From these attributes, the concept of the SHRM theory bears significance to this study. This study therefore adopts SHRM theory as a guide and suggests that if SME owners in Ghana employ
effective and efficient HRM practices and design them in a way that the objective of each individual practice become relevant to the achievement of the enterprise’s set objectives, it may enhance success and growth of the enterprise and the economy as a whole. The question that arises here is whether it will be appropriate to look at HRM practices by SME owners in Ghana from the complete perspective of SHRM theory. In the first place, the organization configuration of SMEs is such that, unlike large enterprises, they are less specialized, lack explicit rules and procedures in the management of HR (Koch & de Kok, 1999), and devote relatively little time to, particularly, strategic decisions. Also, there is insufficient empirical research work on the applicability of such theories to SMEs (Duberly & Walley, 1995). Again, unlike enterprises operating in relatively stable and predictable environments (which favours strategic structures), the SMEs in developing countries like Ghana find themselves in an increasingly dynamic economic environment which makes everything difficult to forecast, with most intended plans rendered less and less sustainable over the years, causing enterprise owners to be more concerned with short-term strategic plans than long-term ones (Saffu & Takyiwh-Manu, 2004). Furthermore, the SHRM theory, just as the resource based theory, was developed within the climate of well advanced economies, which makes its applicability to developing countries like Ghana somewhat difficult (see Iguisi, 2009:141). These serve as major limitations for this study to employ the whole SHRM theory as a guide. However, certain portions of the theory can be applicable to the HRM practices that are used by the SMEs in Ghana.

3.3. Derived Theoretical Framework for the Study

As could be deduced from the literature review in Chapter Two of this thesis, the impact of HRM practices on the enterprise performance towards the achievement of competitive advantage depends largely on how HRM practices affect employees’ skills and abilities, as well as their motivation (Delaney & Huselid, 1996) and align these with the strategic goals of the enterprise to help in its achievement of competitive advantage. Effective and efficient recruitment and selection processes, training, performance management, compensation systems (both financial and non-financial), and other general administration activities need to be planned and aligned with such broader enterprise goals (Journal of Global Management, 2012). This becomes a core focus for the study and as such provides a framework to guide the study to explore HRM in Ghana’s SMEs. It can be deduced from the conclusion of the previous section that although the
theories discussed are potential contributors to the achievement of competitive advantage of the enterprise, not all aspects of the theories may be applicable to SMEs in developing countries. However, a closer look at each of the above discussed theories (namely motivation, resource-based, and SHRM) reveals aspects which can be explored and integrated to produce a theoretical framework that is more appropriate to guide this study.

In the first place, and as a general characteristic of SMEs, many of the SMEs in Ghana do not have formal HR systems, and HR roles are typically played by non-specialized administrators, assistants, or the enterprise owners themselves. The derived theoretical framework thus needs to recognise the conditions under which SME owners can achieve success and growth for their respective enterprises, in order to enhance economic growth (see Figure 3.2). It highlights the need for a considered approach to HRM \textit{practices} in order to produce motivated and competent employees who may put the enterprise into a sustained competitive advantage position, an aspect which is embodied in all the three theories discussed earlier this chapter. The importance of planning indicates that there should be a space set aside in the annual business cycle for such thinking and planning at the enterprise level, perhaps even a section for HR planning. The derived theoretical framework works on the following assumptions:

1. The framework assumes that there is a well-defined strategic plan or objective at the enterprise level.
2. It also assumes that HR planning objectives support the achievement of the overall business objective of the enterprise and also have been integrated vertically into the objectives of the individual HRM practices.
3. The framework further assumes that the objectives of the individual HRM practices are vertically integrated to strengthen their achievement of the HRM strategic objectives:
   a. that effective recruitment process is in place to lead to the enterprise having a pool of qualified candidates, who are also interested in the job tasks to effect selection process.
   b. that there is strategic selection process in place to align employment activities with the enterprise’s business strategies to provide a positive contribution to enterprise performance.
c. that workers are placed on job tasks in which they are most competent and interested; and in a manner that fits well into the enterprise’s broader business plan towards the achievement of its set objectives.

d. that with such a workforce in place, there are also well-designed training and development programs in place to advance their knowledge, skills and ability as they perform the job tasks.

e. that there is a well-designed appraisal system in place to ensure that employees’ activities and outcomes are congruent with the enterprise objectives, relevant, sensitive, reliable, acceptable and practicable. Such appraisals should be able to furnish the enterprise with the competency levels of each employee in relation to the job assigned, to determine who needs a top-up or developmental training and in what area of skills, as well as to provide direction on the promotions and compensation system.

f. that there is a fair compensation practice in place.

4. that the designed HRM practices are in themselves motivational enough to build commitment to job tasks in the competent workforce.

Figure 3.2 provides a generalized pattern of how HRM practices may be used to enhance performance of the enterprise. The derived theoretical framework suggests that the enterprise should have a planned overall goal or objective in place. The enterprise’s objective should be translated into the HR planning objectives of the enterprise. At the level of HR planning, the staffing needs for the achievement of the enterprise objective is recognised and through effective and efficient job analysis the objective of each of the HR activity such as recruitment and selection, training, performance management, compensation, and others are designed relevant to the enhancement of the core competency within the workforce to enable the enterprise outperform its competitors and achieve its set objectives. Thus, for example, recruitment and selection processes may consider selecting and hiring candidates who possess knowledge, ability, and skills in the enterprise’s core competency area to enable a direct contribution for the enterprise to outperform its competitors. Also, the design of the HR activities should be such that they are in themselves motivating and capable of building and strengthening the core competencies the enterprise needs to achieve and sustain competitive advantage position. Employees who are motivated to perform and are competent in the task assigned, when they are
strategically placed, may perform to enhance the enterprise’s overall performance. Continuous evaluation of the contribution of the planned HRM to achievement of the enterprise’s objective and a review of the processes involved may enhance a sustainable competitive advantage for the enterprise to succeed and grow.

Figure 3.2 Building and sustaining competitive advantage through HRM practices
Thus the theoretical framework for the study derived from the SHRM theory suggests that in the context of SMEs that the sources of sustained competitive advantage lies, at least in part, in the human resources, the effectiveness and efficiency of the HRM practices employed, as well as their degree of motivation to attract, develop, utilize and retain the available human resources.

This study argues that through an efficient and effective application of HRM practices, which in themselves are motivational enough to build employee commitment to the job as well as enhance employee competency, the enterprise may achieve competitive advantage over its competitors, leading to its success and growth, which to a large extent may enhance economic growth. This thesis uses the theoretical framework not to measure the relationship between HRM practices and organizational success, but as a guide to explore the HRM practices engaged in by SMEs in Ghana. Are the SME owners in Ghana engaged in planning their HRM practices? If not, what is the nature of their choice of practices? Are their choices and methods of deployment geared towards the building of core competencies in their respective workforce? Are they using informal methods like their colleagues in other developing countries, as outlined in the literature? Are the practices motivational enough to build up employee commitment to the achievement of the enterprise’s goals? Do they face any problems and challenges in employing their choice of HRM practices? These are some of the questions that the framework guides the researcher to, in order to be able to answer the central research question.

3.4. Conclusion
The chapter has demonstrated that existing HRM theories, such as Maslow’s Hierarchy of Needs, Herzberg’s Two-Factor, the resource-based, and SHRM are relevant to this study. It has also justified the choice of strategic human resource management theory as perspective, and how certain parts of the underlying theories could be brought together to form a comprehensive framework to guide this study. It is hoped that by using a framework, as illustrated in Figure 3.2 of this chapter, as a perspective to investigate the HRM practices of SME owners in Ghana, would encourage the collection of data that are thorough and rich, and guide the study to arrive at a general picture of the phenomena at stake. The effectiveness of this perspective could be fully obtained if the research design employs research strategy that would help to delve into the HRM
practices and analysis based on the explored actions and meanings of the population that would be targeted, in order to obtain useful information to answer the central question. Chapter Four outlines the research approach and techniques employed for data collection and analysis.
CHAPTER FOUR
THE RESEARCH PLAN AND RESEARCH DESIGN

4.1. Introduction

The literature review conducted in Chapter Two of this study assessed the current state of knowledge on HRM practices by SMEs in general and then in developing economies, including Ghana. It brought out the contributions to economic growth of the SME sector in Ghana and presented the constraints contributing to the sector’s inability to perform to expectations to enhance the economy, an issue to which this study wants to contribute. The central research question for the study has been introduced in Chapter One of this thesis. However, as noted by Saunders et al. (2007), the generation of a good research topic together with a choice of a most appropriate research approach, as well as data collection and analysis techniques, are important to the success of a research study. This chapter highlights how the study’s research idea was generated and developed into the central research question, aims, and objectives. It then describes some philosophical assumptions about what constitutes accepted knowledge for the study, the choice of research approach made, and further elaborates in discussion on various methods or techniques that were employed for primary data collection under the chosen approach. It goes further to explain the analysis methods employed for the data collected.

4.2. Research Plan

The researcher, in trying to figure out the role of HRM in promoting small- and medium-sized enterprises towards economic development in developing countries, conducted a literature review on the existing knowledge in the area of HRM in developing countries, as seen in Chapter One and Chapter Two of this study. The ideas obtained were generated into a broad topic which was then refined into a feasible research question. As can be deduced from Figure 4.1 of this chapter, the need for the most appropriate research strategy has been attended to, and data collection techniques specified. The details of the use of such strategy and techniques are further discussed in section 4.3 of this chapter.
Figure 4.1: The Research plan

1. HUMAN RESOURCE MANAGEMENT

   - DISCUSSION
   - GENERATING RESEARCH IDEA

2. RELEVANT LITERATURE

3. HUMAN RESOURCE MANAGEMENT PRACTICES BY SMEs

4. RESEARCH QUESTION - HUMAN RESOURCE MANAGEMENT PRACTICES BY SMEs IN GHANA: FACTORS CONSTRaining SUCCESS AND HOW THEY COULD BE ADDRESSED.

5. HRM PRACTICES OF SME OWNERS IN GHANA

6. QUALITATIVE TECHNIQUE: SEMI-STRUCTURED INTERVIEW

   - Type of HRM practices
   - Method of HRM practices
   - Reasons for choice: HRM practices
   - Problems and challenges from choices
   - Other conceptual information

7. FINDINGS AND ANALYSIS

8. CONCLUSION AND RECOMMENDATION
The central research question to be addressed was “What are the HRM practices employed by SME owners in Ghana; how and why are these practices employed; and what are the problems and challenges associated with these HRM practices?” The researcher, being guided by the importance of HR, HRM, and HRM practices in promoting business success and economic growth, has in mind that appropriately designed HRM practices could be useful in promoting the success and growth of SMEs in developing countries, leading to general economic success. The researcher developed the primary aims to:

1. Investigate the type of HRM practices employ by SME owners in Ghana.
2. Throw light on how and why they employ such practices.
3. Bring out problems and challenges they face in employing these HRM practices, and provide the space and opportunity for the SME owners to critically analyse their HRM problems and suggest ways by which these problems could be properly addressed.
4. Develop a common understanding of how SME owners in Ghana employ their choice of HRM practices; why they employ such practices; and the constraints they are faced in such HRM activities.

The knowledge required to answer the research question was to be accessed primarily from SME owners in Ghana, having in mind the above primary aims. The data that was to be collected was to focus on achieving these aims. The study was exploratory and as such, data collected were related to the exploratory purpose. The researcher chose to access the required knowledge from the SME owners in Ghana through a qualitative research strategy, using a semi-structured interview technique and a qualitative data analysis method, to find answers to the central research question. Conceptual information on participants and their enterprises is presented in Chapter Five, analysis of the data on HRM practices and findings are presented in Chapter Six and further discussed in Chapter Seven, while the conclusion and recommendations are presented in Chapter Eight of this thesis.

Thus the research plan was generally in three phases as shown in Figure 4.2: the first phase involved the development of the substance and process of the research study at the end of which the research proposal was submitted to the Committee for Human Research for ethics approval; the second phase involved a field trip to Ghana in Africa to gather primary data by means of interviewing; and the third phase, which involved preparation and analysis of the data that was
collected, discussion of key findings to provide answers to the central research question, and report writing on the study.

Figure 4.2: Phases of the research study

4.3. Research Design

Creswell (2003) noted that there are four key aspects that go into the process of designing research, namely the epistemology, the theoretical perspective, the methodology and the methods that the researcher plans to use. The theoretical perspective has been discussed in Chapter Three of this thesis, leaving the epistemological methodology and methods for data collection and analysis, which are discussed in the current section.

4.3.1. Methodological epistemology

Epistemology concerns the question of what is (or should be) regarded as acceptable knowledge in a discipline (Saunders et al., 2007:102 and 108; Bryman, 2012:27). Epistemology describes the nature and status of knowledge (Silverman, 2000:77). According to Saunders et al. (2007), the approaches to a study lie in the acceptability of the knowledge developed from the research process.
In the first instance, the study did not need much statistical support to answer its central question and objectives. The required information needed for the phenomena at stake was embodied in the accounts given by the participants from their own individual experiences. The participants, in giving their accounts, interpreted their HRM practice experiences in accordance with the meanings they gave to those roles, and the researcher interpreted such accounts in accordance with her own set of meanings according to the way in which she made sense of such responses from the participants. Therefore, the researcher saw that it is more deserving of authority if such accounts were presented in an interpretive form.

Moreover, the subjectivist conceptual dimension states that it is necessary to explore the subjective meanings motivating the actions of social actors (in this case the participants) in order to be able to understand such actions (Saunders et al., 2007:108). In this study, the researcher came face-to-face with the participants during the interviewing, heard the different interpretations they placed on their HRM practice experiences, and saw their actions as they interacted with her on such issues. Thus the researcher sought to understand the subjective reality of the participants which helped her to make sense of and understand their motives, actions and intentions in a meaningful way.

Furthermore, the interpretive paradigm of the study reflected not only the subjective but the conceptual dimension as well. The study sought to delve into the HRM practice experiences of the participants, the sense they attached to them, and also explored their perception of problems and challenges they were faced in the area, and their views on how such issues could best be improved or solved.

**4.3.2. General characteristics of the study**

The choice of research strategy for the study is also partly dependent on its nature or characteristics (Creswell, 2003). It became imperative that the researcher outlined the general characteristics of the study in support of the choice of strategy.

**4.3.2.1. Exploratory study**

An exploratory study is described as one that aims to seek new insights into the phenomena, to ask questions, and to assess the phenomena in a new light (Saunders et al., 2007). Even though SMEs employ a large percentage of workers, little is known from the literature about the type of
HRM practices they engage in, particularly in developing countries. To the best knowledge of the researcher (from the literature), there has been no such study conducted to address the HRM practices employed by SME owners in Ghana. The study, therefore, sought to find the type of HRM practices employed by SME owners in Ghana in their individual enterprises and to draw a common understanding of the problems and challenges they are faced as enterprise owners. The nature of the study was exploratory because there was not much known about this situation in the literature of Ghanaian SMEs, and thus developing a model with a clear conceptualization of the variables influencing HRM practices and their implementation adoption might not be possible without first conducting an exploratory study.

4.3.2.2. Interpretive stance

Interpretivism is described as having an epistemology that advocates that it is necessary for the researcher to understand differences between humans and other entities in their role as social actors (Saunders et al., 2007). It is assumed under the interpretive approach that reality is socially constructed – there is always a sense in which things are not merely things-in-themselves but take on meaning for us because we are meaning-making-beings (Berger & Luckmann, 1966). Such meanings are constantly changing (Sale et al., 2002:43-53), making generalization less valuable, and also dependent on individual minds (Smith, 1983:6-13). Thus, people give their own interpretations and meanings to situations in which they find themselves, which in one way or the other affect their actions and the nature of their social interaction with others. Hence, interpretation of social roles is done according to the meanings the researcher elicits from those in such roles (Saunders et al., 2007:106-107). The researcher then interprets the accounts given according to how the participants make sense of their world. The researcher and the subjects participating in the study are interactively linked (Denzin & Lincoln, 1994), and the participants’ interpretations lead to adjustment of the researcher’s own meanings and actions.

The understanding for this study was drawn from the interpretive perspective to the development of knowledge qualitatively (Sale et al., 2002:43-53; Walliman, 2005; Saunders et al., 2007). The researcher sought to understand the subjective reality of the SME owners which helped to make sense of and understand their motives, actions and intentions in a way that was meaningful for them, as they gave their individual accounts of the phenomena. The researcher then interpreted the data collected from the accounts given by the participants, using tables and figures to bring
out the meaning, analysing the data for common understandings and key findings, which were then used to develop themes to report on. Finally, the researcher explored the variations and commonalities within each theme, comparing and contrasting the discussions with the diverse SME owners who shared their understandings with the researcher. This made it possible for the researcher to make a common interpretation of the findings to draw conclusions about the shared meanings. As argued in the literature, complete freedom from the inclusion of the researcher’s own values as researcher is impossible (Saunders et al., 2007:104), from which the researcher for this study is not exempted. Hence, the understanding which the researcher brings to the study, as outlined in Chapters Five and Chapter Six, is important.

Based on the epistemology and characteristics of the study, as discussed in sub-section 4.2.1 and the current sub-section, a decision for a choice for an exploratory qualitative research strategy was made.

4.3.3. Design of the qualitative strategy

Many frameworks and terminologies are used in the literature to describe research strategies such as quantitative, qualitative, and mixed method. Silverman (2000:88) used the word methodology in place of strategy and defines the term as “a general approach to studying research topics”. He explained further that one’s methodology shapes the methods or techniques to be used and how each method is used. He, therefore, defined research methodology as the researcher’s “ways of seeing” which may include approaches such as qualitative, quantitative, empiricist, interpretive, among others; and research methods as the researcher’s “ways of doing” things which may include techniques such as interviewing, surveys, data analysis and audio recording. Bryman (2012), in the same context, used the word strategy and described it as “a general orientation to the conduct of social research”. A choice of suitable methodology is, therefore, very important since it determines the techniques to be employed for the research study.

The three major elements spelt out in the methodology literature that go into a research approach are the nature of the research question itself, the research approach, and the specific methods of data collection and analysis (Creswell, 2003). The two most commonly used research approaches are the qualitative and quantitative approaches. A lot of scholars distinguish between quantitative and qualitative research on the basis of quantification (Bryman, 2012:35). Bryman further distinguished between quantitative and qualitative strategies:
Quantitative research strategy emphasizes quantification in the collection and analysis of data whereas qualitative research strategy usually emphasizes words rather than quantification in the collection of data (Bryman, 2012:35-36).

According to Jennings (2001), research that is informed by a qualitative approach is grounded in the interpretive social sciences, inductive in nature, and based on textual representations of the phenomenon under study. Quantitative research, on the other hand, uses data that are measurements in which numbers are used directly to represent the properties of something (Hair et al., 2003:74), and is based on positivism, a philosophical stance that posits only one truth, an objective law abiding reality that exists independently of humans’ unique capacities as meaning making and communicative beings, and independently of human perception (Sales et al., 2002:44). Thus, whereas in qualitative research the investigator and the object of study, the subjective meanings and interpretation of the study participants, are interactively linked with emphasis based on process and meanings which the participants construct together (Denzin & Lincoln, 1994), in quantitative research, the investigator claims to be capable of studying a phenomenon without influencing it or being influenced by it. Research that combines both qualitative and quantitative strategies is mixed methods research.

One possible way to investigate the central research question was by identifying the major HRM practices commonly engaged in by enterprises and exploring these areas in the context of SMEs to ascertain what was happening in this area of discipline. As such, a qualitative research strategy was adopted because of its commitment to an exploration of the socially constructed nature of reality (Denzin & Lincoln, 1998:8). Qualitative research allows for a thorough exploration of research questions, puzzles and ideas, which encouraged better understanding of the context specific nature of HRM employed by the participants. Apart from the qualitative research approach being flexible, it is also adaptable to change, which helped the researcher to delve deep into the HRM activities of this sector with the help of prompt questions. Also, qualitative research encourages participatory knowledge claims. In this study, the researcher sought to establish the meaning of a phenomenon from the view of the participants. Hence SME owners in Ghana were invited as participants and involved in semi-structured interviews in order to gather information to help answer the research question. Moreover, qualitative research seeks to understand the context or setting of the participants (Creswell, 2003). In this study, the researcher went to the participants’ enterprise sites, offices and homes (as agreed with the respective
participant) to conduct the research interviews, which helped her to develop detailed information about the situation of the participants.

Considering the epistemological methodological nature of the study, its characteristics, in relationship with the different types of research designs as identified by Bryman (2012:50) namely experimental design, cross-sectional design, longitudinal design(s), case study design, and comparative design, it seemed appropriate for the researcher to adopt a cross-sectional research design. A convenient sampling of SME owners was selected as the focus of data collection, with one key selection criterion being SME owners who own and manage their respective enterprises. This was to enable them to share their experiences in the area of HRM practices with the researcher. Thus the choice of research strategy adopted for the study was basically a qualitative cross-sectional research design, which enabled participants to reflect at one point in time on their HRM practices and challenges. The researcher hoped that future research might be conducted to identify any changes that might have occurred.

4.3.4. Research methods for primary data collection

It is a considerable challenge to select appropriate research methods that are congruent with the research aims and the researcher’s commitments to a world view, and their understanding of the knowledge they anticipate providing (Silverman, 2000:79), that will facilitate exploration of the HRM activities of SME owners in Ghana. It is necessary to gain general understanding of their enterprises as well as personal information about their life and experiences in order to understand the context for their HRM decisions and practices. The choice of a qualitative approach means that techniques such as interviewing and observation are employed for primary data collection with an emphasis on gaining an in-depth understanding of the situation of SMEs in Ghana.

4.3.4.1 Interviews

The choice of techniques under the qualitative approach for primary data collection for this study was the interview method. According to Kahn and Cannell (1957), an interview is a purposeful discussion between two or more people. Janessick (2004: 72), in agreement with Kahn and Cannell, defined interviewing as “meeting of two persons to exchange information and ideas through questions and responses, resulting in communication and joint construction of meaning about a particular topic”. As noted in the literature, interviewing is probably the most widely employed technique in qualitative research and a very good way of accessing people’s
perceptions, meanings, definitions of situations, and constructions of reality (Punch, 1998:174). It is also seen as one of the most powerful ways of understanding others, provides such rich and substantive data for the researcher, and forms a major part of qualitative research work (Punch, 1998; Janessick, 2004).

There are different types of interview mentioned in the literature. According to Punch (1998), the most common type of interviewing is individual face-to-face verbal interchange. Other kinds of interview include face-to-face group interviewing, face-to-face administration of questionnaires, and telephone surveys. Many authors group interviews under three main categories, namely: structured, semi-structured, and unstructured interviewing (Punch, 1998; Saunders et al., 2003, 2007).

To help with exploration of the HRM practices of the SME owners in Ghana, a semi-structured face-to-face interview was conducted with a sample of 30 SME owners in Accra, Ghana, from February to May 2011. The researcher chose this interview method to meet the participants face to face to hear the accounts on the phenomena at stake. This was a way to gather together accounts and understandings straight from the horse’s own mouth as primary data. It provided access to the experiences of the SME owners and how they made sense of those experiences. Unlike structured interviewing, which is based on a predetermined and standardised set of questions (Bryman, 2012:227), the semi-structured interviewing method helped the researcher to explore the HRM practices of interest in the research, while giving the SME owners the flexibility to express their minds, thereby resulting in a very rich data collection. This researcher was in a good position to explore the quality of the responses from the participants, notice when a question had not been properly understood, and encourage the respondent to give full responses to questions by prompt questions. The use of semi-structured interviewing enabled the researcher to lead the discussion into areas that were not previously considered but which had significance, enabling the researcher to understand the phenomena fully and thus better addressing the research questions and objectives.

The busy schedule of the participants was considered when choosing the method for primary data collection. The SME participants were more or less managers in their own enterprises or companies, and face-to-face interviewing provided them with an opportunity to reflect on events without needing to write anything down. Also, individual meetings could be arranged at
convenient times, thus saving their time for their business matters during peak times. The method also afforded them an opportunity to hear themselves thinking aloud about things they might not have previously thought about, which led to the collection of a rich and detailed set of data.

**Interview questions**
A set of seven open-ended questions was constructed by the researcher (see Appendix 2d), guided by the aims and objectives of the central research question, to investigate the general information about the SME owners and their respective enterprises and more importantly, the HRM practices they employed in their various businesses. The questions involved in the interview were designed to seek participants’ opinions, ideas, and experiences in the area of HRM practices. Since the research study was for an exploratory purpose, there was the need for a strategy of enquiry which would allow participants to express themselves in their own way and elaborate on their issues. Open-ended questions were employed to cater for this and also help obtain the best responses from participants.

The first five questions explored the HRM practices of the SME participants in the area of recruitment and selection, training and development, performance management, compensation methods, and some general administration practices. The sixth question explored the problems and challenges faced by these participants in their choice of HRM practices and inquired into their opinions as to the solutions of such problems. The seventh question explored the background of the participants and their respective enterprises. Part of this question was used as introductory question to the interviewing, while the remaining part was strategically put last in order to avoid any embarrassment on the side of the participants that might have affected the responses to the rest of the interview questions (see Appendix 2f).

The set of interview questions was pilot-tested on four people from the Faculty of Business and Government, University of Canberra, Australia before administering it to the participants in Ghana. This was done to ascertain the clearness of the questions and also to help detect any ambiguities, as well as be informed of any questions that were not easily understood or were poorly constructed.

**Schedule of interviews**
Since the participants were taking part in the study on a voluntary basis, the researcher gave consideration to their busy schedule, as enterprise owners, and to their comfort during the
interviews. They had the opportunity to choose the date, time and venue for the interview. Out of the total participants, 63.33% chose to be interviewed at their respective offices situated within their business premises; 26.66% were interviewed at their place of residence; and 6.67% at public places (at an exhibition ground and a reception area of an insurance bank). The last participant chose to be interviewed in the backyard of the enterprise’s premises. The researcher noted that most of the participants preferred to be interviewed during a week day, late mornings (around lunch time), or late afternoon (just before the official closing time of business). Majority of participants (86.67%) chose to be interviewed during the week days, while few (13.33%) scheduled their turns over the weekend, due to their tight business schedule during the week days. In all, 43.33% of the participants were interviewed during the morning, and 56.67% in the afternoon.

The continuous rescheduling of the interviews by some participants at the commencement of the interview period resulted in most interviews being carried out near the deadline of the specified period for the fieldwork. Generally, the male participants were more ready to be interviewed on the agreed date and time than their female counterparts. Most of the female participants kept postponing their scheduled interviews so that most of them were interviewed in the last quarter of the interview period. Despite these disadvantages from changes in the interview timetable, the researcher allowed flexibility to the participants in all their schedules. The continuous visits and follow-up telephone calls by the researcher helped to get her informed quickly of such changes by participants.

Duration of interviews
The official duration of the interview was set at one hour, but this happened only on a few occasions. Most of the interviews lasted beyond two hours because the participants were keen to give detailed accounts of their HRM practices. There were also some occasions when the interview time exceeded beyond the agreed time with participants due to interruptions by clients, friends and employees of the participants, yet, they were faithful to their word and answered all the interview questions.

All the participants were so willing to participate in the study that they were very open to giving information on their HRM practices and the problems or challenges they faced. According to the participants, this was the first opportunity they had as SME owners in Ghana to talk about HRM
practices. The researcher made sure that the interview questions were all covered within the given time frame. Participants’ responses were guided towards the achievement of essential, reliable and valid data to answer the research question. The researcher made use of prompts during the interview to either clarify a point made by the participant, or acquire further information on a specific issue.

4.3.4.2. Ethics

Ethics issues were considered throughout the phases of the research plan (Hair et al., 2003:104; Saunders et al., 2007:178). According to Saunders et al., (2007), ethics refers to the appropriateness of one’s behaviour in relation to the rights of those who become the subject of the work in questions, or affected by it. This makes ethics issues very important to the research process, so that researchers are guided by the code of conduct to eliminate the possibility of causing harm or intruding on an intended participant’s privacy.

Ethics issues of this study were taken care of by the researcher from the access seeking stage, through the data collection process, the analysis process, to the end of the report writing. Such expected characteristics of the research study was guided by the University of Canberra’s Code of Ethics under the supervision of the University of Canberra Committee for Ethics in Human Research, a body set up for constructing an ethical code and disseminating advice about the ethical implications of design aspects of research, as well as a reactive role in relation to the consideration of research proposals, among other things. A National Ethics Application Form was completed (serving as a proposal for this research study), attached with copies of the Participant Information Letter, the Letter of Invitation to participate in the research project and the Consent Form, and submitted to the Committee for Ethics Clearance. Approval of the research to be conducted was granted before the commencement of the study.

There arose the need for gaining access to the potential participants of the research study. This led to the need to satisfy the ethical requirements of the various associations from which the targeted potential participants could be sourced, namely Association of Ghana Industries (AGI), Ghana Association of Women Entrepreneurs (GAWE), and National Board of Small Scale Industries (NBSSI) to help gain access to the targeted population first. The researcher submitted a letter seeking permission to use their respective members as populations for the study, with a copy of the participant information letter attached, to the respective head offices of the
associations. Such bodies responded positively and invited the researcher for brief interviews for further information on the nature of the research study. Each interview ended up positively with collection of documents outlining the history of the establishment, mission and goals, vision and values of the respective association, as well as a list of their members with all the necessary information to help with easy location and selection.

Ethically, individuals have a right to privacy and should not feel pressured into participating (Saunders et al., 2007). Because of this, the researcher sought access from the selected potential participants by first contacting them by telephone and following up with visits scheduled to suit the individual participant’s program for the day. Participants were officially given an information letter, an invitation letter, and a consent letter to read and sign (see Appendices 2a, 2b, and 2c), after explaining to them the nature of the research, the requirements of taking part, the implications of taking part, and the rights of the participants, as well as the end use of the data to be collected and how the data would be reported, with contacts for further information made available. Issues concerning their right to withdraw at any point of the interview process without any penalty (since their participation was voluntary), and also the right not to respond to a question if the individual felt this was appropriate, were spelt out in the information letter to the participants, and adhered to by the researcher during the data collection process. On no occasion did the researcher press any participant for a response. Prolonged interview times were experienced in most cases, but these were in the interests of the respective participants, resulting mostly from their willingness to give elaborate information on some of the questions. The aims and objectives of the research study were in focus throughout and the researcher made sure that interviews did not go beyond any boundary, as discussed with participants before their commitment.

Confidentiality and anonymity were maintained during the data collection, storage and even at the reporting stage, as stated in the research proposal and the information letter to participants. Participants’ identities were protected in all aspects of the data collection, processing, storage and reporting.

Thus ethics issues were very critical for the conduct of this research and were considered throughout the period of the research study. Procedures to help gain access to the various members of associations, the individual SME owners, and the intended participants were
followed, with the researcher conducting herself in such a way that no harm was caused to any of the participants.

4.3.4.3. Procedure for primary data collection

As indicated in the previous section, the main method for the study was based on primary data collection using semi-structured interviewing, and this choice was made partly with the researcher considering the nature of the population targeted. As stated earlier on, the main objective of the study was to delve into the HRM of SME owners in Ghana, but due to the diversity of the type of businesses they operated in, coupled with the fact that they were spread all over the regions of Ghana, there was a need to study a population, within a specified location.

Research location

Several factors were considered in limiting the research location to Accra and its suburban areas (see Figure 4.3). Accra, the capital of Ghana and its suburbs alone contain a very high percentage of SMEs. According to the literature, over 70% of all female-owned enterprises in Ghana are also located within and around the capital (Saffu & Takyiwah-Manu, 2004). Apart from this, infrastructure such as transport and telephone services within the area is favourable for the conduct of a research study with limited resources. Given the resources and time constraints, Accra was selected for the research location and SME owners, who were within Accra and its suburbs, selected for the study population.
Sample population

The sample population for this study was small- and medium-sized enterprise owners in Accra, Ghana. The term ‘population’ is defined as the full set of cases from which a sample is taken (Saunders et al., 2003:151; Walliman, 2005:276). To reach the participants from this population, the researcher sourced enterprises from the various associations they were affiliated to such as Association of Ghana Industries (AGI), Ghana Association of Women Entrepreneurs (GAWE), and the National Board of Small Scale Industries (NBSSI). Aside from these major associations, there were smaller associations or unions formed by the SMEs on the basis of their products.
The AGI, which was established about 45 years ago, has about 13 sub-sectors of businesses with a membership of about 1,000 entrepreneurs. GAWE, established 15 years ago, has a similar number of members. To locate these SME owners, the researcher collected a list from the Association of Ghana Industries (AGI) and the Ghana Association of Women Entrepreneurs (GAWE). Another list, compiled of SME owners registered under the National Board of Small Scale Industries (NBSSI) and Small Business Association (SBA) also provided initial information. A small number were selected from those who did not fall under any of the above associations. The lists given by the various associations were basically for the Greater Accra Region and contained information such as the name of the enterprise, the size (macro/small, medium, large), product category, location of the enterprise, contact person with his/her position and telephone number, and the enterprise’s postal address. From the available information on these enterprises the first cut was made. All enterprises without enough information were dropped out of the list, especially those who failed to supply their location and telephone numbers. A total of 250 enterprises were initially listed from the compiled lists.

Sample frame
The exploratory nature of the study called for a sampling frame that would best enable the researcher to answer the central research question on HRM practices by SMEs in developing countries and meet the set objectives of the study. Thus there was the need to select a sample frame that would be informative on the research question, and this was found in the owners of the SMEs themselves. In developing countries, owners of SMEs usually undertake the task of HRM practices. Therefore, these owners were in the best position to answer questions pertaining to this study, since they were the ones making decisions concerning HRM practices of their respective enterprises. They were deemed the only group who could give a concise account on their choice of HRM practices; how such practices were employed; why they were employed; the problems and challenges involved in such practices, and other general (but relevant) information concerning their enterprises.

Accordingly, the sample frame for the study was made up of SME owners who created and ran their own enterprises (with above 5 but not more than 100 employees), and located within Accra and surrounding suburbs in Ghana. Using the description of the sample frame as criteria for screening and from the statistical information obtained on the individual enterprises from the
associations as well as the internet, all enterprises which fell under the macro- or large-size category were deleted from the list. The list of 250 enterprises obtained dropped to 150 enterprises. Secondly, any of the remaining enterprises which was not located in the capital, Accra city and suburbs, was eliminated, which reduced the list by 10 leaving 140 enterprises.

Sample size

It was part of the research strategy designed by the researcher to use a small sample size for the study, which coupled with the qualitative nature of the data that was going to be collected and the purpose of the findings from the study, was appropriate. With the resultant list very large for the anticipated size, adoption of a method to reduce the sample size became necessary. A careful study of the locations of the enterprises revealed that 60 of the remaining enterprises were all located within one industrial area and some neighbouring suburbs, with some of the enterprises very close to each other, which would help to save time. Those 60 enterprises were chosen and contacted by the researcher. Unfortunately, 10 of the telephone numbers of the enterprises could not go through, two of the remaining 50 were SME owners but were not directly in charge of the running of their respective enterprises, while five had reduced their size to single-operator enterprises due to the then global economic crisis. Personal visits scheduled for the remaining forty-three SME owners revealed that three of the enterprises (all in textile production) had closed down temporarily due to the prevailing economic crisis (bringing the total on the list down to 40), while some of the medium-sized enterprises had cut down their number of employees as a means for survival. This called for an amendment to the sample frame – so that instead of the size of the SMEs being 10 and above employees as spelt in the proposal, it was lowered to six and above, but not more than one hundred employees.

Even though a total of 30 participants were planned to be selected according to the research proposal, it was anticipated that some participants might fail to turn up and so the list the researcher was working with on the ground totalled 40 participants. The extra 10 participants were to make up quickly for people who might change their minds at the last minute or who would be incapable of keeping their promises due to certain incidents beyond their control. In all, three out of the 10 reserved SME owners were substituted. As explained in an earlier section, this research was an exploratory type and (as noted in literature) samples were not meant to statistically represent a large population, but a small sample size could be used to provide
important information (Sales et al., 2002:45; Hair et al., 2003:78). As a result, the researcher officially considered a sample size of 30 SME owners. Following introductory letters to the selected SME owners, the owners of these enterprises were contacted by telephone, and this was followed up by personal visits at the location of their respective enterprises. The SME owners in the final list were provided with a participant information letter to inform them of the research project, as detailed earlier on under section 4.3.4.2 of this thesis, as well as a letter inviting them officially to participate in the research project. The SME owners ended up consenting to participate and signing the Informed Consent Form (copy attached as appendix 2c). It was part of the method for primary data collection for the researcher to record the various interviews using an audio recorder. As a result, permission was sought from the participants in the Informed Consent Form for a declaration as to whether the participant would agree to the audio recording of the interview or not. Majority of the participants (90%) agreed to the audio recording of the interview, with 10% disagreeing, basically on the grounds of confidentiality and security. For the participants who declined to have their interviews audio-recorded, the researcher covered their respective interviews with handwritten notes.

4.3.4.4. Collection of relevant materials from participants
All the participants gave their complimentary business cards for future contact, with a few adding one or two documents outlining their mission, goals, values and product lines. Such documents helped the researcher to contact them by telephone or email in times of need for clarification on an issue or for further information on issues they described during the interview, and also in writing the general information in Chapter Five and the findings in Chapter Six.

4.3.4.5. General characteristics of representation
The general characteristics of the participants of this study and their enterprises are indicated in Table 4.1. Considering the total sample from the point of industrial structure, 70% of the participants were owners of small-sized enterprises, and the remaining 30% medium-sized.
Table 4.1: General characteristics of representation

<table>
<thead>
<tr>
<th>Total Number of Participants</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Range of Participants</td>
<td>23 to 78</td>
</tr>
<tr>
<td>Educational Levels</td>
<td>Basic, Secondary, Tertiary</td>
</tr>
<tr>
<td>Marital Status of Participants</td>
<td>Single, Married, Divorced, Widowed</td>
</tr>
<tr>
<td>Size of Enterprises</td>
<td>Small (21) and Medium (9)</td>
</tr>
<tr>
<td>Location of Enterprise: Premises</td>
<td>Residence, Rented, Enterprise owned</td>
</tr>
<tr>
<td>Location of Enterprise: Suburb and number of enterprises which owners participated in the interview (also see, Figure 4.3 in this chapter):-</td>
<td>Accra Central (1) Accra Newtown (2) Achimota (2) Airport (1) Asylum Down (2) East Legon (4) Kokomlemle (1) Labadi (1) Madina (6) Osu (2) Roman Ridge (1) Spintex Road (5) Teshie-Nungua (2)</td>
</tr>
<tr>
<td>Sectors covered / No. of enterprises under each sector (also see Table 5.6 in this thesis):</td>
<td>Furniture (2), Food (6), Metal (4), Pharmaceuticals (1), Fashion design (6), Leather work (1), Real estate development (1), Consulting (4), Advertising (1), Event management (1), Forwarding &amp; Clearance (1), Hotel &amp; Tourism (1), Building construction (1).</td>
</tr>
</tbody>
</table>

The age range of the participants was between 23 and 78, with each of them having obtained formal education up to a certain level. Most of the participants (76.67%) were married, few (6.67%) were divorced, 6.67% singles who had never married, and the remaining 10% declined to show their marital status. Almost half the number of participants (46.67%) had their enterprises located within their residence. A few number of the participants (13.33%) had separate premises built for the enterprise, while 40% had their enterprises located in rented premises. Most of the enterprises were located within the suburbs of East Legon, Madina, and Spintex Road. Further details on representation will be presented in Chapter Five of this thesis.
4.3.4.6. Data analysis

Qualitative data ranges from a short list of responses to more complex data (Saunders et al., 2007). In either case, there is the need for an appropriate method of analysis to give a meaningful and useful result. According to the literature, there is no standard approach to the analysis of qualitative data (Creswell, 2003; Saunders et al., 2007) since different authors use different approaches for qualitative data analysis (Coffers & Atkinson, 1996; Miles & Huberman, 1994).

The data for this study was analysed manually using content analysis. The kind of qualitative data collected was in-depth, which enabled the researcher to have a clearer understanding from the perspective of the SME owners, their choice of HRM practices and their reasons for making such choices. The procedures for analysis involved organizing the mass of qualitative data that were collected into meaningful and related parts to help make sense of the text. The thematic coding and analysis of the data is shown in Figure 4.4 of this chapter. This helped the researcher to understand and manage the data, integrate related data drawn from different transcripts, identify key themes for further exploration, and draw conclusions (Miles & Huberman, 1994).

The data collected, in the form of responses from the interviews, were first transcribed. The format for transcription was such that each general question or sub-question was followed by its corresponding response from the participant, and field notes made by the researcher during the interviews were typed in the appropriate margins of the text. During the transcribing, the major topic headings were set in capital type font in red; the questions were in normal type font red (with prompt questions in pale pink), whilst all responses took normal type font in black. Throughout all the individual transcripts, clear interviewer and participant identifiers were used. In each interview transcript, a code was assigned for the participant. For instance, the code 04SME means the fourth participant interviewed among the selected SME owners. All the interviews conducted were done by the researcher without employing other interviewers. Each interview transcribed was saved in a separate word-processed file with the file name given corresponding to the interviewee’s code. This method was adopted to make it easier to match participants’ transcripts with their respective computer files; also to maintain the confidentiality and anonymity of the participant as specified in the participant information letter. A separate back-up security copy of each data file was stored on a mass storage device.
Figure 4.4: Thematic coding and analysis

- Family Background
- Level of Education
- Work Experience
- Hobbies
- Position Title and Role
- Sources of Motivation
- No. Of Enterprises Own
- Marital Status
- Age
- Total No. of Employees
- No. in Senior Position
- No. of Full-time Employees
- No. Of Part-time

Profile of SME Owners
- Year of Establishment
- Mission & Goals
- Product Category
- No. Of Employees

Profile of Enterprises
- No. Of Enterprises Own

General Information
- Profile of SME Owners
- No. Of Employees
- Sources of Motivation
- No. in Senior Position
- No. of Full-time Employees
- No. Of Part-time

HRM Practices of SMEs Owners in Ghana
- Recruitment and Selection Practices
- Types of HRM Practices
- Profile of SME Owners
- Profile of Enterprises
- General Information

Types of HRM Practices
- Recruitment and Selection Practices
- Training and Development
- Compensation methods / effect on performance
- Other HRM Practices: General Administration
- Employee Promotion
- Employee Work Assignment
- Employee work Supervision

Recruitment and selection practices problems
Problems and challenges encountered in HRM practices.
Compensation methods problems

Sources of Recruitment / Recruitment process
Selection Criteria/Process
Method for Selecting Employee
Method of Evaluation
Problems Encountered
Type of Payment
Types of Benefits
Types of Incentives

In order to ensure that the transcripts were accurate, a copy was sent to the relevant participant for final checking to make sure that the data collected was free of transcript errors. However, there were a few of the transcripts which could not meet the deadline for the fieldwork and were therefore brought back to the University of Canberra before transcribing was completed. These were transcribed and the respective participants emailed or contacted by phone for checking and clarification of certain points.

However, to make general sense of the individual interview transcripts and reflect on their overall meaning, a few of the transcripts were selected and read through several times to ascertain that the messages the participants passed across were related to the research question and objectives. General thoughts about the data were noted in the margins corresponding to such texts. A preliminary organizing scheme was already in place since the interview questions were structured according to the objectives of the study. The overall data collected were sorted under their respective individual questions. For instance, all participants’ responses to Question 1 were grouped together. All responses of participants to a particular question were then read against each other, comparing and contrasting individual views of the participants on an issue. In this way the objective of each question was initially used as a category code. Later, the categories were named based on the terms commonly used in the literature of HRM practices.

Additional thematic codes were identified, guided by the central research question and objectives of the study, the theoretical framework perspective, and by paying close attention to the field data and interviews an emergent structure for analysis of the data was built up (Saunders et al., 2007:478). The data grouped under each category were read through several times. The transcripts were labelled with the appropriate category in the margin and later attached to the appropriate category using the cut-and-paste method. This helped the researcher to organise and rearrange the data into a more analytical and comprehensible form (Saunders et al., 2007:478). It allowed the recognition of emergent pattern in the data, providing areas for further data collection, and also a well-structured analytical framework to pursue the analysis of findings.

Whereas some of the categories were subdivided, others were integrated. For instance, the responses from the question on method of payment employed by participants and those from benefits available to employees were initially grouped under two different categories, but they were later grouped together under the compensation category. Again, all categories created under
the different questions on problems encountered were brought together under the category code “Problems encountered in HRM practices” (see Figure 4.4). Also, a question seeking to know if there had ever been an industrial action by the employees yielded ‘No’ as a response from all the participants and as such the category was deleted. On the other hand, new insights were gained into some of the categories leading to the creation of new ones. For instance, the description of the participants and their enterprises were initially under one major category coded ‘Findings’, but this was later divided into two major categories namely ‘General Information’ and ‘Type of HRM practices’. The data under each thematic category or topic is presented in a descriptive form in Chapters Five and Six, aided by figures and tables. Furthermore, codes were put on those issues that frequently occurred in the responses of the participants and such issues used as themes for the research analysis and discussion.

Finally, the researcher analysed and made an interpretation of the data collected under each theme by contrasting and comparing the data for the key information on participants and findings on their HRM practices with information gleaned from the literature and the theoretical framework employed for the study. This analysis and the interpretation of the researcher drawing conclusions of the study are discussed in Chapter Six. Whilst remaining faithful to accounts of the participants, the employment of this analysis permitted relative flexibility to the researcher, and helped to shape the direction of the data collected. The interactive nature of the data collection process and analysis allowed recognition of important themes, patterns and categories during data collection. These helped in so many ways to arrive at the resultant data description delivered in the next two chapters.

4.4. Conclusion

The chapter has reported on the research plan, research design, and methodology for this research. It has also explained the characteristics of the study, which are both explorative and interpretive. The chapter recognised and justified the need to collect qualitative data to explore the HRM practices of the SME owners in Ghana. The approach and techniques employed in the data collection have also been outlined, as well as the method for the data analysis. The strategy employed allowed the gathering of a volume of data on the characteristics of the participants,
their respective enterprises, and the HRM practices they employed. The next chapter presents general information on the characteristics of the participants and their respective enterprises.
CHAPTER FIVE
PROFILES OF PARTICIPANTS AND THEIR ENTERPRISES

5.1. Introduction

The methods employed in the collection of primary data for this study have been elaborated in Chapter Four of this thesis. This chapter looks at the profile of the participants and their enterprises. Question 7 was designed to explore the demographic profiles of the SME owners who participated in the study, and also elicits general information about the participants’ enterprises. This chapter, therefore, describes the characteristics of the various participants and their SMEs.

5.2. Demographic Profile of Participants

The demographic profile of the participants explored six key areas namely, the family background of the participants, their respective ages, marital status, educational levels, experience before creating their respective enterprises, and the motivational factors that inspired them to create their respective enterprises (as illustrated in Figure 5.1). The decision to select these key areas was based on the fact that demographic factors play a major role in business decision-making, especially in the area of HRM practices (Verheul et al., 2002). Also, similar studies from the literature investigated such demographic factors of their sample population. Information acquired from these key areas may help future researchers to understand the type and characteristics of the sample used for this study and compare with the sample of their studies, to find out if there are any similarities or differences between the sample populations and ascertain how relevant such information will be to the outcome of their studies. All the questions prompted by the researcher under the sub-section of these issues were answered by the participants, with the exception of that on marital status, which a few of them decided not to respond to.
5.2.1. **Family background**

The individual SME owner’s socio-economic family background tells a great deal about the person’s life, since it is strongly linked to explaining and understanding the person’s other demographic characteristics such as educational level, marital status, and experience. The data showed that some of the participants came from families who were in the same trades as those they established. These participants explained how their parents and relatives tended to serve as role models to them as they grew up, and that their acquisition of management skills, specific knowledge and competencies came from the fact that they grew up in their respective enterprises and decided to inherit or establish similar businesses when the opportunity came. The majority of participants who were involved in dress-making and carpentry confirmed this. Such domestic operational history might have trained them on the job, giving them the basic specific knowledge needed for the operational and managerial functions. This indicated that these participants might have acquired previous knowledge in HRM practices from their respective family enterprises. There was also an indication that such backgrounds might have influenced their recruitment and selection decision making, whereby they might have considered selecting applicants with similar backgrounds as them, and adapting decisions on criteria that could support them.
5.2.2. Classification of participants by age

The age of an individual is a factor that can influence a person’s level of maturity in making business decisions. Table 5.1 shows the age range of the participating group. Even though most of the participants were 50 years old and above (66.67%), young SME owners as well as those in their middle age were also included. The responses showed that all the participant in this study were of matured age to make business decision. Thus they knew what they were doing, how, and why they were doing that.

Table 5.1 Classification of participants by age

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Total No. of Participants</th>
<th>% Total of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 29</td>
<td>2</td>
<td>6.66</td>
</tr>
<tr>
<td>30 – 39</td>
<td>3</td>
<td>10.00</td>
</tr>
<tr>
<td>40 – 49</td>
<td>5</td>
<td>16.67</td>
</tr>
<tr>
<td>50 – 59</td>
<td>12</td>
<td>40.00</td>
</tr>
<tr>
<td>60 and above</td>
<td>8</td>
<td>26.67</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

5.2.3. Marital status of participants

Another sub-question investigated the marital status of the participants. Almost all of the participants (90%) responded to the question, with few of them declining to declare their status in marriage. According to the data obtained, majority of the participants (76.67%) were married with children, while few of them were divorced or single. Thus most of the participants were with social responsibilities to their families while managing their enterprises.

Marriage, in the Ghanaian context, is deemed a social upgrade, and people who are married are regarded as experienced in social life by the society. Building on the discussion of the previous section, their maturity in age coupled with their marital status might influence their management decisions (especially in the area of HRM practices) and contribute to their respective employees respecting their orders and instructions. It might also bring the employees close to the participants to seek advice on certain social relations issues, which might glue participant and
employees together as a family, thereby strengthening employee-employer relationships. It is also seen as a factor for business growth in terms of availability of human resources. For instance, there were cases where some participants were helped by their spouses without any compensation.

5.2.4. Classification of participants by education levels
As highlighted in the literature, education (like experience) is very necessary preparation for enterprise owners, with the requirement varying according to the nature and demand of some enterprises (Longennecker et al., 1994). The education levels of the participants are shown in Table 5.2.

A wide variety of education levels were represented amongst the participants. A significant number of them (20%) held a PhD or Masters’ degree in their respective field of studies. A good number of the participants (26.67%) had first (undergraduate) degrees, while the majority of them (53.33%) had been educated formally from basic school level and above but below tertiary level.

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Total No. of Participants</th>
<th>% Total of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>PhD</td>
<td>2</td>
<td>6.66</td>
</tr>
<tr>
<td>Masters’ degree</td>
<td>4</td>
<td>13.33</td>
</tr>
<tr>
<td>1st degree</td>
<td>8</td>
<td>26.67</td>
</tr>
<tr>
<td>Secondary education</td>
<td>14</td>
<td>46.67</td>
</tr>
<tr>
<td>Basic Education</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

One of the most impressive findings from the data was that none of the participants was without formal education, with their education cutting across all levels, as could be deduced from Table 5.2. This is higher than would be expected, given the fact that 70% of the Ghanaian adult population in urban areas is literate, while in the rural areas the rate is lower (40%); with Accra specifically having 80% of its adult population literate (GSS, September 2008:13).

Even though formal educational level was not a factor in creating a business in Ghana some decades ago, the rapid changes in technology have made it a major criterion for owning a business today. Most SME owners in the country find it necessary to attend further degree and
short courses, as well as seminars to help them keep abreast of current managerial skills and knowledge, as was deduced from their responses. Such educational background might have influenced their HRM practices perception.

5.2.5. Experience of the participants

The experience of the participants before they created their respective enterprises was also investigated. All of the participants responded to the question; with the responses indicating that they had work experience either from a private or public sector employment.

Three types of work experience were identified by the researcher. The first group was those who had direct specific experience through acquisition of skills and knowledge from previous work in full employment status or apprenticeship. Within this group, some obtained their experience by being trained informally into the job as they grew up with their families, friends and other close relations, or even through their own hobbies. The second group was those with work experience before the creation of their enterprises, but where such work experience was unrelated to the industry in which they created their enterprise. They indicated that the general work experience they obtained from their former work places contributed greatly to their ability to run their enterprises. They brought to their own enterprises rich professional experiences, skills and a network of contacts with previous colleagues, which guided them in their business decision making, including HRM practices. The way and manner their previous work bosses dealt with them were resources that they could reflect on when deciding on their choice of HRM practices.

There was a third set of participants: those who had no relevant work experience at all before starting their respective enterprises. They needed a job to enable them to make ends meet and so took to any readily available job opportunity that came their way to help them get something to live on. Such SME owners are very common in Ghana. Whereas some of the participants identified such opportunities from friends and associates, others took it as a divine opportunity from God. For instance, a participant, who happened to be a building contractor, claimed that it was simply a divine inspiration and an answer from God to his family’s prayer for a source of income at that crucial time.

Such experiences coupled with their academic backgrounds (as discussed under the previous section 5.2.4) might have increased their level of self-confidence in handling HRM issues.
5.2.6. Position titles and roles of participants in their respective enterprises

The position titles of the participants and the roles they played in the daily operations of their respective enterprises were investigated. Table 5.3 was produced from the data collected. With the exception of few of the participants (10%) who inherited their respective enterprises, all of the participants established their respective enterprises themselves, and as such were the sole owners, and in the top management positions. They described their roles played in their respective enterprises as being in charge of all the administration; seeing to all final business decisions; as overall supervisors for all the enterprise operations; overseers of the enterprises’ transactions; handling all public relations issues; acting as estimators and being in charge of costing; as well as being supervisors and counsellors for the employees.

Table 5.3 Position titles of participants.

<table>
<thead>
<tr>
<th>Position Title</th>
<th>Total No. of Participants</th>
<th>% Total of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer (CEO)</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Managing Director</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Director</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>General Manager</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>Managing Consultant</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>Proprietor</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Marketing Manager</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Manager</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>Administrator</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Coordinator</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

However, only a few of the participants (6.67%) specifically made mention that the recruitment/selection and training of employees formed part of their major roles, even though it was revealed in the interviews that they were all in charge of HRM issues of their respective enterprises. This might suggest that HRM issues were not a major part of their daily roles, as noted in the literature concerning SME owners in general (see, for example, Koch & de Kok, 1999). Some of the participants, who owned medium-sized enterprises, employed a person in the position of ‘general manager’ and tasked him/her with all instructions to supervise all operations of the enterprise (including HRM issues) and report daily to them.
5.2.7. Motivational sources of participants to establish enterprises

Many factors combine together to stimulate an individual to decide on creating his/her own enterprise; most often, it is the degree of motivation that finally pushes that individual to create the enterprise in a specific business sector. Motivational factors become important in explaining the history leading to the establishment of participants’ enterprises, hence prompting a sub-question. Figure 5.2 shows the various sources of the participants’ motivation.

![Figure 5.2: Participants’ sources of motivation.](image)

It was revealed that each participant had more than one motivational source, as such the strongest and immediate motivation source for the establishment of the enterprise was reported. Whereas some of the participants (23.33%) were motivated by the idea of owning their own enterprises, others (6.67%) stated that activities that they were doing as hobbies were eventually turned into enterprises and they were inspired by the comments people gave at the display of their talents.

Another group of participants (23.33%) claimed that they were motivated by the treatment they received from their previous jobs. The good treatment they received from their former employers and the employers’ transparency in the business issues made them like the job so much that when
they left the previous job, they decided to create a similar enterprise of their own. On the other hand, there were other participants who claimed that their respective employers were not fair to them in terms of work-load and its corresponding compensation, so that having acquired knowledge in the previous jobs, they created similar enterprises. Some of the participants (10%) explained how their respective enterprises had been the backbone of their families, and how they were inspired by the respect and image the family held due to the enterprise. As such they were motivated to keep such enterprises going at the death of the original owners, by leaving their own trades and investing in such families’ enterprises. Others (6.67%), having been brought up in such enterprises, decided to establish similar ones when the opportunity came. Also, a number of the participants were motivated by various socio-economic factors to set up enterprises to create employment for self as well as help family members and friends to get jobs to generate money for living, as detailed in Figure 5.2.

Participants also confessed to having other experiential factors that motivated them to create their own enterprises. For example, some of the participants entered into their choice of enterprises based on their academic know-how of their field of specialization. One such participant was a medium-sized enterprise owner, who had an undergraduate degree in pharmacy, and decided to set up a pharmaceutical enterprise when the opportunity came. Such varied and interesting profiles of the participants contributed to their choices of industry to enter, the products or services to engage with, and the perspective to run their enterprises successfully.

5.3. Profile of Participants’ Enterprises

The responses to Question 7 also produced data on the background and operational history of the participants’ respective enterprises, year of establishment, their mission and goals, number of product/service businesses each participant engaged in, as well as the sizes of their respective enterprises. These are illustrated in Figure 5.3.
5.3.1. Background and operational history

Majority of the participants (86.67%) declared that they originally created their respective enterprises themselves, while a few of them (13.3%) either inherited their respective enterprises from relatives, or bought the enterprise from an expatriate (see Table 5.4).

Table 5.4 Original ownership of enterprises

<table>
<thead>
<tr>
<th>Status of Ownership</th>
<th>Total No. of Participants</th>
<th>% Total of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Founder</td>
<td>26</td>
<td>86.67</td>
</tr>
<tr>
<td>Inherited</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Purchased</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>TOTAL</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Ownership of business, particularly among the SMEs in developing countries like Ghana, is not divorced from management, and such evidence is characterised by these participants (as could be deduced from the discussion provided under section 5.2.6 of this thesis). Being owners of their respective enterprises suggested that these participants were prepared to make significant sacrifices and commitment necessary for the success of their respective enterprises.
5.3.2. Classification of enterprises by year of establishment

Responses to a question which sought to know the year in which participants established their respective enterprises is summarised in Table 5.5. The responses showed that majority of the participants (93.3%) established their enterprises within the period 1981-2010, especially within the period 2001-2010. Only few (6.67%) were established before the year 1980, an evident that most of the enterprises were relatively recent. Table 5.5 also reflects the fact that with the exception of a few enterprises (6.67%), all the enterprises in the study were established during and after the implementation of the IMF’s Economic Recovery Program (ERP) / Structural Adjustment Programme (SAP) of the 1980s (as mentioned in Chapter One of this thesis), which according to the literature, gave the economy of Ghana the impetus for recovery and created a friendly environment for business creation (Chamlee-Wright, 1997; Apusigah, 2004).

Table 5.5  Year of establishment of enterprises.

<table>
<thead>
<tr>
<th>Period of Establishment</th>
<th>Total No. of Enterprises for the Period</th>
<th>% Total for the Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 - 2010</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>1991 - 2000</td>
<td>9</td>
<td>30</td>
</tr>
<tr>
<td>1981 - 1990</td>
<td>7</td>
<td>23.34</td>
</tr>
<tr>
<td>1971 - 1980</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Before 1970</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>TOTAL</td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

5.3.3. Classification of enterprises by product/service lines

A further breakdown of the participants’ data is reproduced in Table 5.6 which classifies the participants under category of product or service they were engaged in. Product category as used here by the researcher refers to all tangible products, whereas the service category denotes all types of service enterprises covered under the research study.
### Table 5.6: Classification of enterprises by product or service category

<table>
<thead>
<tr>
<th>Category of Business: Product / Service</th>
<th>Total No. Enterprises Engaged in</th>
<th>% Total of Enterprises Engaged in</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Products:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>2</td>
<td>6.66</td>
</tr>
<tr>
<td>Food</td>
<td>6</td>
<td>20.00</td>
</tr>
<tr>
<td>Metal</td>
<td>4</td>
<td>13.33</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Fashion Design</td>
<td>6</td>
<td>20.00</td>
</tr>
<tr>
<td>Leather Work</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td><strong>Services:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate Development</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Consulting</td>
<td>4</td>
<td>13.33</td>
</tr>
<tr>
<td>Advertising</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Event Management</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Forwarding &amp; Clearance</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Hotel &amp; Tourism</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Building Construction</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

Even though the choices of the SME owners covered by this study were made without any statistical consideration of type of product or service category, the research sample frame gave good coverage to different types of businesses, which helped to bring out the differences in choice of HRM practices. This is shown in Table 5.6. The diversity of enterprise type may help to ascertain the differences and similarities in HRM practices within SMEs in Ghana. The data also showed that diversification was still a dominant practice among the participants, as noted in literature. A significant number of participants (26.67%) engaged in more than one product line. Most of the participants engaged in diversification explained that it was a means of
hedging against failure of their respective enterprises as a result of a particular product failing on the market; that in case one product line failed to bring in returns, another might. However, such a practice might cause divided attention in HRM practices among the various products/services under diversification, which might in turn affect the effective and efficient planning and execution of HRM for each particular product/service.

5.3.4. Classification of size of enterprise by number of employees

The research study investigated the total number of employees each of the enterprises had, which produced Table 5.7. A majority of the participants (66.67%) had total numbers of employees of not more than twenty each, while a sizeable number (13.33%) employed a total number of 90 and above employees each, with the remaining enterprises (20%) having 10 or less employees each.

Table 5.7: Sizes of enterprises by number of employees

<table>
<thead>
<tr>
<th>No. of Employees</th>
<th>No. of Enterprises by Category of Business</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Product</td>
<td>Service</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>91 - 100</td>
<td>2</td>
<td>6.67</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>81 - 90</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>71 - 80</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>61 - 70</td>
<td>0</td>
<td>0.00</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>51 - 60</td>
<td>2</td>
<td>6.67</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>41 - 50</td>
<td>1</td>
<td>3.33</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>31 - 40</td>
<td>1</td>
<td>3.33</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>21 - 30</td>
<td>1</td>
<td>3.33</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>11 - 20</td>
<td>7</td>
<td>23.33</td>
<td>4</td>
<td>13.33</td>
</tr>
<tr>
<td>05 - 10</td>
<td>6</td>
<td>20.00</td>
<td>3</td>
<td>10.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>66.7</strong></td>
<td><strong>10</strong></td>
<td><strong>33.3</strong></td>
</tr>
</tbody>
</table>

A classification of the enterprises according to the Ghanaian standard put most of them (70%) under the small-sized enterprise category, whilst the remaining 30% come under medium-sized enterprises. Considering the various definitions given in the existing literature, all the enterprises listed as ‘medium-sized’ in Ghana would actually be considered ‘small-sized’ in the United States of America, United Kingdom, Australia and many other nations.
5.3.5. Location of participants’ enterprises

The personal visits to the locations of the enterprises of the participants of this study prompted questions to provide data on the locations of their respective enterprises, from which Table 5.8 was produced. Three types of locations were found, namely, location within participant’s own residence, on enterprise’s own site, and in rented premises.

Table: 5.8 Locations of participants’ enterprises

<table>
<thead>
<tr>
<th>Participant</th>
<th>Enterprise Location</th>
<th>Within Residence</th>
<th>Enterprise Own Site</th>
<th>Rented Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td>01SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>02SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05SME</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>06SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08SME</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>09SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td><strong>14</strong></td>
<td><strong>4</strong></td>
<td><strong>12</strong></td>
<td></td>
</tr>
</tbody>
</table>

Almost half of the number of the participants (46.67%) had their enterprises located within their own residence. Few of them (13.33%) owned the sites for their enterprises, which were located
away from their respective homes, while the remaining participants (40%) had their enterprises located within rented premises.

Such classes of sites and locations might promote or demote the HRM practices of the respective participants, as each class of location has its advantages and disadvantages in the area of HRM practices.

5.4. Summary

Below is the summary of the general information gathered from the data on SME owners and their enterprises described in this chapter:

1. The participants in the study had diverse family backgrounds and were engaged in different trades, with some of them establishing the same trade they grew up in, while others, guided by the general business skills they learnt from family enterprises, entered into different trades.

2. The age of participants ranged from young adults to middle aged and beyond, but there was a preponderance of mature adults in the participant group, with all of them holding the top managerial positions and roles.

3. Most of the participants were married with children, had education attainments at least at basic level, and work experience before establishing their respective enterprises. Coupled with their maturity in age, these contributed to their setting of clear and specific missions and goals.

4. All the participants had impressive motivational sources for choosing to enter the enterprises they did, with a good number of them having more than one product or service line.

5. With the exception of few of the participants, all others established their enterprises during and after the implementation of the Economic Recovery Program (ERP), with a good number of them having established their enterprises between the years 2001 and 2010.

6. Most of the participants’ enterprises fell under small-sized category, mostly located either within their residence or in rented premises; and most did not have an HRM office or officer.
5.5. Conclusion
This chapter has analysed the data collected on the profiles of the participants and their enterprises, reporting on the characteristics of the participants and their enterprises. Such characteristics and their interactions with HRM practices will be further discussed in Chapter Seven of this thesis. The rest of the interview questions were directed to exploring for answers to the core research question of the study concerning HRM practices of the participants. The analysis of the data collected and findings are presented in the next chapter.
CHAPTER SIX
ANALYSIS AND FINDINGS OF HRM PRACTICES BY PARTICIPANTS

6.1. Introduction

The previous chapter presented the profiles of the participants and their respective enterprises. The central research question for the study, guided by a theoretical framework derived from strategic human resource theory (see Chapter Three of this thesis), sought to find out the type of HRM practices employed by SME owners in Ghana; why and how such practices were employed; the constraints they faced in such choices of practices; and to ascertain whether or not such choice of practices contributed to the achievement of the objectives of the enterprise to bring growth and success. Questions 1, 2, 3, 4 and 5 were designed to explore such HRM activities, whilst Question 6 investigated the problems and challenges facing the participants in their day to day HRM practices. This chapter thus presents the analysis and description of the data collected from the responses to the explorative HRM questions, and provides key findings. The chapter takes up each of the research sub-question as a major sub-heading and analyses the responses given by all the participants to the individual questions to ascertain the contribution of that choice of practice to the achievement of the enterprise’s objectives. Summary of the key findings is then given under the last sub-section of the chapter before drawing a conclusion.

The theoretical framework of this thesis (see section 3.3) suggests that HRM practices which are in themselves motivating and strategically planned to the need of the enterprise may cause employees to be competent and committed to performing the job to contribute to the achievement of the enterprise set objectives. The key HRM practices areas explored in the study and analysed in this chapter are illustrated in Figure 6.1. The data collected in each of the areas was analysed to find answers to the questions: What type of HRM practice? How is it practised? Why is it practised? What problems and challenges are associated with such practice?
The HRM practices, problems and challenges common to participants are revisited in the later part of this chapter, and participants’ opinions/suggestions as to how such obstacles could be completely eliminated or reduced to the minimum stated.

6.2. Recruitment and Selection Practices

The success and growth of an enterprise lie partly in the effectiveness and efficiency of its recruitment and selection practices. Question 1 was designed to explore these areas. The objective of the question was to bring to light participants’ recruitment and selection practices, the problems they were faced in such choices of practices, and whether or not the choices they made could contribute to employee competencies and commitment to perform.

6.2.1. Recruitment practice

The first part of Question 1 explored the recruitment practice of the participants. Participants were asked to describe the recruitment practice they employed. The objective of the question was
to bring to light the sources of recruitment participants engaged in, the reasons for choices, the recruitment process employed, and the problems they faced in such choice of practice.

6.2.1.1 Participants’ sources of recruitment

Participants were asked to describe the recruitment sources they were engaged in. The objective of the question was to ascertain whether participants’ choice of recruitment sources were suitable to supply the specified candidate needed for the job.

All the participants responded to this question. Table 6.1, produced from the responses, shows the four main sources of recruitment engaged in by the participants and their distribution among these sources. The followings are quotes from the responses:

People voluntarily bring in applications seeking for employment. ... There are times too when friends bring in people, especially when they realize that there are existing vacancies (01SME).

I source from only recommendation and voluntary, for both senior positions and field workers (05SME).

I source from voluntary applicants, recommendation by friends, and put advertisements at strategic places (06SME).

Initially, I was recruiting from only institutions, especially the polytechnics. ... Now I source from voluntary applicant as well as recommendation. I advertise only when I am in need of a driver (09SME).

I source from recommendation only (12SME).

Data analysis found that majority of the participants (90%) sourced recruitment from recommendations by friends, relatives or former colleagues, while a good number of them (76.67%) from voluntary applicants. There were also participants (46.67%) who sourced by advertising, either through media (usually in the national or local newspapers, and local radio stations), or by pasting posters on walls, enterprise’s gates, and electric/telephone poles. Other participants (30%) sourced from institutions. Among those who sourced from institutions, there were cases where participants sourced students on placement/internship or serving on Ghana’s National Service Scheme, especially candidates coming from institutions that had a good reputation in training in the area of their product or service, as reflected in the following quotes:
Senior staff is employed by word of mouth. ... There are two others who came for internship and decided to work with the company (24SME).

I recruit from advertisement (newspapers and radio broadcast), recommendation by friends, voluntary applicants, and attachments from polytechnic and vocational schools (26SME).

The responses revealed that the majority of the participants sourced staff from voluntary applications and recommendation (both of which are informal sources) - an indication that participants’ highly patronised in informal recruitment sourcing. However, across all the participants’ enterprises, there remained a marked preference for working with their respective spouse or children. Earlier studies like Mayson & Barrett, (2006) and Zakaria, (2011) had reported a similar finding. Zakaria (2011) specifically reported that SMEs recruited through existing staff, families, and friends.

The data further revealed that apart from one participant who sourced recruitment from only one source, all the remaining 29 participants sourced from more than one recruitment source. This was evidently indicated in Participant 26SME’s statement. There was also an indication that most of the participants used different sources of recruitment for different levels of positions that were to be filled. From participants’ comments, people who walked in voluntarily were most often recruited for casual vacancies especially by participants in manufacturing enterprises. Most of the participants in the study explained their choice of recruitment sources as dependent on the task in question; the required skills and educational levels; the availability of that type of labour in the market; the cost and time involved in engaging that source; and the satisfaction gained from using that source. However, further investigation revealed that time and cost involved in the particular source might be a deciding factor for many participants. In this regard, a participant explained that she was sourcing from advertising through a local radio station for a specialized employee as a mechanist, which was costing her substantial money and time, but at the end of it all, she was not able to obtain the desired calibre of employee. Accordingly, she turned to a business colleague of a similar enterprise who recommended an ex-employee of hers, who the participant confessed was just the right mechanist she was seeking, stressing that it did not cost her anything.
<table>
<thead>
<tr>
<th>Participant</th>
<th>Voluntary</th>
<th>Recommendation</th>
<th>Advertisement</th>
<th>Institution</th>
<th>Total Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>01SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>02SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>03SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>04SME</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>05SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>06SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>07SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>08SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>4</td>
</tr>
<tr>
<td>09SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>3</td>
</tr>
<tr>
<td>10SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>3</td>
</tr>
<tr>
<td>11SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>12SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>13SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>14SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>15SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>16SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>17SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>18SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>19SME</td>
<td>X</td>
<td>X</td>
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<td></td>
<td>2</td>
</tr>
<tr>
<td>20SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>21SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>22SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>23SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>24SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>25SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>4</td>
</tr>
<tr>
<td>26SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>4</td>
</tr>
<tr>
<td>27SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>28SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>29SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>30SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td><strong>23</strong></td>
<td><strong>27</strong></td>
<td><strong>14</strong></td>
<td><strong>9</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Note to Table 6.1*

- **X** ……………………. Participant engaged in Voluntary ………………… Voluntary applicants, in the context of Ghana, are people who walk-in to enterprise premises to ask for offers of employment.
- Recommendation …………. Applicants recommended by friends, family members, or colleagues for job offer.
- Advertisement …………….. Applicants sourced from advertising by the enterprise.
- Institutions ……………….. Applicants sourced from institutions.
Participants’ most preferred recruitment sources

A question was prompted to know participants’ most preferred recruitment source. Table 6.2 was produced from the data collected. Responses revealed that 50% of the participants had preference for recommendation, followed by voluntary and advertising (16.67% each), and institutions (6.66%), with a few of the participants (10%) not preferring any one of them to another.

Table 6.2: Distribution of participants by most preferred source of recruitment.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Voluntary</th>
<th>Recommendation</th>
<th>Advertisement</th>
<th>Institution</th>
<th>None of Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>01SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02SME</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03SME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04SME</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>05SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06SME</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08SME</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>09SME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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Note to Table 6.2: X ………………… Participant’s preference
Comparing the results with the number of participants who were engaged in each source of recruitment, it might be suggested that not all the participants preferred the recruitment sources they were engaged in (see Tables 6.1 and 6.2). Also, the results of Table 6.2 confirmed the previous notion that participants preferred informal recruitment sourcing.

6.2.1.2 Participants’ reasons for preference

The question investigating the reasons for participants’ preferred recruitment sources brought out a range of reasons for preferring or not preferring one recruitment source over another.

Recommendation source

The following were some of the reasons given by the participants for preferring recommendation sourcing:

- *It saved time and cost involved in advertising.*

- *People who recommended the applicants knew them and were able to tell the employer how to handle them.*

- *The applicants did not want to disappoint those who recommended them and as such tended to perform well.*

- *With recommendation from colleagues, friends, families, and even current employees, the calibre of people that the enterprise was looking for could be obtained with less effort and cost.*

- *Employees who were sought through recommendation by people known to the employer tended to behave well.*

- *They were more serious with the job than those from other sources.*

- *They were eager to take instructions which made training them easy.*

- *Currently, I source only from recommendation. I used to advertise but the cost was too much for the enterprise.*

- *As I said earlier on for the recommendation, in the first place we do not want to waste money on advertising. The type of work here does not favour advertisements. We will rather prefer a source from somebody who knows somebody....*
Participants’ responses confirmed their preference for a recommendation source over the other sources considered under this study, as revealed by the discussion in the previous section. They explained that apart from the recommendation source being more reliable for seeking employees, who might be hard working and committed to the job, it cost less (in terms of money and time) to engage in. This implied that participants had knowledge on how committed and competent employees could lead the enterprise to success, and as such search for such employees. However, the financial status of SMEs in Ghana (also mentioned in Chapter Two) might be a contributing factor for their preference of the recommendation source of recruitment to save money that could be used to fund other areas of operating the enterprise.

Some of the reasons given by the participants for not preferring a recommendation included the following:

*Most of those who came under recommendation had previously worked in a similar business before and were very difficult to control since they always wanted to go by the previous knowledge from the former work places.*

*They deemed themselves as professionals and experts and refused to take instructions.*

*It was very difficult to terminate their employment when they misbehaved due to relationship between participant and the person who recommended them.*

These responses indicated that even though using social networks simplifies the recruitment process for the participants and costs far less than sourcing formally, it was associated with some disadvantages in relation to the behaviour of employees sought from this source. Moreover, literature noted this source as an informal recruitment source. It further explained that relations tended to refer people who were just like them, so that the probability was high of a lazy or an incompetent person recommending someone who was likewise lazy and incompetent. Singh & Vohra (2009:104) noted such preference among the SMEs in India and reported that such practice might lead to formation of dominant groups of cliques that could be dysfunctional.

**Voluntary source**

The category of participants who preferred sourcing from voluntary applicants also had the following reasons for that preference:
It cut down the rate of favouritism in the selection of applicants as a result of personal relationship.

Their applications were normally in waiting; as such it saved time and cost involved in searching for people to recruit.

Employees from this source could be more easily controlled than those from the other recruitment sources.

They showed seriousness and commitment to work.

Some reasons given by participants for not preferring voluntary source were:

The applicant was not known thoroughly and could be a liability to the enterprise especially on security matters.

Sometimes, one ended up picking the wrong people, since they were not personally known, and might not be what they said they were.

The reasons given by participants for and against can be summarised as the cost involved in recruiting from this source was minimal (just like sourcing from recommendation), but the candidates to be recruited were unknown, unlike recommendation where the person recommending knew the candidate. Participants indicated that the risk of recruiting the wrong candidate was very high in this sourcing, a statement recommending a formal recruitment method. However, as confirmed from the responses of the participants, people sourced from voluntary applicants most often tended to show more seriousness and commitment to work than the other sources, which made a difference.

Advertising source

Participants who preferred advertising to the other recruitment sources gave a range of reasons for their preference:

Advertising produced most of the people with the specific knowledge of the job.

The most qualified people were obtained.

For somebody to read and reply to an advertisement showed seriousness.
Advertising cut off the interference of relatives in the enterprise’s employment decision making.

It had wide coverage and attracted the best candidates in the country.

Just advertising with posters around the area helped to get people from the locality to employ, which cut down employees’ transportation costs.

Reasons given by participants for not preferring advertising:

The type and size of the enterprise, and work done did not justify advertising.

It was a very costly source of recruitment and the enterprise could not afford such costs.

The applicant might state many commendable attributes on paper that might prove to be different after being hired.

Advertising was very expensive for the enterprise, yet did not give satisfaction.

Advertising in the major newspapers imposed on time and energy, because of the volume of applications, since people continued to apply even after the deadline, with phone calls coming from all over the country.

The research found that participants did patronise less in sourcing from advertising. According to participants, it produced a less desirable group of applicants than those obtained by recommendation and voluntary means, yet very expensive and time consuming. Literature also noted advertising as one of the formal, but expensive, sources of recruitment (factor noted by Noe et al., 2011:142; Dessler, 2012:95). However, as explained in Chapter Two of this thesis, the limited funding for operations among the SMEs in Ghana, coupled with the fact that few specialised and administrative personnel are employed, might be a contributing factor to making this source less attractive to the participants, especially those who are owners of small-sized enterprises.

**Institution source**

The group of participants who preferred sourcing from institutions had the following reasons for their preference:
Applicants from institutions tend to understand the type of business they were being recruited for.

Experts in the field of the enterprise usually referred students who were very good and fit for the position to be filled.

Reasons given by participants for not preferring recruitment through institutions:

People recruited from institutions did not stay long with the enterprise.

There was an increase in administration costs due to the employee’s higher wages.

The participants gave credit to the business knowledge skills of this group of employees, but explained that such employees left to establish similar enterprises as soon as they acquired the needed skills or returned to colleges for further education, often at times when the enterprise needed them the most. This showed participants’ concern on employee long term commitment to the enterprise. Analysis further indicated that participants perceived employees recruited from institutions as costly administratively, but they did not respond well to instructions, thinking that with their qualifications, they knew better than the enterprise owners. Thus participants compared benefits against cost. Literature notes institution recruiting as an important source of management trainees, as well as of professional and technical employee. However, the perceived non-commitment of employees from this source to stay long and contribute to the objectives of the enterprise, and the high administration cost associated with employing them could be factors deterring participants from this source.

6.2.1.3 Recruitment process employed by participants

Participants were asked to describe their recruitment process. The objective of this question was to ascertain whether participants’ recruitment process was effective and efficient to result in candidates who were interested in the job and possessed the qualities specified for the task.

Analysis from the responses indicated that 50% of the participants regularly used formal recruiting process. They would ask for written applications with the necessary required documentation attached (such as passport photograph, C V, copies of original certificates), checked the application letter and attachments; and shortlisted applicants for final selection interview. Some participants from this group had the following to say:
The person is asked to apply formally, supported by certain documentation such as originals of certificates, passports size pictures etc. All original documentation are checked and photocopied. ... A company recruitment form is given to the applicant to fill, and this, in addition to the other documentation are filed .... and applicant scheduled for an interview (06SME).

Both voluntary and recommendation sources go through the same recruitment method. The person applies to a specific section for employment. The already filed applications are reviewed and a number of applicants are called for interview (01SME).

There were also cases where participants looked at the general appearance of the candidate and how he/she comported him/her -self on the day of application submission and used that as part of the criteria for short-listing. Some of the participant in this same group admitted sourcing from voluntary and recommendation sources, however, they declared that all applicants went through the enterprise’s recruiting process:

Both voluntary and friends sources go through the formal recruitment method (01SME).

Participants explained that after receiving the written application with the necessary documentations, interviewing for general background information of the applicant, and shortlisting, they put the applicant through a short pre-screening by means of practical work (where applicable) before final selection interview. The responses also revealed that few of the participants in this group gave out pro-forma application forms at the outset, or after short-listing for selection. However, the overall description of this group of participants’ recruitment process suggested that they had an idea on the benefits of formal recruitment process and as such adopted it to certain degrees, but different arrangement in the steps within the process.

It came out from the responses of the remaining participants (50%) that they did not have any planned recruitment process in place. Some of them had the following to say:

Unemployment is on the higher side and if somebody from my family is unemployed, I don’t see why I shouldn’t get that person on board (04SME).

First of all, I organise a quick interview for the applicant to measure his interest level in the job. ... But the most required criterion at the recruitment stage is the applicant’s interest and commitment to work (09SME).
No written application is required. Applicants are rather asked to bring their own fabrics for practical test (26SME).

Applicants undertake a three month practical work at the plantation before submitting a written application. I get to know some of their relations before setting them to start work (27SME).

No documentation needed. The recommended candidates are contacted and arrangement made for interview (12SME).

Findings indicated that some required only a written application and C.V. to make selection decision. They checked for accuracy of information, compared one application to another, and the more suitable applicant in the eyes of the participant was selected for the job. Other participants from this same group pre-screened the applicants through practical work to confirm the basic level of specific skills needed for the position to be filled, then short listed for final selection, as suggested by Participant 27SME’s statement. There was also an indication from the responses that some of the participants only conducted interviews for the recruitment process (as could be deduced from Participant 12SME’s statement), with no written application or any attachment of documentation needed. They explained that coming into contact with the applicant face-to-face and communicating with him/her was enough to get all the needed information for a successful recruitment process. A participant (23SME) indicated that she did not go through any written application, but rather conducted an ‘audition’ through which the candidates were examined and assessed on the required skills needed.

Another issue that came out of the responses was that none of the participants used an external agency for recruiting. A participant explained that he used to recruit through an agency but all the individual employees turned out to be very disappointing, so he carried out the recruitment himself. Perhaps the less patronage of this source of recruitment by participants might be its unpopularity within the Ghanaian HRM practices. The overall responses of the participants in this group suggested that they preferred a word-of-month recruitment process without any serious formal process or any sequentially ordered recruitment process.

Analysis on the recruitment of casuals suggested that they were not made to go through a long recruitment procedure. Most of the participants explained that since casuals were needed for a short time, they did not need any long process of examination. However, the responses showed
that casuals recruited for food processing underwent the full recruitment process of the enterprise - the only difference being that they were not given written offers of employment. One of the participants who dealt in food processing had the following to say:

With the casuals ... we find ourselves in such a situation where we randomly pick some people from outside to come and help us. They go through our normal procedure for recruitment, including medical examination. The only difference is that we don’t give them appointment letters (02SME).

Usually, participants collected information (such as name, contact address, telephone number, name of next of kin) by word-of-mouth from the casuals. Participants explained that this was to make it easy to contact the workers again when there was the need for such casuals and also to inform their respective relatives or kin in case there was an accident.

The analysis also highlighted that some of the participants kept prospective applicants on a waiting list until there was a vacancy to be filled in their area of specialisation, before such applicants were taken through the selection process for final selection decision. This is revealed in the following quote:

The middle level workers are taken on attachment for three months. ... It serves as the first screening. Those who are selected after the first screening are asked to file their written applications with the company, ... Later, when there is a vacancy to be filled, they go through the same interview procedure for final selection (08SME).

In conclusion to recruitment practices, participants employed different recruitment methods, which were mostly informal. Even though some of them started by describing formal sources and process of recruitment, they later described a range of recruitment method that were regularly employed in their enterprises (both formal and informal). The overall analysis implied that participants searched for candidates who were interested and competent in, and would be committed to the job they offered. However, the cost and time involved in the search caused them to use informal recruitment practice.

6.2.2. Selection practice
The second part of Question 1 explored the selection process participants employed. The objective was to ascertain whether the process they employed was effective and efficient enough to result in the applicant who best fit in the vacant position.
All the participants provided information about their selection process. The most common criteria used in the selection process were education levels, experiences, physical qualities, and gender (see Figure 6.2). The process, as explained by the participants, affected only applicants for senior positions, administration, and where applicable, operational work. The analysis revealed that almost all the participants engaged in an interview method for the final selection of a suitable candidate, depending on the nature of job. This was followed by probation for a set period. The following illustrates further how selection decisions were made amongst the participants:

### 6.2.2.1. Education

Education was an essential characteristic used in making selection decisions by a majority (86.67%) of the participants. Participants explained that the level of education required depended on the vacant position to be filled. They further indicated that they required a high level education for office or administrative jobs which required certain specialized skills like accounting and marketing, but very minimal levels of formal education for manual repetitive jobs. The followings are quotes:

*With senior positions, we look for diploma level of education upwards (14SME).*

*I look for educational qualification, a minimum of SSS for field workers, and first degree for administration section job (05SME).*

*Yes, the nature of the job calls for people with high level of education (12SME).*
It is not major criteria at all for the junior positions. We consider that at management levels (11SME).

Table 6.3: Distribution of participants among the four most common selection criteria

<table>
<thead>
<tr>
<th>Participant</th>
<th>Criteria</th>
<th>Education Level</th>
<th>Experience</th>
<th>Physical Quality</th>
<th>Gender</th>
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<td>Xx</td>
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</tr>
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<td><strong>14</strong></td>
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Note to Table 6.3:

X …………….. Criterion

Xx …………… Essential criterion

The remaining participants (13.33%) indicated that education was good to have, but not essential in their selection decision-making.

*Educational level is not a criterion for selection because there are some people who have not been to formal school before but who are very good in the sewing (16SME).*
Educational level is not important criteria for selection. The most important thing is for me to understand that person’s language to enable a perfect communication between us (27SME).

It turned out that all the participants engaged in consultancy enterprises required candidates to have relatively high levels of formal education. On the other hand, applicants for casual and factory-hand positions needed just the basic school level of formal education to be employed by most of the participants. Participants explained this as depending on job skills required. However, education, although seen as a very important tool, has not been a big issue in Ghana in the selection process for general jobs until recently. The high unemployment rate in the country (as mentioned in Chapter One of this thesis) had led many employers to use educational level as a major consideration in the selection process, and also as a way of reducing unwanted work interruption by voluntary applicants looking for jobs, particularly when none were available. The literature noted education as one of the important tools for enterprise growth, and advised that (just like experience, abilities, knowledge and skills) it must be relevant and job related if the applicant was to perform the job successfully (Noe et al., 2011).

6.2.2.2. Experience

Further analysis indicated that closely behind education as a criterion for selection was experience. More than half of the number of the participants (66.67%) cited experience as a criterion in their selection decision making. They explained that experience enhanced employee competency and commitment to work; that having job-related experience gave a good start to the job. The following are quotes from the interviewees:

Experience is .... essential under administrative work. (01SME).

The second criteria we look for is the experience of the applicant. ... not in the number of years but in competency (03SME).

Office work, yes. But the technical side, no. The office work needs more academic qualification .... (17SME).

I expect a minimum of two to three year experience at the specific area (18SME).

Experience is a major criterion. I select people who have specific area experience (26SME).
These participants stated experience as a pre-requisite for selection, depending on the type of job applied for. They further indicated that while some operational sections of their enterprises did not require experience, since they were given the necessary training after selection, other sections like administration did. The analysis further revealed that most of the participants did not look at the number of years that a person had worked as a measure of experience (as in the case of Participant 03SME), but rather the kind and level of skills and competencies that the applicant had acquired. These SME owners conducted practical tests for the candidates during the selection process, especially those in carpentry and dress making enterprises.

Also, some participants were very keen on specific area experience, yet they employed people without experience, but trained them according to the needs of the enterprise. According to these participants, most often the experience the candidates claimed to have did not fit into the available job task at all, but added that whether the applicant had experience or not did not matter, since they could be trained on-the-job. They further explained that some types of work they engaged the employees in involved simple repetitive procedures, and did not require the person to possess experience:

*I don’t ask for experience in the selection of workers for this particular work, as it is not available. One does not need experience for this work since he will be taught. It’s a repetitive type of work so it is not difficult to learn (06SME).*

*I consider experience as a very good advantage but not as major criteria, as the candidates are given training before job commencement (12SME).*

*I like training workers the way I want things to be done here. People with experience normally want to go their own way, and are very difficult to adapt to change. Experience is not a major criterion since each applicant is trained on the job.*

### 6.2.2.3 Physical qualities

Further analysis indicated that some of the participants (46.67%) used physical qualities as criteria for selection decision-making. The following are quotes from the responses:

*Our industry requires people who are healthy and strong. Physical structure counts depending on the job task (04SME).*
Physical qualities are considered under the field work selection since the work there requires strong and able people (05SME).

Yes. It is one of my major criteria. The system employed for production here is not automated and workers need to lift, hold items, and carry them from one point to another. I select physically fit and strong people during my interview process (06SME).

Physical quality of the person is considered. I select somebody who is very fit and strong, and can lift heavy metals, or reposition machines (07SME).

Physical health condition is very important criteria during selection. People with contagious diseases like tuberculosis are not selected since we deal with food production. …. people with physical disability are not selected due to the nature of the work (27SME).

It was found that participants who owned food-processing enterprises looked at the general appearance of the applicant in terms of neatness and physical healthiness (as they dealt in products that did not need cooking before being consumed), as well as physical strength, since the job involved lifting items from one place to another manually. A participant explained that potential candidates were required to undergo medical examination after the interview before the final selection decision was made. According to her, people with contagious diseases like tuberculosis were not selected. Others used physical qualities in relation to appearance to select people for front-desk work, point-of-sales tasks, and others. Nonetheless, majority of the participants (53.33%) did not use physical qualities as criteria for selection, explaining that they were more interested in physical fitness and competencies, as well as ability to deliver.

6.2.2.4. Gender

On the account of gender as a selection criterion, the responses indicated that quite a good number of the participants (46.67%) considered gender ratio during their selection process. The analysis indicated that some participants were pre-judging physical fitness for a task, relying on gender stereotypes. Such participants explained that the job they offered was very masculine and called for very strong people; that females did not have the kind of strength needed. They further explained that the few female applicants selected were usually assigned to packing, washing of bottles, general cleaning, and (in some cases) administration jobs where they were qualified:

The ratio of male to female is 1:0 especially at the production section. The nature of the job calls for very strong people so we prefer employing only males (01SME).
The enterprise’s gender ratio for employees for field work is 0:1 in favour of males. This is because the work on the field is masculine. At the administration section, the ratio is 3:2 in favour of females (05SME).

Some participants expressed their resentment about employing females for different reasons; they complained of females’ non-commitment to work as indicated in the following quotes:

Currently, I have no female employee, even though I am a female. This is, with the experience I have had with them. They are usually full of excuses – today it is ‘my son is sick’, tomorrow it is something else. They are not as hard working as the men, and sometimes, the working hours do not suit them, especially when we have large orders and as such work late into the night …… There is also the issue of pregnancy (30SME).

I have problems with females when it comes to recruitment and selection due to their social relationship with the males, which causes disruption in the work – things like gossiping and quarrelling. Sometimes discomforts during their menstrual period prevent them from doing their best (06SME).

Another group of participants favoured employment of female applicants to males. The followings are quotes:

Here females are more than males. I trust the females more than the males. It is based on trust. The guys are too smart for my liking (04SME).

One of my major goals for establishing this enterprise is to empower women, so I prefer employing more females to males (12SME).

Further analysis highlighted that while some of the participants had personal reasons for employing workers of a particular sex, there were cases in which a particular sex dominated in the final selection list by coincidence, or by the fact that the opposite sex were not interested in a particular job and as such were not motivated to apply. This was evident in the following quotes:

When we advertise, we don’t put it in that we want males or females so they all apply. …the ratio of female to male is 1:10. …With the nature of our work here, females do not like it (03SME)

For this place, even though the job task can be done by male or female, no female comes to look for job, it is always the males. The ratio of males to females is 1:0 (07SME)

The enterprise does not discriminate against women but, the women do not apply for this job (09SME).
However, 53.33% of the participants did not consider gender issues at all in their selection decision making. According to them, whoever was qualified and was found suitable for the position was selected. The followings are quotes:

*Gender ratio is not a deciding factor at all provided you are ready for the job (14SME).*

*Both male and female applicants are selected, if only the individual qualifies, based on no ratio (27SME).*

The analysis also indicated that apart from the four common criteria mentioned above, other skills such as good interpersonal skills, good working attitude, ability to listen to and follow instruction, and others were mentioned by most of the participants as criteria for selection. An example is a participant who ran a food processing enterprise, who tested the candidates in basic mathematics as part of the selection process with the explanation that the work involved the weighing of ingredients accurately. Others looked for politeness and decency in appearance and choice of clothing.

In summary to participants’ selection practices, the most commonly used selection criteria were education, experience, physical qualities, and gender. Education and experience, in support of the theoretical framework, enhance acquisition of competency. However, participants’ reasons for physical qualities and gender were based primarily on their individual discretions. Although gender as a criterion may enhance employee interest in and commitment to certain jobs, participants assessed candidates on the basis of gender stereotyping. Nonetheless, the basis for their assessments was rooted in the socio-cultural beliefs within the Ghanaian society which distinguished male-jobs from female-jobs, as discussed under Chapter One of this thesis (see also Boohene et al., 2008). None of the participants made mention of tests like employment, interest, aptitude, and personality which might help to make a good selection decision. This might be due to the fact that such tests have not been popular in the selection process of SME owners in Ghana, probably due to the cost and time involved.

6.2.3. **Problems associated with participants’ recruitment and selection practices**

The analysis from the earlier sections under recruitment and selection has indicated that participants mostly delighted in informal recruitment and selection practices. A question designed
to explore the problems facing the participants in their choice of recruitment and selection methods identified a number of findings:

A majority of the participants encountered problems including misleading information and documentation. Responses from participants indicated that people lied and produced fake documentations just to get hired for the job. Participants complained that the actual character of an applicant could not be known from their recruitment and selection processes as it became difficult to know who the enterprise was recruiting, until he/she was employed. They worried that they at times ended up employing unscrupulous people who were running away from police arrest and needed somewhere to hide under the cover of a workplace. This situation might be attributed to the current difficulties in finding a job in the country; people lied just to get hired for the job to enable them to provide for themselves and their families. The followings are quotes:

*The applicant can write any good thing in the C.V. that I have done this or that, but this may not be true (02SME).*

*Some people use our vacant place as opportunities to hide themselves from people they have offended, or from being arrested by the police. Such people run away after recruitment (06SME).*

*You see, the actual character and habits of the applicants are not known, as to whether the person is a thief or lazy. It as such becomes very difficult to know who the enterprise is recruiting (09SME).*

Participants also complained that some of the workers did not turn up at work after they had wasted time taking them through both recruitment and selection processes. They explained that such people either got offers from similar workplaces they preferred or simply lost interest. This resulted in the participants having to schedule additional time to find another applicant, which added to costs:

*Sometimes when the applicant is selected and put on the job, he is unable to stand the task and leaves. This puts an additional task on management to go through the recruitment process again and select another applicant (01SME).*

Other participants complained of applicants not being good at taking instruction during and after the selection process, especially, in practical work, which led to either material waste or at times
major injuries. This problem, according to them, stemmed from recruitment of candidates who said they already had experience in the type of job. Participants explained that such applicants refused change and always wanted to apply what they learnt at their former workplaces (whether it was applicable to their current work or not):

*Most of the people from the advertisement source cannot stand discipline, and as such leave the company (04SME).*

Some of the participants also lamented the continuous reception of walk-in applicants, written applications and telephone calls, even after the deadline of an advertisement. According to them, it diverted their attention from serious business matters, as they were receiving telephone calls from potential applicants most of the time.

Another major problem that came out from the participants’ responses was the interference of family members and friends in the recruitment and selection processes. This, according to the participants, resulted in employing lazy people, yet, due to family or friendship ties, made it difficult for such persons to be fired:

*The recommended source poses problems for us. ... it becomes difficult to take action against them ... (24SME)*

Recruiting the right people was a major problem for most of the participants. A participant explained that the specific type of worker needed in his enterprise was not available because training for such work was not part of the curriculum of education in Ghana. He also commented that even though there were numerous unemployed people, the skills and experience in the labour market did not meet the specifications needed for available positions, making recruitment and selection very difficult.

A participant’s problem was connected with sources of recruitment. According to her, recruiting from institutions seemed to be the best source for her enterprise, yet recruiting students for casual work had not been easy for her. She explained that sometimes, when the work was to be finished at midnight and the students were supposed to attend classes the following morning, they were not motivated enough for work. Thus employees would call, usually at very short notice, to say they were not coming in; this created an unexpected vacancy to be filled.
The overall description under section 6.2 implies that the recruitment and selection methods employed by the participants were not in accordance with the best practices methods as recommended in HRM literature, and outlined in Chapter Two of this thesis. Participants employed mostly informal recruitment and selection methods, thus confirming the findings of studies like Aldrich & Longton (1997), Mayson & Barrett (2006), and Zakaria (2011). Neither were the methods as recommended by the theoretical framework guiding this study. The framework, under the umbrella of SHRM theory, recommended the use of strategic recruitment and selection processes to enable the linking of such practices to the enterprise’s objectives, to contribute to success and growth. The theoretical framework assumed sourcing recruitment from the right source to build a good base for strategic selection process. Instead, participants were highly engaged in recommendation (90%) and voluntary (76.67%) which were all informal sources, and employed unplanned selection process. From the analysis of the problems they were faced, it could be suggested that their individually mixed bundles of processes under these practices were not working for them. Participants attributed the adoption of such informal methods to costs and time involved in employing formal recruitment and selection methods. However, there seemed to be lack of knowledge (at the side of the participants) on the cost of informal methods and the benefit of employing formal methods of recruitment and selection to the enterprise. It also suggested that the potential candidates selected for their enterprises’ vacant positions might need more training to make them effective and efficient, and motivated in executing their tasks. The data collected regarding training and development programs made available by participants to their employees are analysed in the next section.

6.3. Training and Development Programs

Strategically designed and planned training and development programs may enable the enterprise to derive maximum benefit from its employees to enable achievement of competitive advantage. Participants were asked to describe the training programs they had in place for their employees and how such programs were planned. The objective of this question was to bring to light the type of training and development programs participants had for their employees, how they selected employees for training programs, problems associated with such programs, and how they evaluated the effectiveness of such training on employee performance.
6.3.1. Type of employee training and development programs

Responses revealed two main types of training. These were job-specific training and employee developmental training, as illustrated in figure 6.3. The distribution of the participants among these types of training is also shown in Table 6.4.

Figure 6.3: Type of employee training common to participants

Note to Figure 6.3:

Assn ......................... Association sponsored
Govt ............................ Government sponsored
Spn .......................... Sponsored

6.3.1.1. Job-specific training

Responses given by participants revealed that their employees participated in both on-the-job specific training and external job-specific training:

*We give on-the-job training to our employees (01SME).*
We give them training before and after probation.... Later, the person is taught on the job by an old hand in each section (02SME).

Since we work with metals with sharp edges, after selection we take them through safety training first.... before the on-the-job training at the specific area of interest (03SME).

Everybody at production side undergo training programme handled by Quality Assurance. We organise both internal and external job specific training for them. ... (08SME).

We give them on-the-job training but if the association organises a training program for them, we allow them to attend (24SME).

We give them training organised by Food & Drugs Board of Ghana. We also give them on-the-job training (25SME).

The analysis showed high involvement of participants (96.67%) in on-the-job training organised within the enterprise’s premises. Participants explained their preference for on-the-job training that it cost less to organise in terms of time and money. They further based their preference on the technical know-how of the equipment they employed in their enterprises. They indicated that training the employees how to produce an item or effect service on the very equipment they were going to use to work was a big advantage to both the enterprise and the employee. They also explained that the available labour market fell short of the skills and competencies needed by them to operate successfully. As such, they preferred training their own workers on-the-job to help obtain the calibre of people needed by the enterprise. A previous study by Kotey & Slade (2005) made similar findings and stated that small enterprises value training that is specific to the job in question.

Further analysis revealed that most of the participants in the manufacturing sector had structured their on-the-job training in such a way that administrative workers were trained in the operational section before they were sent to be trained on the specific task relevant to their appointed position. Participants explained this as to facilitate employee replacement in times of need and to prevent idleness in times of material shortage or equipment breakdown at a section. The responses also revealed that the duration of the on-the-job training at the operational section differed according to the individual’s educational level, competencies, experience, learning rate and learning capacity.
Table 6.4: Distribution of participants among types of training given to employees.

<table>
<thead>
<tr>
<th>PARTICIPANT</th>
<th>TRAINING TYPE</th>
<th>JOB SPECIFIC TRAINING</th>
<th>DEVELOPMENTAL TRAINING</th>
<th>TOTAL No. OF PROG.</th>
</tr>
</thead>
<tbody>
<tr>
<td>01SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>1</td>
</tr>
<tr>
<td>02SME</td>
<td>X</td>
<td>X</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>03SME</td>
<td>X</td>
<td>X</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>04SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>05SME</td>
<td>X</td>
<td>X</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>06SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>07SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>08SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>09SME</td>
<td>X</td>
<td>X</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>10SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
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<td>X</td>
<td>X</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>12SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>13SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
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<td>X</td>
<td>3</td>
<td></td>
</tr>
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<td>X</td>
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<td>1</td>
<td></td>
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<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>17SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>18SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>19SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>20SME</td>
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<td>X</td>
<td>2</td>
<td></td>
</tr>
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<td>21SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>22SME</td>
<td>X</td>
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<td>2</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>24SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>25SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>26SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
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<tr>
<td>27SME</td>
<td>X</td>
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<td>2</td>
<td></td>
</tr>
<tr>
<td>28SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>29SME</td>
<td>X</td>
<td>X</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>30SME</td>
<td>X</td>
<td>X</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

Total Participants 29 0 5 9 6 5

Notes to Table 6.4:

As. .................................... Association sponsored
Emp. ................................. Employee
Ent. ................................. Enterprise
Gv. ................................... Government
Prog. ................................. program
01 – 30 ....................... (Prefix SME/SME) number of participant in order of turn in interview.
SME owner.................... small- and medium-sized enterprise owner.
Self-Spn. ...................... Self-sponsored
Sp.................................. Sponsored
U......................... Union
The responses suggested that a continuous learning process ran during the first few months to impart to the individual the operational job procedures of the enterprise. Afterwards, occasional top-up training was given on a day-to-day basis as needed, either on a one-to-one basis, in groups, or sections. This implied that no well-designed planned training program (as assumed by the theoretical framework) was in place for the employees by these participants. Additionally, findings indicated that the few external job specific training made available to employees were either organised or sponsored by the unions, associations to which the individual enterprise was affiliated, and the government (as shown in Table 6.4) in the form of seminars over one or two days.

6.3.1.2. Developmental training

Participants mentioned developmental programs in their responses as part of the training available for their employees. From the analysis, their involvement in developmental training was not encouraging. It was found that a significant percentage of the participants (46.67%) engaged their employees in one or more of the options given in Table 6.4, however, almost all of them depended on developmental training self-sponsored by the individual employee, or programs organised by the government, unions and associations their enterprises were affiliated to, and at times Non-Government Organisations (NGOs). The followings are quotes:

For furthering of education, the employee has to sponsor him/herself (02SME).

Obtaining scholarship from the enterprise for outside training is out. If you want to further your education, you have to use your own money to educate yourself (03SME).

I do not give sponsorship for further education, since the enterprise is very young, but encourage workers to further their education themselves by allowing them flexible hours to work whilst schooling (05SME).

I delegate employees to A.G.I. training programmes. Sponsorship cannot be given to the workers because they don’t stay long with me ... (06SME).

We give them on-the-job training but if an association organises a training program for them, we allow them to attend (24SME).

We give them training organised by Food & Drugs Board of Ghana. ... Since the enterprise is still at its infant stage, we are yet to consider the giving of scholarship for further studies (25SME).
To sum up section 6.3.1, the analysis indicated that almost all the participants showed much concern on on-the-job training and did not have any well designed plan for developmental programs. They based their decision not to budget for developmental program primarily on the cost and time they invested in such training programs and the unsatisfactorily results they received as returns (reference to quote 06SME). Also, there was an indication that they had no involvement in the decision of the design and content of such training programs coming from unions, associations, and others (reference to quote 24SME). Participants explained that the sizes of their enterprises and the income coming from their output could not sustain sponsorship, so they paved the way for developmental studies by giving employees flexible working time (reference to quotes 05SME, 25SME). They further explained that employees left the enterprise within a short time after being employed and that they did not stay with the enterprise long enough to deserve sponsorship for further studies (reference to quote 06SME). Thus whereas their high participation in on-the-job training might be a means to cut costs and make full use of production time, their less participation in developmental training might be attributed to the cost of such training and the high rate of employee turnover after such training, as could be deduced from their responses.

6.3.2. Method of selecting employees for training and development programs
Training can be a cost to the enterprise if it is not well designed, managed, and the right employees in need of that particular training program chosen (McCourt & Eldridge, 2003:276). Participants were asked to describe how they selected employees for training. The objective of the question was to verify whether participants had well planned training programs that seek the need of the enterprise and the individual employee in place.

From the responses, four key methods were employed by the participants, namely compulsory means (for all the employees in general or within a specific section of specialization), level of competency in executing an assigned job, the importance of the training program to the individual’s job, and by delegation (which was normally based on the employee’s own interest in the subject matter, academic know-how, or seniority in position).

The majority of the participants (56.67%) responded that on-the-job training organized by the enterprise (both general and section-wise) was compulsory to all employees specified. According to these participants, no matter the employees’ experience, qualifications, specific skills or former
training acquired, they all went under the same training, which generally enlightened them on the basics of everything done within the enterprise and equipped them with some technical knowledge on the product or service the enterprise engaged in. This suggested that the enterprise’ and employees’ need was recognised in the training plan. The followings are quotes:

The person applies to a specific section of the enterprise ... the person is put under that section to be trained on the procedures (01SME).

Both basic and specific knowledge trainings are compulsory (03SME).

Further analysis showed that some of the participants (20%) selected employees for training based on the individual’s level of competency in the assigned job. They further explained that the less competent employees were selected for training to receive a top-up to what skills they had. This method recognised the individual employee’s training needs as outlined in the literature and assumed by the theoretical framework of this study.

Participants also stated that employees were selected for training according to the importance of the content of the training program to that individual’s job task. They explained that the sizes of the enterprises were small and as such could not afford letting all the employees go for training together. This, according to Babatunde & Lauye (2011), confirmed the high level of dependence the participants might place on the employees. The followings are quotes:

The on-the-job training is for everybody, but with the trainings by associations, workers are delegated to attend depending on its importance to that person’s job task (05SME).

Usually the subject matter of the training determines who should go (10SME).

Even though this selection method might enhance competency and commitment among the targeted group, it seemed to be more selective by ignoring employees who might be interested in such training for developmental purpose. Also, there was an indication that participants played little role in the planning and selection of the subject matter for such trainings. Both quotes (05SME, 10SME) suggest that training was not planned to the employees’ needs, rather employees were planned to training needs.

Other participants selected employees who were intelligent and committed to the job. Participants explained this as to enable transfer of the knowledge from such trainings to the other employees
who could not get the opportunity to attend, as well as motivating employees to be committed to the job:

The on-the-job training is compulsory to every worker but, with the outside training courses, the most intelligent and committed worker is selected to attend (09SME).

However, the adapting of the method might be more attributed to the sizes of participants’ enterprises and the drastic reduction they might incur in production by allowing all employees to attend such training. There was implication that whereas the few selected employees might gain competency and continuous commitment to perform, the unfortunate majority of the employees might take it as unfair treatment and be demotivated to perform, as noted in some participants’ responses. The theoretical framework encouraged selective training to top up the less competent employees’ ability to perform, but not to limit training to only the competent employees.

Still other participants selected employees for training according to length of service in the enterprise and hard work, among other things. They explained that they did that to encourage the employees to stay long with the enterprise and contribute to the achievement of its set objectives. The following is quote:

It depends on the length of service. The person must be very hard working, show initiative in learning ... and share whatever he/she learns with the enterprise (14SME).

This suggested that the selection was not based on the need of all the employees since it took care of only the senior employees. However, it encouraged continuous competency and commitment among the selected employees and served as a set example for the other employees to follow.

There were also participants who left the decision to attend trainings into the hands of the employees. They explained that the employees seemed not interested in such training programs, and as such did not take learning serious at such training and came back with nothing to contribute to performance. Therefore, the employees were given the opportunity to decide whether to attend such trainings or not. Such a view was reflected in Participant 24SME’s statement (see below), which possibly showed a sense of non-involvement in planned training programs. This implied that such participants did not take training programs as essential to the success and growth of their enterprises. It also suggested that they did not have any designed-planned training activities in place:
I do not force it on them. Anybody who has the ability, and wants to undertake is selected to attend the training (24SME).

In conclusion, the overall analysis of section 6.3.2 suggested that the participants’ method of selecting employees for training by means of judging their level of competency, takes into account the individual employee’s training needs. However, such selections are affected based on decisions from ad hoc meetings with employees (without any well-planned training programs), which might not support continuous maximum contribution of the employees.

6.3.3. Problems associated with employee training

Participants were asked to state the problems they were facing in employee training. The objective of the question was to verify the problems that the participants faced in their choice of employee training programs.

Participants’ responses revealed that majority of them complained bitterly about the high cost of training, especially the cost involved in organizing the training relative to the returns obtained from the employees by the enterprise. In their view, the marginal net profit they obtained could not even be predicted because sometimes they ended up with nothing or even a negative balance after deducting production costs. Participants further complained that the structure and content of some training programs organised by the facilitators were not worth attending, and that most of such training programs were based more on theory, models and equipment associated with enterprises in more advanced countries, which were not applicable to developing countries like Ghana. According to participants, this made it difficult for the selected employees who attended the training to transfer what they learnt into the job. This implied that employees sent for such programs did not perform differently from those who did not have the opportunity to attend:

A lot of money goes into the outside training programs from sponsors e.g. those organized by A.G.I. yet they are not practical enough. The facilitators talk about the theoretical aspect and leave out the practical side which is more important to the trainees and the businesses (06SME).

Such training programs are virtually free as it is organised by international organisations but most of them do not benefit us (10SME).

Also, some of the participants complained of employees wasting production time and materials during training. They explained that most of the employees they recruited were not academically
able, hence needed long periods of training before they were able to pick up on what was taught. Their inability to understand instructions during training caused material waste to the enterprise:

*The less formally educated ones are very difficult to train. The person may have interest in the job but, because of his low level of literacy, it becomes very difficult to impart knowledge to him. It really takes a very long time before such a person is able to grasp something, which slows down work. Secondly, they waste lot of materials during training (19SME).*

*There are instances when things are spoilt by trainees, despite the experience they claim to have. There are some who have been in the system for many years yet create waste for the company (02SME).*

*Sometimes, I incur high cost due to mistakes by the trainees. With this type of work, whenever there is a mistake, the faulty material cannot be used again (07SME).*

The analysis also revealed a high rate of resignation by employees after training. Participants complained bitterly about the rate at which some of their locally trained and valued employees left them unexpectedly at the time they were needed the most for the enterprise, in search of greener pastures. A participant remarked that after training the employees, they left their jobs to go to other similar enterprises; they did not stay long enough to create a positive impact from what they had learnt on employees who came after them. They attributed this occurrence to be one of the major problems affecting the success and growth of their enterprises. This implied lack of motivation and commitment to the job at the side of employees after training:

*There are a number of situations whereby after training staff they run away. ... This serves as a de-motivating factor to us to continue training workers (14SME).*

*The major problem is that after training the employees, some leave to work for other enterprises. They don’t stay long enough to impact what they’ve learnt to the new ones we employ but just leave the enterprise (25SME).*

*We incur training cost for the large enterprises to enjoy the benefits. We train employees to join our competitors to fight against us (03SME).*

Further analysis suggested that participants had problems with their employees not being able to understand or act on instructions during training programs, at times just refusing to learn. They further explained that this problem was most often associated with two kinds of employees namely, those who thought they had experience in the area before they were employed, and those who had very low levels of formal education. The followings are quotes:
In-service and on-the-job training are good but some workers are not willing to be trained according to the standard procedures of the company (06SME).

Employees do not want to take instructions, especially those who have experience in the job. They don’t want to be corrected (12SME).

Some of the workers are not academically good and as such take a long time to understand certain things…. Those who manage to go through the training successfully too do not stay long with the enterprise (27SME).

In conclusion to this section, participants were faced with range of problems connected to the training programs employed. Building on the findings from the previous sections of the current chapter, participants’ choice of recruitment and selection practices, coupled with the less attention given to planning and designing employee training and development programs, might be key contributors to such problems.

6.3.4. Evaluating the effectiveness of such training on performance

A sub-question was designed to explore the effectiveness of the available employee training on performance. Participants were asked to describe how they evaluated the effectiveness of their training programs. The data collected produced Table 6.5.

The analysis revealed that a few of participants (10%) used evaluation forms, which were completed by both the individual employee and his/her sectional head, after the training was completed.

We give evaluation forms to the sectional heads at the end of the month, to give report on their performance throughout the period they have been on training (03SME).

After the training, I do an assessment by distributing evaluation forms to trainees to complete (18SME).

Also, participants (36.67%) evaluated the effectiveness of the training based on performance, by comparing the output of the employees before training with that after training.

By their output after training; with marketing and production sections targets are given (04SME).

We evaluate such training in two ways. One way is from the output of the individual, which shows the differences before and after the training. The other is from the comments we get from consultants we invite from outside to check on our quality level (08SME).
<table>
<thead>
<tr>
<th>Participant</th>
<th>Evaluation Method</th>
<th>Evaluation Form</th>
<th>Output and Behaviour</th>
<th>Improved Competency</th>
<th>Application of Knowledge Acquired</th>
</tr>
</thead>
<tbody>
<tr>
<td>01SME</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02SME</td>
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<tr>
<td>03SME</td>
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<tr>
<td>04SME</td>
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<td>X</td>
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<tr>
<td>05SME</td>
<td></td>
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<td>X</td>
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<tr>
<td>06SME</td>
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<td></td>
<td>X</td>
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<tr>
<td>07SME</td>
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<tr>
<td>08SME</td>
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<td>X</td>
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<tr>
<td>09SME</td>
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<tr>
<td>10SME</td>
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<tr>
<td>11SME</td>
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<td>12SME</td>
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<td>13SME</td>
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<td>14SME</td>
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<td>X</td>
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<tr>
<td>15SME</td>
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<td>X</td>
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<td>16SME</td>
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<td>17SME</td>
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<td>X</td>
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<td>18SME</td>
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<td>19SME</td>
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<td>20SME</td>
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<td>21SME</td>
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<td>22SME</td>
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<td>23SME</td>
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<td>24SME</td>
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<td>25SME</td>
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<td>X</td>
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<tr>
<td>26SME</td>
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<td>X</td>
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<tr>
<td>27SME</td>
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<td>X</td>
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<tr>
<td>28SME</td>
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</tr>
<tr>
<td>29SME</td>
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<td></td>
<td>X</td>
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<tr>
<td>30SME</td>
<td></td>
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<td>X</td>
</tr>
<tr>
<td><strong>Total Participants</strong></td>
<td>3</td>
<td>11</td>
<td>7</td>
<td>8</td>
<td></td>
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</tbody>
</table>

Some of the participants in this group further explained that where the employees were able to achieve the set target, and good comments were made by their clients on the output, it showed that the training was effective. This (with reference to Participant 08SME’s statement) meant that the evaluation was partly based on subjective comments of clients.

Another group of the participants (23.33%) responded that they used the competencies the employees acquired after such training to assess the effectiveness. According to them, where the rate of supervision was at a minimum and employees were able to work independently with minimal waste, then the training had been effective:
I get to know it by the rate of supervision the person needs as time goes on. The lesser the supervision the person requires at work after the training, the more effective the training is (07SME).

When the person is able to work on his/her own with less or no supervision then the training has been very effective. If the number of mistakes lessens with time, then the training is yielding fruit (28SME).

Also, some of the participants (26.67%) evaluated the effectiveness of the training by close observation of the employee on how they put whatever they were taught into practice. The following are quotes:

*I find out from the person what he has learnt from the training. Then I keep close observation on how the person applies what he has been taught to the work* (09SME).

*Through observation on how they perform the job* (12SME).

*When the person comes back from training to transfer whatever he/she learnt into the job* (14SME).

*We see what they have learnt from their action* (24SME).

*If they are able to put whatever training they are given in the best way to benefit the enterprise, then the training has been effective* (25SME).

Further analysis revealed that some participants used the increase level of employee’s competencies after the training to measure the effectiveness.

*I observe from their performance on the field. I check for improvement in their competencies, based on what they have been taught* (05SME).

*The comments our customers make on the finished products. ... We also check the overall finish of the task given and compare it with their competency before the training* (11SME).

*The effectiveness of the training is seen in the work they produce. After training, the quality of work improves* (13SME).

The overall analysis of the current section 6.3.4 suggested that participants patronised less in the use of evaluation forms, but more in the use of observation measurement methods especially changes in employee’s behaviour and output. It is generally known from HRM literature that a well-designed training plan and effective evaluation process of training that actually occurred help in planning future training programs more effectively. There seemed to be no planned
evaluation process for the participants’ training programs, which made it unclear as to what extent attendance of such programs affected the employee’s performance and the enterprise’s.

In conclusion to section 6.3, participants were more involved in on-the-job training than developmental, with the fear of employee leaving the enterprise after training being a key contributor to participants' non-involvement in developmental training. Findings supported the study like Kotey & Slade (2005) which noted that small firms favour informal training methods. The theoretical framework assumed that there was a well-designed training program in place to encourage employee competencies and motivation, but this was not the case.

6.4. Performance Management: Performance appraisal

Participants were asked to describe the approach they employed in performance management. The objective of the question was to ascertain whether participants’ approach to performance management contributed to enhancing continuous competencies and commitment of employees.

Analysis of the responses indicated that almost all the participants took their day-to-day supervision as a complete performance management process.

*Supervision is done by the surveyor and daily report given to me at the end of each day. ... I’m often on field to check on how things are going (05SME).*

*There are supervisors in place at every section or unit who see to everything. That aside, at the end of the day, the output target is used to check on the performance of each group (08SME).*

*I supervise the workers on daily basis, and also conduct annual appraisal (18SME).*

*I supervise the workers with the help of my assistant. I go round to check on what they are doing and effect corrections where necessary (26SME).*

Further analysis indicated that most of the participants (93.33%) did not engage in any performance appraisal approach. Participants in this group explained that their daily supervision and intersection with employees gave them enough information on each employee’s strength and weaknesses in performance. A few of the participants (6.67%) who engaged in conducting appraisal explained further that printed appraisal forms were distributed to employees to complete every year, after which the completed forms were filed for records sake. This suggested
that participants placed less value on performance appraisal. Their great indulgence in supervision but less attention to the other areas of performance management indicated that their focus was on controlling employees for increase output rather than employee development towards the achievement of the enterprise objectives, as argued by Cassell et al. (2002) and highlighted by Singh & Vohra (2009).

In conclusion, it seemed participants lacked knowledge on the importance of performance appraisal. Also, they did not have the time for designing well-planned appraisal system and all the processes it entails, since they were always busy with other business issues of the enterprise. The theoretical framework in Chapter Three of this thesis suggested the use of an effective and efficient performance management approach that may serve as a link between the individual and enterprise performance, a task that might need more than daily supervision to accomplish.

6.5. Compensation

Question 4 was designed to explore the compensation methods of the participants. Participants were asked to describe the compensation methods they employed and the effects of such methods on employees’ performance. The objective of the question was to investigate the methods of payments, incentives, and benefits employed by the participants, the reasons for their choices, and the effect their choices had on performance. Also it sought to find out the benefits available to the employees and how such benefits were administered by participants. Figure 6.4, which was produced from the responses, shows the various components of compensation methods that were mentioned by participants.

Analysis revealed that participants engaged in the administration of base pay (salaries and wages), merit pay, and incentive pay under direct compensation. Additionally, they engaged in protection programs such as medical, pension/retirement, social security fund contribution, pay for time not worked, and services programs under indirect compensation.
Figure 6.4: Components of compensation engaged in by participants.

Format of diagram adopted from Fisher et al., 2006: 485.
6.5.1. Direct compensation methods

Under the direct compensation methods, it was found that participants engaged in four key methods of payments namely fixed salary, commission, bonus, and piece-work rate. Table 6.6 shows the distribution of the participants among the direct compensation methods they employed.

6.5.1.1. Fixed salary/wages

The responses indicated that most of the participants employed a fixed salary method on a monthly basis. It was also found that some of them employed a wages method in addition to the fixed salary. Participants explained in their responses that the fixed salary method was a guaranteed payment method and as such was the most preferred by their employees. Hence, they were obliged to go by that method to help them retain their good employees. Some of the participants stated that it took time for the revenue from sales to be collected, and that the fixed salary method gave enough time to collect the revenue before payments of salaries were made. All the participants engaged in payment of overtime. The followings are quotes:

We employ fixed salary methods on monthly basis (01SME).

We engage in fixed salary. It is monthly but we also pay for overtime where a person works after normal closing hours, or at the weekend (02SME).

We pay fixed salary plus overtime to all workers (03SME).

I use fixed salary for late-turners. Employees at the pure water side are paid on piece-work rate (07SME).

All office staff and sale representatives receive fixed monthly salary (08SME).

Further analysis indicated that most of the participants negotiated the expected salary or wages with specialised and expert employees individually, whereas salary or wages for junior workers were already fixed. Participants explained that they could not do without those negotiations for fear of being unable to attract competent and expert labour for their respective enterprises. This suggested that the negotiation method was found common to the participants partly due to their having insufficient funds to pay fairly for all employees and the current expert-labour acquisition competition they faced on the labour market. However, HRM literature notes such practice as demotivating to other employees (Carlson at el., 2006). The following is a quote:

I employ fixed salary on monthly basis. Such is negotiated during selection (06SME).
Table 6.6: Distribution of participants among direct compensation methods employed.

<table>
<thead>
<tr>
<th>Method</th>
<th>Fixed Salary/Wages</th>
<th>Commission</th>
<th>Bonus</th>
<th>Piece work rate</th>
<th>Total no. of methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>01SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>02SME</td>
<td>X</td>
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<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>03SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>3</td>
</tr>
<tr>
<td>04SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>05SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>06SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>07SME</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>4</td>
</tr>
<tr>
<td>08SME</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>09SME</td>
<td>X</td>
<td></td>
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<td></td>
<td>2</td>
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<tr>
<td>10SME</td>
<td>X</td>
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<td></td>
<td>X</td>
<td>1</td>
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<tr>
<td>11SME</td>
<td>X</td>
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<td>2</td>
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<tr>
<td>12SME</td>
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<td>13SME</td>
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<tr>
<td>14SME</td>
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<td>15SME</td>
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<tr>
<td>16SME</td>
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<tr>
<td>17SME</td>
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<td>X</td>
<td>2</td>
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<tr>
<td>18SME</td>
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<td>19SME</td>
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<tr>
<td>21SME</td>
<td>X</td>
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<td>22SME</td>
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<td>23SME</td>
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<td>24SME</td>
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<tr>
<td>25SME</td>
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<td>2</td>
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<tr>
<td>26SME</td>
<td>X</td>
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<td>2</td>
</tr>
<tr>
<td>27SME</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td>1</td>
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<tr>
<td>28SME</td>
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<td>1</td>
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<tr>
<td>29SME</td>
<td>X</td>
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<td>2</td>
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<tr>
<td>30SME</td>
<td>X</td>
<td></td>
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<td></td>
<td>1</td>
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<tr>
<td>Total Participants</td>
<td>20</td>
<td>4</td>
<td>14</td>
<td>9</td>
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</tbody>
</table>

6.5.1.2. **Commission**

The analysis also indicated that some of the participants (13.33%) engaged in payment of commissions. They paid the commission selectively to their respective sales and marketing staff. Participants explained that it was very difficult to convince people to patronise their products and as such, a commission was given for every client that an employee brought to the enterprise. They further explained that it encouraged the workers of that section to work very hard, an indication of participants’ awareness of the need for employee motivation to perform. The followings are quotes:
The account section for instance has fixed salary, but any new clients they bring to the enterprise they have commission on that (03SME).

The marketers are within the commission. They are given the commission every month (04SME).

Mechanists are paid fixed salary plus commission (07SME).

6.5.1.3. Bonuses

The analysis further revealed that a percentage of the participants (46.67%) paid bonuses to their respective employees, with the majority of them paying the bonuses on an annual basis, normally at the Christmas season. The participants explained in their responses that such bonuses served as motivators for the employees to work well for the enterprise, and also as thank you to employees for their good work done. This was an indication that participants were aware of the need for motivation for higher performance levels through extrinsic rewards. The followings are quotes:

We employ fixed salary plus bonus for all the workers, including the marketers (04SME).

I use fixed monthly salary plus bonus. The bonus is paid at the end of every year (09SME).

I employ fixed salary plus bonus. It is calculated per project but, we pay it quarterly (24SME).

I use fixed salary plus bonus payment method. The salary is paid monthly but the bonus is every Christmas and Easter celebration (25SME).

6.5.1.4. Piece-work rate

It also came out from the analysis that some of the participants (30%) employed piece-work rate method of payment. The participants explained that this method encouraged an increase in output in both production and sales sections, and at the same time eliminated the payment for hours employees had not worked, as might happen under a fixed salary method of payment. This explanation was an indication of participants’ concern for incentive payment to motivate employee to perform, but at a cut cost for enterprise’s profitability and success.

Employees at the pure water side are paid on piece-work rate (07SME).

The pickers are paid on piece work rate, but we give them job guarantee (08SME).
With this enterprise, apart from my assistant who is on fixed salary, everybody is paid piece-work rate (26SME).

I employ piece-work rate, but it is paid on monthly basis (28SME).

Almost all the participants in fashion design preferred a piece-work rate method with explanation that it resulted in quality performance, with most of them paying on a monthly basis, even though calculations were made daily. However, these participants confessed that there were certain categories of employees who preferred to be paid on a daily basis (especially expert tailors and apprentices) or they would not come to work.

The findings under section 6.5.1 summed up that participants were aware of the need for motivated employees to perform for the success of the enterprise through the employment of direct compensation methods. However, the methods employed left a gap in effectiveness. They employed different methods of payments to employees within the same enterprise, in the same section, and undertaking the same job, as an effort to motivate them to perform. The selective nature of the methods meant that only the affected employees might be motivated, leaving the majority of them demotivated. Nonetheless, this finding was from the responses of only the participants, which called for a need for future research to be conducted to include the perception of their employees on such issues.

6.5.2. **Indirect compensation methods (Benefits and service program)**

To explore the indirect compensation methods participants had for their employees, participants were asked to describe their benefits and service programs, and how they were administered. Figure 6.4 again illustrates the indirect compensation methods engaged in by the participants; with their distribution among the components shown in Table 6.7.

Analysis of the responses highlighted that participants engaged in a wide range of benefits and service programs, however their degree of involvement in some of them was very minimal:

We have consolidated their transport allowance into their salary. Apart from that we give them social security, and contribute an amount to the person when he/she is bereaved (that is a donation in terms of cash and drinks). ... (02SME)

I pay for their social security. ... I give them personal loan without interest. Accommodation is given. T & T is paid to all workers (05SME).
Subsidy is given to workers on accommodation, food and at times drinks are supplied to them when they are having their meals. ... (06SME)

Social gatherings like funerals, weddings, births, and the likes are also supported with cash and drinks. ... (07SME)

We give them incentives like rent advanced, T&T, Christmas parties. We are also represented at any public gatherings concerning the workers (10SME).

Findings from the responses showed that 36.67% of the participants engaged in contributing to the NHIS of their employees. Analysis further indicated that all the participants encouraged sick leave for their respective permanent workers, 53.33% engaged in hospital bill refunds to their respective employees (but based on certain conditions), with few of them (16.67%) contributing to the social security fund of their employees. These indicated that participants were aware of the importance of the health of their employees in relation to performance. However, as noted by Bateman and Snell (2009: 382), some types of benefits are optional to the employer while others are required by law. The National Health Insurance Scheme (NHIS) medical service program (which was briefly explained in Chapter One of this thesis) and social security contribution were supported by law, but participants’ involvement in these activities was not encouraging. This might cause employees to leave for enterprises where such benefits were provided.

It was also evident from the responses that all the participants provided pay for time not work in relation to national and international holidays, annual leave, sick leave, off duty periods in times of bereaved and others (with reference to quotes and Table 6.7). Participants gave common explanations that such types of benefits were given to all their permanent workers. Some of the participants also made mention that apart from the days off for bereavement, they contributed in cash and kind to the funeral expenses incurred by the employee if the one who passed away was his/her mother, father, child or spouse.

Further analysis of the responses revealed that the service program most commonly engaged in by the majority of the participants (76.67%) was the granting of soft loans to employees, second by social events (60%), and third, transport allowances (50%). Participants explained that the granting of such services to employees lightened their financial burdens and motivated them to be regular at work and also perform, as well as feel belonging. Employers granting a soft loan to their employees has become a common service benefit to help employees to cope with the
economic situation in Ghana. Unlike the UK, Australia, or USA where financial institutions make it easy for employees to access personal loans, in Ghana getting a loan is more complex and difficult; it entails a great deal of documentation, which the employee may not find easy to comply with. As such the employee’s only source of help in times of financial difficulty is the employer. There is also evidence from the literature that social relationships are a significant part of the Ghanaian culture (Boohene et al., 2008). Hence most of the participants engaged in social gatherings.

Table 6.7: Distribution of participants by choice of benefit components

<table>
<thead>
<tr>
<th>Benefit / Service Program.</th>
<th>Total No. of participants engaged in</th>
<th>% Total No. of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Protection Program</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Health Insurance</td>
<td>11</td>
<td>36.67</td>
</tr>
<tr>
<td>First Aid Box</td>
<td>2</td>
<td>6.67</td>
</tr>
<tr>
<td>Hospital Bill Refund</td>
<td>16</td>
<td>53.33</td>
</tr>
<tr>
<td>Retirement / Pension</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Social Security</td>
<td>5</td>
<td>16.67</td>
</tr>
<tr>
<td><strong>Pay For Time Not Worked</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holidays (Personal Leave)</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Sick Leave</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td>Bereavement Off Duty</td>
<td>30</td>
<td>100</td>
</tr>
<tr>
<td><strong>Services Program</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreational Activities</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Car Loan</td>
<td>1</td>
<td>3.33</td>
</tr>
<tr>
<td>Transportation Cost</td>
<td>15</td>
<td>50</td>
</tr>
<tr>
<td>Canteen</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Accommodation</td>
<td>7</td>
<td>23.33</td>
</tr>
<tr>
<td>Rent Advanced</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Soft Loans</td>
<td>23</td>
<td>76.67</td>
</tr>
<tr>
<td>Social Gathering</td>
<td>18</td>
<td>60</td>
</tr>
</tbody>
</table>

Analysis on accommodation services indicated that almost all the participants provided accommodation to their employees based on seniority and position in the enterprise, or long service with the enterprise. The junior workers received help with advances for rent payments, which were normally repaid over a specified period of time and deducted from wages, at a rate convenient to the employee.

From the responses and as indicated in Table 6.7, services and benefits known to participants, but in which there was low involvement were recreational activities and car loans. Car loans might
have seemed too much of an outlay, given the financial strength of the enterprises; so to counteract this many of the participants (50%) explained that they included a transport allowance in the monthly wages of their employees, while others provided vehicles to transport their workers to and from the work place. Further analysis indicated that all the participants offered benefits across the board to permanent workers, with the exception of accommodation.

In conclusion to section 6.5.2, even though a glance at Figure 6.4, and Table 6.7 suggests participants’ involvement in most of the indirect compensation methods, their individual levels of involvement in each item was minimal, and the contents of the package differed from enterprise to enterprise (even among enterprises producing similar products and services). Participants’ benefit packages were related to the employee needs, however, their great indulgence in “across the board” incentive methods (which were not competitive enough to encourage motivation towards high levels of job performance) left a question mark.

6.5.3. Effect of payment method on employees’ performance

Participants were asked to describe the effects of payment methods employed on employees’ performance. The objective of the question was to ascertain whether such methods encouraged employee commitment to perform.

Responses revealed that employees of participants complained frequently about their wages, especially when there was an increase in fuel prices. Participants explained that their respective employees compared their salaries with those of employees of other similar enterprises, and expressed grievances about the relative differences in their take-home pay:

*People are not motivated to work when they compared the wages/salaries and find a slight difference (02SME).*

Participants using the fixed salary system noticed that even though the method was the most preferred by employees, it did not serve to motivate the workers to work well. According to participants, employees would seem very happy on pay-days but the happiness did not last long; when the money was finished, performance of employees fell below expectation. They further explained that in such a moment, employees would start work late and leave early from work;
most of the time they would find excuses to be absent from work, knowing very well that they would be paid for that day anyway. The following are quotes:

*Positively, they are happy. Negatively, the happiness does not last for long. When the money is gone, they don’t perform to expectation. The motivation lasts for a few days and it’s gone. They become complacent and apathetic and you realize that they are quiet…. (04SME).*

*At times workers use excuses to absent themselves from work knowing that they will be paid, and this normally affects the daily output negatively. Getting to the end of the month, a lot of them are without money and this affects their spirit to perform well (05SME).*

Also, participants explained how the payment of allowances and back-pay negatively affected the employees’ attendance and attitude to work, resulting in low daily outputs. This was because the workers tended to absent themselves from work without prior notice when they had money advanced to them.

On the other hand, other participants stated that the type of payment method they employed had no negative effect on the performance of their employees. They explained further that they had effective supervision in place and as long as the workers were supervised effectively, performance level was maintained. The followings are quotes:

*It brings about effective and efficient finishing of products. The workers are also motivated to work since the method guarantees monthly payment (01SME).*

*We target the daily work so have a positive effect on performance level (08SME).*

*The method is motivating. We see that people appreciate it (14SME).*

The participants engaged in a piece-work rate method also noted that the method helped to eliminate poor performance and control waste of time and material:

*This particular payment method helps me to eliminate poor performance and control waste of time and material. The workers know that shoddy work is not acceptable for payment, so they are very careful in whatever they do (26SME).*

Thus from the analysis of the current section, whereas some of the participants (mostly those employing target-method) confirmed increase in output and were satisfied with the compensation
methods they employed, others (mostly using fixed salary method) complained of poor performance of employees after they had been paid.

In conclusion to section 6.5, the overall analysis suggested that participants employed different methods of compensation, with most of them employing fixed monthly salary method. Although participants explained this as an effort to motivate the employees to perform, their great indulgence in selective compensation for the same job, and “across-board” incentive packages might be contributors to employee non-commitment to perform shortly after pay-day, as confirmed in their responses. HRM literature noted how crucial compensation is in relationship to employees’ performance. Thus it was not surprising that participants’ employees grieved over differences in pay. Although this might be due to participants’ inadequate funding sources coupled with their willingness to retain their best employees, it was not fair compensation practice as assumed by the theoretical framework and did not enhanced motivation to perform.

6.6. General Administration (Promotion, Work assignment, Work supervision)
Question 6 was posed in order to explore three administration practices areas that were common to the participants, as shown in Figure 6.5. The objective was to verify if participants’ method of administering such activities enhanced employee commitment and competencies. Table 6.8 was produced from the responses.

Figure 6.5: General administration practices common to participants.
Table 6.8: Distribution of participants among three common administration practices

<table>
<thead>
<tr>
<th>Participant</th>
<th>Activity</th>
<th>Employee Promotion</th>
<th>Work Assignment</th>
<th>Work Supervision</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>01SME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>02SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>03SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>04SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>05SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>06SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>07SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>08SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>09SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>10SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>11SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>12SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>13SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>14SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>15SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>16SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>17SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>18SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>19SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>20SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>21SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>22SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>23SME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>24SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>25SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>26SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>27SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>28SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>29SME</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>30SME</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>30</td>
<td>30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note for Table 6.8
X………………………………..Participant engaged in the practice.

6.6.1 Employee promotion
Analysis of the data found that most of the participants (80%) encouraged employee promotion. Even though the figure seemed very impressive, further analysis revealed that a varied range of criteria were used by the participants to determine promotion. Table 6.9 shows the distribution of participants according to criteria used to effect promotion.
Table 6.9: Distribution of participants by criteria used for promotion

<table>
<thead>
<tr>
<th>CRITERIA FOR PROMOTION</th>
<th>No. of participants</th>
<th>% Total of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance only.</td>
<td>8</td>
<td>26.67%</td>
</tr>
<tr>
<td>Number of years of service in the enterprise only.</td>
<td>3</td>
<td>10.00%</td>
</tr>
<tr>
<td>Educational qualification only.</td>
<td>2</td>
<td>6.67%</td>
</tr>
<tr>
<td>Performance and number of years of service in the enterprise.</td>
<td>5</td>
<td>16.67%</td>
</tr>
<tr>
<td>Performance and educational qualification.</td>
<td>3</td>
<td>10.00%</td>
</tr>
<tr>
<td>Performance, years of service, educational qualification.</td>
<td>2</td>
<td>6.66%</td>
</tr>
<tr>
<td>Government Standard Scheme of promotion.</td>
<td>1</td>
<td>3.33%</td>
</tr>
<tr>
<td>No promotion encouraged.</td>
<td>6</td>
<td>20.00%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>30</td>
<td>100%</td>
</tr>
</tbody>
</table>

It was found that some participants (26.67%) promoted their respective employees on the basis of performance only. They explained this as a means to encourage employee commitment to perform:

*Performance is the main criteria for promotion (06SME).*

*Yes. Through supervision the hard workers are notice and when the need comes for filling a higher vacant position, such people are recommended for promotion (25SME).*

Other participants (10%) promoted employees based on the number of years of service in the enterprise. According to these participants, it was to motivate employees to stay long with the enterprise. They further explained that such promotion was not automatic as it further depended on the availability of a vacancy at the higher level. The followings are quotes:

*Promotion is done as at when there is a vacancy. It is based on the number of years the person has served the enterprise (27SME).*

*Promotion is on first come first serve basis. I look at the number of years the person has served here... (28SME)*

It was also found that other participants’ (6.67%) employee promotion policy was based only on academic qualifications. A participant explained that at the administration section, promotion was based on academic qualifications while at the operation (technical) section there were hardly any promotion prospects; but a salary upgrade was available. Promotion by academic qualification stemmed from the traditional employee promotion system of Ghana. Such methods did not enhance employee competency or commitment to perform.
Findings also indicated that some participants (16.67%) promoted employees based on performance and the number of years an employee had worked in the enterprise. Thus they encouraged employee competency and commitment to work for the enterprise through promotion:

Yes I do, but it is by hard work and number of years served under this enterprise but, not by qualification (26SME).

It was also revealed that some participants (10%) based promotion on outstanding performance and academic qualifications.

Definitely yes, that is one of the important aspects of motivation. It is done through hard work and educational level (14SME).

Yes, we give promotion to workers. We look at the person’s competences and qualifications (02SME).

A percentage of the participants (10%) promoted employees who were hard working, had stayed long with the enterprise, and also have good academic qualification.

Yes, I do encourage promotion very much. Over here, it is based on the standard scheme of service (12SME).

Other participants noted that they instilled salary upgrading rather than promotion. They explained that the size of the enterprise did not favour promotions.

Promotion does not exist here, unless there is an urgent need for a vacancy to be filled. Everything comes in terms of salary upgrading (01SME).

We have upgrading of salary here but not promotion. Where is the person being promoted to? We don’t have the ranking yet (10SME).

In conclusion, findings of this section indicated that participants had a wide range of bundles of criteria for selecting an employee for promotion, with the major objective of encouraging their competent and hardworking employees to be committed to the enterprise and perform. However, such bundles of selection criteria suggested that very limited promotion activities were available for the employees of these participants, and that promotion just existed in name. The non-availability of job offers in the country implied that employees in high positions might not leave the enterprise to create upward promotion, due to the difficulty in getting a job offer elsewhere.
Employee selection for promotion being dependent on available vacant positions suggested that the possibility of participants promoting employees was very slim. Secondly, the sizes of the total number of employees of most of the participating enterprises (see Table 5.7) did not support levels in position.

6.6.2. Employee work assignment

A well-planned method of work assignment may motivate employee to perform effectively and efficiently. A question was designed to explore the structure of participants’ work assignment.

Analysis of responses indicated that some of the participants based work assignments on the particular specialised competency of the individual employee. Such method might promote employee motivation and commitment to work since they knew the job. Some participants in this group indicated that a work plan and allocation chart were set up every evening before the end of a shift to help workers know in advance their schedule and task for the next day. Others allocated the jobs early in the morning at the commencement of work. The followings are quotes:

*Work is assigned based on the individual’s competencies (09SME).*

*We look at the area where everybody is good ... and their competencies and talent (10SME).*

*We assign work to them daily in the morning, according to their individual competencies (11SME).*

According to HRM literature, such a practice might top up employees’ competencies and increase their motivation to perform, which might enhance to increased productivity and enterprise growth.

Findings also indicated that participants considered other factors in assigning jobs, such as the state of progress in the previous job assigned, the quality of performance in previous work, and the like. This type of job assignment was peculiar to the garment manufacturers. They further explained that production of a garment was given to each individual to finish within a given time. In such cases, the individual worker came to work and continued from where he/she reached the previous day until the task was completed:

*Work is assigned as a complete task. In other words, the whole task from start to finish of an item is given to one person (26SME).*
The fashion design and embroidery section continue from where they’ve reached the previous day until the task is finished, before a new task is assigned (28SME).

The analysis also revealed that apart from the individual job assignment, different structures of job assignment based on teams/groups, or a sectional/departmental were employed:

*Within a week it is repetitive work. But once the work for the week is done any team can be assigned to any place where more hands are needed. Normally they are not rotated individually, but as a team (02SME).*

*Job is assigned to them in groups. Job rotation is employed (group-wise) fortnightly (27SME).*

Another group of participants indicated that they did not have any special order of job assignment, and that the job was assigned where more hands were needed. This suggested that there was no planned job assignment. The followings are quotes:

*Work is assigned at any stage of work process, depending on where more hands are needed. It is normally peculiar to the production section (03SME).*

*The assignment of work is such that when you come to work you start on any work ready on the table (24SME).*

Most of the participants admitted to installing individual or group job rotation. This means that specialization within such enterprises did not exist, as noted in the literature (Rauch & Frese, 2000; Kok & Uhlaner, 2001). Additionally, most of the participants admitted assigning non-administrative jobs (normally operational repetitive ones) to the administration staff. This finding built on the structure and reasons for compulsory training for all employees, as discussed under section 6.3. Even though this strategy might help in reducing the costs of the enterprise by putting into use labour which would have been paid for but not used, it might not encourage the building of motivation in employees. Some of the administrative workers might take leaving their work to join the floor-workers as a demotion in status.

### 6.6.3. Employee work supervision

To explore participants’ method of employee supervision, participants were asked to describe how they supervised their employees. The objective of the question was to ascertain whether participants’ method of supervision encouraged competency and motivation to perform.
Analysis revealed three main types of supervision namely, supervision by participants only, supervision by supervisors only (either in a hierarchical order in position or according to seniority in the enterprise), and supervision involving both participants and a supervisory team.

6.6.3.1. Supervision by participants only

Analysis indicated that some of the participants handled the supervision work themselves. They explained that they supervised by going round as the employees worked, and helped them individually where necessary.

_We don’t go by the hierarchical way of supervising. Ours is on the circular basis. I am in the middle and all the others are around me. I prefer the workers coming to me than passing through the hierarchy._ ... (04SME)

As explained under Chapter Five, most of the enterprises covered by this study were small-sized and did not have a formal hierarchical managerial structure. Hence, supervision of workers was conducted by participant only through direct _ad hoc_ communication with employees, an aspect highlighted in SME literature. Participants explained that their direct and constant interaction with the employees was related to helping them out of difficulties and correcting them. Such method of supervision tended to motivate employee to perform and enhance competency.

6.6.3.2. Supervision by supervisors only

Further analysis revealed that some participants managed both the operational and administrative sections through supervisors in the position of sectional managers, forepersons, or team leaders. These supervisors reported activities to them daily, at the close of each day:

_There is a supervisor who supervises the workers and reports to me. I have meetings with the supervisor either every evening after work or early morning before work starts, and discuss all that has gone on in the previous production_ ... (06SME)

_There is a foreman who supervises the floor people and reports to me daily (07SME)._

_Supervision of work is done by the most senior worker in terms of long service. He/she then reports everything to me later in the day (27SME)._ 

6.6.3.3. Supervision by both participant and supervisor(s)

Findings also indicated that some of the participants supervised the workers together with the supervisory team in place. They all went around the work floor, inspecting the way the workers...
were handling the job. Participants explained that, in such rounds, they could spot workers experiencing difficulties in executing a task and help them accordingly. They also indicated that team supervision led to spending more time with employees and to identifying those who might need specific job training. They further explained that supervision via owner-manager and team leaders (in partnership) contributed to the workers being diligent in their work, which resulted in efficiency in the product or service, and on-time delivery.

*I go round to check on how work is being executed by workers every now and then. There are two foremen who help in the supervision of the work and report their findings to me (09SME).*

*I supervise every project very closely from stage to stage, with the help of the other senior officers (12SME).*

*My husband helps me with the supervision. ... (13SME)*

The findings of this section build on earlier findings under section 6.4 which revealed that participants viewed their day-to-day supervision as a complete performance management approach hence paid more importance to designing a plan for supervision. There was also an implication of participants’ concern on the outcome of their production inputs, hence providing effective supervision in place to top up employee competency through corrections and motivate them to give their best in performance.

In conclusion to section 6.6, participants had less promotion opportunities to motivate their employees, particularly due to the size of their enterprises and their inability to fund fair compensation that might correspond to such promotions. As such they employed different bundles of selection criteria to the selection of employees for promotion. However, they had in place effective and efficient work assignment and supervision methods that promoted competency and employee motivation to perform.

### 6.7. General HRM Problems Common to Participants and their Opinion on Solution

Participants were asked to elaborate general HRM problems they were faced. From the analysis of the responses, the following came out as HRM problems common to them:

- *Workers complain of favouritism at the side of management to those who work hard.*
• The enterprise is only responsible for the employees’ hospital bill refund ..... they do not attend any hospital yet bring fake bills for refund.
• I try to help them by opening my doors to them to come to me when they have problems, but some of them abuse that.
• At times it is very difficult to convince workers to do overtime, since they may have other important programmes to attend to.
• Most of the time its discipline. They use mobile phones when they should be working. They steal the medicine we produce and among themselves, they steal each other’s money and fight.
• One big problem is staffing. Due to the nature of the work, people don’t want to work with us. Also employees have lot of excuses to attend funerals, at times feign sickness due to the fixed-salary method of payment, yet they complain a lot about salary up-grading from time to time.
• The recruiting and selection system use here are not good enough to eliminate unqualified applicants.
• Some of the workers are very stubborn and not disciplined.
• The only problem is the salary. The workers deserve pay increment but we cannot take that up.
• Most of the young people we employ are interested in money more than the work itself.
• I don’t get enough time to follow everything which gives the workers chances to do what they want, the most common once being coming to work late and poor customer relations.
• They also come to work late but get away with it by signing the right time, since there is nobody there to check.
• The workers talk too much on everything. They make unnecessary complaints.
• The most encountered problem is stealing of material input by workers.
• Worker-to-worker relation is very poor. Gossiping and fighting among the workers are very common.

The analysis of participants’ HRM problems revealed that most of the participants were having similar problems. Their explanations to such problems mostly put the blame on the employees rather than participants’ ineffective and inefficient HRM practices. A question asked to explore participants’ opinion as to how such obstacles could be completely eliminated or reduced to minimum produced the following quotes:

*I suggest that problems should be solved as at when they come, instead of piling them up. There should be regular meetings with employees to help them bring out their grievances* (01SME).

*I think I have to check how I relate to them* (03SME).
The fixed salary method should be such that if one doesn’t come to work, he doesn’t receive pay. Staffing problem should be taken care of by the government. There must be country-wide education on jobs, the need for jobs, and how the employee should behave towards jobs. The essence and accountability of work must be reconstructed in the minds of the youth. Awareness of the need to work and work well should be created in the youth through mass education (06SME).

There is the need for a platform to make the government understand the problems of this industry (07SME).

I see the root of such problems as lack of communication between the employees. The solution lies in management of communication, especially sharing of information (08SME).

I think it is just a matter of time and counselling (09SME).

Clock in system can be introduced to check time in and out (25SME).

Proper and very close supervision can go a long way to stop the stealing. Stock should be taken daily before and after supply of materials for work (28SME).

These quotes from participants’ opinions reflected a sense of concern for solution to their HRM problems. Majority of them suggested counselling of the employees as the solution, while a significant number of them put the responsibility for solution to such problems at the door of the government. A small group of the participants blamed their HRM practices and suggested improvement in management. This implied that participants mostly set the solution for their HRM practices problems outside their responsibilities.

6.8. Key Findings from Participants’ HRM Practices

The analysis of the data gathered from participants’ HRM practices showed the key findings as listed below:

1. Participants engaged in a range of recruitment sources with no particular sequential ordering in recruitment process, with the most preferred source of recruitment being recommendation, followed by voluntary.

2. Even though some selection criteria were used by participants in the selection process, their usage was varied from one participant to another. The resultant overall selection process was either too short to result in any good outcome or too long with many repetitive steps in the process.
3. While on-the-job training was provided by almost all the participants, external job-specific training and employee developmental programs in general were not overwhelmingly encouraged by participants. Well-designed training plans were not in place.

4. The most common method of payment employed by participants was by fixed salary, on a monthly basis. Almost all the participants offered across-board benefits for their respective employees, but incentives were selectively administered to a limited number of employees.

5. Promotion seemed not to be a factor in the participants’ employment/administrative practices. However, participants had various means of assigning job tasks with very effective work supervision methods in place.

6. Participants faced a wide range of problems in the execution of their choices of HRM practices. They mostly sought the solution to such problems outside their obligation.

6.9. Conclusion

The chapter has described and analysed the data collected from the responses given by participants concerning HRM practices. The analysis has brought to light the choices of HRM practices that the participants had in place in the areas covered by the study. The participants’ views on why such choices were made and how they were executed have been presented, as well as the problems and challenges they faced in the execution of such choices of HRM practices. The key findings that were derived from the analysis have also been listed in the previous section 6.7. It is left to say that some of the key issues that have emerged raise the need for further discussion to help provide answers to the research question. This task is taken up in the next chapter.
CHAPTER SEVEN
DISCUSSION OF FINDINGS

7.1. Introduction

The central aim of this study was to explore the HRM practices of SME owners in Ghana to find out the types of HRM practices they employed; how and why such choices were made and the problems and challenges they faced in the deployment of their choices of HRM practices. To guide the research, seven sub-questions were posed (each sub-question being a major theme for the thesis). The responses from the participants to these questions have been analysed, and findings reported in Chapter Six. The analysis has opened up some issues that need further exploring. Having read the literature on the subject of SMEs and being guided by the theoretical framework (see Chapter Three), this chapter further elaborates on the major findings. It frames the central question within Ghanaian HRM practices, comparing the observations with existing HRM knowledge. The discussion in this chapter follows the major themes from the interview questions to ascertain how best each contributes to answering the central question. The chapter begins with a discussion of the general information obtained about the participants and their enterprises, followed by the nature of the HRM practices employed by the participants (as revealed in their responses) in the areas of recruitment and selection, training and development, performance management, and compensation. The sections reflect on the problems and challenges faced by the participants, and how best the derived theoretical framework can be employed to address such constraints, before concluding with a summary of the chapter.

7.2. General Information on the SME Owners and their Enterprises

The success of enterprises, it can be argued based on the international literature, is largely dependent on the effective planning and execution of their HRM activities (McEvoy, 1984, 2000; Boselie, 2001; Kok & Uhlrer, 2001; Sel et al., 2006). Such activities, as shown in this study, are decided upon and handled by the SME owner. The SME owners who participated in this study took responsibility for all important matters of the enterprise, including HRM practices, and as such had a personal role in the performance and survival of the enterprise as reflected in the literature (de Kok, 2003). This means that the background and calibre of the SME owner, to a
large extent, affects the choice and quality of the HRM activities engaged in by the enterprise. At the same time, the type of enterprise engaged in and its size in terms of number of employees and other characteristics influence the choice of HRM practices. The general information obtained from the responses to Question 7 in the interviews and discussed in Chapter Five of this thesis, revealed that the sample frame of participating SME owners were from different family backgrounds, with formal education up to a good standard, and a range of experiences. Along with their mature age, they had advantages gained from their marital status, which provided them with the necessary characteristics and criteria which helped them to set up missions and goals. Those who developed and matured as SME owners in the same enterprise as they established (for example, in family-owned SMEs) obtained the foundation for HRM practices from relatives and maintained those practices they inherited. This suggests that the practices, whether formal or informal, may get transferred through successive owner-managers. Also, the finding that some of the participants established their enterprises as a result of their failure to get jobs elsewhere, with no previous experience in their business, was not surprising at all in a developing country like Ghana, where economic uncertainty has led people to create enterprises in whatever industry they deemed to be viable. Imitation of already existing products and services in the market is very common among Ghanaians. Such comments were made in the responses from some of the participants, as they told the history of their respective enterprises. While some admitted to copying business practices ideas from previous workplaces, others had purchased the market products, observed their acceptability by consumers and copied these products. However, the major setback of imitative business was that they did not start with a solid business or management plan (especially in the area of HRM).

Furthermore, analysis of the data on titles and roles in these enterprises revealed the dominance of SME owners in making decisions across the areas of the business, which supported previous studies. This leaves very limited time for any specialized activity, which could become a major disadvantage for instituting and promoting an effective and well-planned HRM activity. As discussed under section 5.2.6 of this thesis, none of the participants mentioned HRM activities as being a major role he/she played in the enterprise’s administration, which confirmed the notion in literature that these SME owners underestimate the importance of HRM practices in their daily activities in the enterprise. Again, the sizes of enterprises (as shown in Table 5.7 of this thesis) and the dominance of the owners in all the enterprise transactions limit the development of
effective organizational structures and processes. For instance, apart from one medium-sized enterprise where the owner had an HRM section headed by an HR manager, none of the remaining 29 enterprises had anybody responsible for human resource matters in their management structure. This means that HRM activities might be planned in an *ad hoc* manner making it less important to the achievement of the enterprise’s objectives. The next section discusses the findings from the SME participants’ choices of HRM practices.

### 7.3. HRM Practices of Participants

The data analysis in Chapter Six, covering the major HRM practices employed by the participants, revealed a range of issues. In addition, comparison with the model presented in Figure 3.2 of this thesis guided the researcher to formulate conclusions on whether or not such HRM practices being employed by the participants would contribute to the development, success, and growth of their respective enterprises. The results from the analysis of their responses did not reflect many of the perspectives given in the theoretical framework guiding this research. The model summed up the criteria favoured in the international literature and grounded in research, which could be linked to the success of the enterprise, specifically those criteria concerning HRM practices and their impact on the employee competencies and motivation to perform to bring growth and success to the enterprises. According to the model, an HRM practice that measures up to these criteria would ensure that the enterprise builds up core competencies in its employees, motivates them to be committed to the achievement of the enterprise’s set goals, and places them strategically, thereby possibly outperforming its competitors. The HRM practices that the model proposes are strategic recruitment and selection processes aided by strategic placement; well planned and effective employee training and development programs, with after training performance evaluation processes that consider the transfer of training into the execution of the job tasks; well-designed performance management approach; competitive compensation packages that are aligned with the achievement of the enterprise’s objectives; and performance based employee promotion, work assignment, and work supervision to encourage the building of competency and motivation to perform.
7.3.1. Recruitment and selection

The first area to be considered is that of recruitment and selection practices engaged in by the SME participants. As mentioned in Chapter Two of this thesis, a well-designed and effective recruitment and selection process could lead to the enterprise hiring the most qualified candidates; whereas, an ill-planned recruitment and selection process may cause the strategic plan of the enterprise to falter (Cascio, 2006:199). HRM literature advises that recruitment and selection are very important HRM functions that help to build the enterprise from the ground up (Stone, 2011:198) and as such, enterprises should carefully consider such processes as strategically relevant to their success and growth (Cascio, 2006:199). Indeed, the two processes (recruitment and selection) provide information about the job and its tasks to potential candidates. They also help the SME owner to learn more about the candidate before the final selection decision is made for the candidate who best fits into the vacant position.

Participants were asked to describe their recruitment and selection practices to know the type of practices they had in place, the methods they employed, and the problems associated with such choice of practices. The findings had shown that they had recruitment practice in place. However, the high percentages of participants who depended on direct and personal recommendations, as well as voluntary sources (see Table 6.1 and 6.2) means participants preferred informal sources in recruitment. Few of the SMEs owners in the study used institutional source or advertising in the national and local media to attract skilled or specialist applicants. The SME participants’ adoption of such informal methods was mainly to cut down costs of recruitment incurred in using formal recruitment sourcing, as explained in their responses. The implication of such informal recruitment sources was that the outcome of their recruitment process might not yield a pool of best qualified candidates to effect any good selection, as assumed by the theoretical framework. Hence, right from the foundation of staffing, the achievement of the enterprise’s set objective might be at risk. It also meant that not much would be officially known about the candidate as to whether he/she was genuinely interested in the job task (to enhance commitment to perform) or was using the opportunity as a stepping-stone to another job offered elsewhere. This contributed to participants recruiting candidates with no job related knowledge, skills and abilities which could lead to employee’s non-commitment to the job, low-quality work, and sudden staff turnover. Many of the SME participants complained about such staff shifts in their enterprises. However, they tried to justify their stance by attributing it to costs and time involved in such
formal process, and mentioned in their responses that the risk of missing out on a suitable employee was less through recommendation, and the recruitment process cost was very low. Participants seemed to be unaware of the cost of informal recruitment to the enterprise. They tend to complain of a range of recruitment problems and other employee behaviours lacking the knowledge that all form part of the package of informal recruitment, most of which could have been eliminated through the practice of formal recruitment method. Also, it was found that almost all the participants were indulged in using multi-recruitment sources. Considering the size of their enterprise and marginal profit (as they confessed), such practice suggested that there was no effective and efficient planning for any individual sourcing. This further implied that the result for each recruitment source might not be the best for selection process.

Secondly, there remained the influence of strong family and social ties on participants’ recruitment practices. Instead of getting the desired calibre of people applying for the vacant position, the participants tended to recruit people recommended by family, friends, and colleagues, resulting in applicants who were less qualified for the vacant positions. The majority of the participants made recruitment and selection decisions without taking the candidates through the processes, with the intention of fulfilling their social obligations to take care of their less fortunate relatives and friends, and to upgrade their family ties and financial status, even though these employees might be less capable of executing the job. The undue pressure put on the participants by such ties prevented them from conducting any critical checks into the documented information provided by the candidates before offering the job position, which does not support strategic recruitment. This finding echoes that of studies like Zakaria (2011), which argued that SME owners in developing countries tended to employ a large proportion of members of their family, who may be less qualified and capable than other applicants. Such recruitment might end up in employing people who might not be competent, but trouble makers, whom it might be difficult to get rid of; thus putting the success of the enterprise in danger.

According to the recruitment process literature, sourcing is not just recruiting people but rather recruiting the ‘right’ people for the selection process to be effective. Even though sources like voluntary applications and recommendations might provide a relatively low cost recruitment process and could be a good means of providing good talented employees (as argued by participants), the process involved does not give enough information on the potential candidate to
the SME owners and as such imposes costs on the enterprise success and results in slow achievement of its set goals. The high percentage of participants engaged in sourcing employees from voluntary applications and recommendations implied that they strongly preferred sourcing applicants informally, which support studies such as Okpara and Pamela (2008). Singh and Vohra (2009:104) have also reflected on the tendency of SME owners to adopt informal methods of recruitment.

As discussed earlier on, informal sourcing is encouraged in the context of Ghana due to family and relationship ties, which have become very influential as a result of the non-existence of ready employment and the high rate of unemployment that has prevailed in the country for many years. The economic conditions in the country are making it very difficult for the government to create jobs (either directly or indirectly through encouraging the private sector) to meet the growing demands of the population, including new graduates from universities (Addai, 2011:347). This situation has caused a scarcity of job offers, forcing highly educated people to be recruited for jobs far below their level of qualification and even at times different from their field of specialisation. Apart from such employees being not motivated to work since they feel demoted, there is also the tendency of them being not competent in their new areas of placement due to lack of knowledge and experience, both of which may affect the individual’s performance and that of the enterprise as a whole.

The theoretical framework, based on HRM literature, assumed that an effective and efficient recruitment process was used in order to obtain the right pool of candidates for the selection process to be carried out. Contrary to the assumptions of the framework, almost all the SME participants in this study showed a preference for informal methods of recruitment for floor, clerical and supervisory staffing. This study does not condemn applicants from voluntary and recommendation outright as unsuitable for selection, as there might be eligible ones. Rather, it suggests that all candidates go through the formal recruitment process, no matter the source.

There was a common practice among most of the participants from the manufacturing sector in their recruitment practice, which they termed a probation period, whereby the new recruits were expected to perform the given task for a period of time before being inducted permanently, when found satisfactory. This took several weeks. However, this study found that some of the participants prolong the probation period to months due to the employer labour market advantage
existing in the country. Whilst some of the participants put the applicants on probation before the final selection decision was made, others selected the appropriate candidates before the given probation period, and kept them waiting on the floor (usually undertaking repetitive job) until there happened to be a vacancy in their choice of section or specialisation. A probation period, according to the literature, is an opportunity for new recruits to learn by observing others at the workplace. From the responses, participants confirmed using such a period to ascertain the level of the individual’s competency and his/her general behaviour towards work. However, the lack of ready job offers in Ghana has generated a system whereby potential job candidates may be waiting as casuals or temporary workers for a long period (until there is a vacancy in their area of competencies or specialisation) before gaining an employment offer. Such a situation kills interest/motivation and wears down the competencies of potential applicants.

In considering the selection process, the literature suggests that a good selection process generally takes the form of a sequence, as outlined in Chapter Two of this thesis. It identifies the applicant with the necessary knowledge, skills, abilities and other characteristics that fit the job, and who is worth hiring to perform the job functions (Noe et al., 2011). These authors note that even though selection processes differ from enterprise to enterprise and even from job to job within the same enterprise, there was a general sequential way of going about the process, such as screening applications and resumes, testing and reviewing work samples, interviewing candidates, checking references and background, and finally making the selection decision.

From the analysis of the participants’ responses, it was clear that such steps were not considered in their selection process. The findings showed that participants engaged in informal selection processes that were either too short to result in any valuable information on the candidate, or too long, yet ineffective for selecting the right candidate to fit into the position concerned. While some of the participants had processes that were unnecessary and repeated steps (which could be time-wasting), others had very short processes which might not yield any desirable candidate to carry out the task. The result was that those who engaged in sourcing from recommendations relied on what the recommender said about the candidate and as such employed the candidate without any further selection processes; those who employed voluntary candidates used ad hoc meetings with the candidates to make up a full selection process and just went through the submitted CVs and other documentations without even checking and contacting the candidates’
referees. Such shortcoming and their negative consequences to the operations of the enterprise were confirmed in the responses by the participants. Participants complained of undesirable behaviours of employees after selection, which could have been identified through well-planned selection process, as assumed by the theoretical framework.

The selection criteria employed by participants put more emphasis on education qualification and experience. However, employees who are inspired by the enterprise’s mission and goals, or at least the job task they are undertaking, usually do the best work. This means that the selection criteria used by participants should not be limited to educational level and experience alone but the process should have a means of examining the employee’s interest in what the enterprise is offering, and his/her character and behaviour towards job. Even though experience and the formal education level help to measure the employees’ potential for the job task, there have been instances of people with rich experiences and high educational levels whose performance was disappointing, as confirmed in some of the participants’ responses.

None of the participants in this study made mention of potential candidates being made to take tests such as drug, cognitive ability, intelligence, interest, and others. This has been found in other studies of SMEs (Bateman & Snell, 2009). Such tests might help to inform participants on the calibre, behaviour, and character of the person they were about to hire. This means that vital information for an effective selection process was missing. In effect, the calibre of candidate being employed was not even known, as they confessed in the responses. However, participants attributed such shortcomings to inadequate funds for a formal selection process, which seemed to them very costly, yet had no guarantee of resulting in a candidate who best fit the vacant position. With their difficult situation in accessing sufficient working and operational funds, they saw their only hope for their enterprise to be in relying on informal practices.

In conclusion to this section, the research has shown that the recruitment and selection practices engaged in by the participants were not in line with the practices towards the achievement of a competitive advantage to promote enterprise success and growth. This section has demonstrated that participants’ recruitment and selection practices were informal and not strategic enough to contribute to enterprise growth. Analysis of the data has shown that such informality was due to the little time they spent on designing a good recruitment and selection processes, lack of funding for a formal recruitment and selection processes, and the very strong influence of family, friends
and colleagues. They had little time for planning any effective recruitment and selection process due to the fact that they shoulder all the major roles within the enterprise, hence, they either relied on information given by the recommender of the candidate and skip all essential steps in the recruitment and selection processes, or copy from what other SME owners were using. The coping practice of the participants had caused these elements within the processes (where applicable) to be similar in relation to product category. However, the sequential order of the processes differed from enterprise to enterprise, as each participant mixed and arranged them according to the way that he/she felt would be easy and cheap to practise. Also, it is quite common in Ghana for employers in the private sector to ask their best employees to bring in their friends or relatives who are just like them to fill a vacant position, in order to save time and money from going through the processes. Such methods skip the use of any formal recruitment and selection processes. As noted earlier in Chapter One of this thesis, it rather encourages nepotism and building of cliques within the enterprise which is not healthy for enterprise growth.

The findings of this study supported the notion from the literature that SMEs delights in informal recruitment and selection practices. Although the expectation for the objective of the study was met, in that, the types of recruitment and selection practices employed by participants, how they are employed, and their reasons for such choices were found out, as well as the problems encountered in the execution of such practices, the findings did not support the perspective of the theoretical framework. This theoretical framework, well supported by HRM research, has not penetrated the HRM practices of the SME participants. The participants had recruitment and selection processes in place, but the processes they employed made such methods non-effective towards the building of core competencies within the workforce to enable the achievement of competitive advantage and enterprise set objectives. There seemed to be no formality in the recruitment and selection processes adopted by majority of the participants. Such informal recruitment and selection processes might be contributors to employees leaving the enterprises shortly after placement and training (possibly due to lack of interest leading to non-commitment), which was complained of by participants.

Contributing to these informal recruitment and selection practices is the nature of the labour market in Ghana, which is characterised by difficulties in getting a job offer causing people to accept jobs they have no interest or competencies in, and at times are below their qualifications.
The labour market is operating unofficially on a ‘who you know’ recruitment and selection practice basis. On the other hand, the responses obtained from the participants demonstrated that participants were not unaware of the importance of formal recruitment and selection methods, but rather, the cost involved in formal recruitment sources like advertising, institutional sourcing, and others were considered too much for them to bear, considering the marginal profits they were making. They rather admitted to hoping to find good candidates to recruit from recommendation and voluntary sources in order to reduce time and cost.

Whilst this study indicates that participants know about formal recruitment methods, they do not have a strong understanding of the value of implementing at least some elements of such formal methods. More research is needed to understand how such formal recruitment and selection methods can best be implemented in developing countries with very high unemployment levels like Ghana. Another explanation for the over-reliance on the informal recruitment and selection methods encountered in this study could be the immaturity of the business sector and the lack of government policies to support job matching services. None of the participating enterprises were using such services provided by other enterprises (at a cost SMEs as customers could afford). This is partly because such services are not popular in Ghana.

7.3.2. Training and development programs

Among the key aspects of HRM activities which emerged for further discussion was training and developmental programs engaged in by the participants. The literature notes that one of the key criteria in selection decision-making is to select candidates with the existing knowledge, ability, and skills for the vacant position (Noe et al., 2011:7). However, most enterprise owners make available training and developmental programs to enable employees to broaden their knowledge, skills and abilities for improved personal and enterprise effectiveness (Bateman & Snell, 2009: 370). The SHRM theory presents training and development programs as an important tool for building competencies in employees to contribute to maximum employee performance and achievement of the set objectives of the enterprise. The key purpose for such programs is to remove performance deficiencies.

The question exploring the training and development programs participants have in place for their employees generated a lot of issues. Findings, as reported in Chapter Six, showed that a high percentage (96.67%) of participants engaged in on-the-job training, with none of them
undertaking outside-the-job specific training. Also, the practice of training all categories of employees to understand the basic operations in all areas of the enterprise before offering training programs that were specific to the job was a common phenomenon among the participants, especially among those in the manufacturing sector. According to the participants, it helped them to make employees interchangeable in case somebody failed to turn up for work, or there happened to be a shortage of materials at one section while another section needed more hands. However, whereas participants in enterprises such as printing and business consultancy preferred to hire people who had already acquired specific training and allocate them according to their specialisation and competencies, others in the manufacturing sector preferred recruiting and selecting people without specific knowledge, and training them on the job to suit the needs of their respective enterprises. As could be deduced from their responses, where it was detected that a person was not functioning effectively and efficiently on the job, training was scheduled on the job for such an individual by the immediate supervisor. Such ad hoc training might maximize transfer of knowledge, however, it might also be deficient in one way or another, since normally it was the participant or the supervisor who took up the training task, but they might not be experts in the training area.

Additionally, findings showed that employee self-development programs were rarely supported by participants, with very few employees being sponsored to undertake outside developmental programs. Instead, flexible working hours were introduced by most of them for employees to further their education. Leaving employees to shoulder the cost of training might lighten the financial burden on participants, yet there remained the tendency of employee non-commitment to the enterprise.

More, most training programs organised off the job, as noted from the responses, were sponsored by government, NGOs, unions and associations, with little involvement of participants in the planning. Majority of the participants remarked that the content of such training programs did not have a bearing on their everyday enterprise operation needs, and took them to be a waste of their enterprise's productive time. This implied that training organised by such bodies, which might not have a direct connection with the operations of their respective enterprises, but might develop the employees, were not recognised by these SME owners as important and were thus ignored (as they made decisions as to which type of training program the employees were to attend). The
motivational impact on employee retention and performance of training programs that provided country-wide recognition of qualifications was not recognized by the participants. Indeed, attaining such skill recognition was viewed by participants as a benefit only to the employee, a benefit that was likely to result in the employee leaving their current enterprise.

Participants’ responses partly shifted the responsibility of employees not getting proper training onto the structure and content of the training programs organized by the government, NGOs, associations, and unions they were affiliated to. However, the training needs of the enterprise, hence the employees, were best known to them as owners, yet none of them had been consulted about the kind of training they would like to see made available or about the design of such training programs for their employees. For the participants to rely mostly on training programs from the government and NGOs (which were mostly general), without any well planned programs tailored to their employee needs, left a gap in the building of employee competencies, as well as motivation for employees to stay with the enterprise and perform to the achievement of the enterprise’s set objective.

Furthermore, participants’ responses showed that their enterprises did not encourage external job-specific training, which might have helped to introduce employees to new technologies available for their current jobs. The omission of such training and development programs might serve as a major constraint to global competitiveness among the participants. However, in the context of difficult economic times, budgeting for employee training programs might not seem very important to the participants.

A significant number of the participants justified their stance, attributing their inability to organise proper employee training programs to employees not being able to understand or act on instruction during training. Where strategic recruitment methods were employed as directed by the theoretical framework, such deficiencies would be minimal. Selection would be effected from the right pool of candidates for the job task, thus giving further training might not be a problem. Conversely, targeting skill development programs to match the capacities of employees of these SME participants is very much needed.

Another concern that crops up is evaluation of outcome of the training on all four levels of training evaluation namely the employees’ immediate reactions, the extent to which learning
objective have been achieved, behaviour of employees, and the extent to which training has contributed to achievement of enterprise objectives (Stone, 2011). This was to ascertain whether the training has made any difference. Participants’ responses focused mainly on the use of output before and after training, as well as the individual’s behaviour to evaluate performance after training. Such a practice was basically through observations. This means that the final output is measured and compared with the previous to find out if there had been any difference. However, division of labour as well as job rotation that participants employed did not encourage individual performance to be measured by output. This is because a particular job went through different hands at different production stages before the product was finally completed, which made it difficult to evaluate individuals using the input/output measures. It also highlighted the problem of using, as the unit of measurement, employees’ behavioural change, competencies, and transferred knowledge acquired from the training, which were also through observation. Participants relied on subjective observation to evaluate the effectiveness of training on performance of employees, which could be misleading and very inaccurate over time.

Similar findings have been highlighted in the literature. For instance, studies by Jameson (1993) and Kotey and Slade (2005) noted that small enterprises favour informal training methods and usually value training that is specific to the job. According to these studies, SME owners do not encourage employee developmental programs. SME literature further noted that even where employees sponsored themselves for further developmental programs, their employers did not reward them with promotion into jobs to match their new skill level. In response, employees tended to search for new jobs that matched their new level of development or qualifications, and left the enterprise without notice or at very short notice. This seemed to be the situation of the participants as they lamented in their responses.

The theoretical framework assumed that the enterprise engaged in effective and well-designed planned training programs to develop, top up, or sharpen employee’s job specific skills, as well as to motivate employees to stay with the enterprise and contribute their best. Further to this, the literature notes that enterprises have to move from a primary focus of training as basic skill development to a broader focus of creating and sharing knowledge if competitive advantage is to be gained (Cieri & Kramar, 2005:374). This means that the SME participants should consider employee development programs to be equally as important as basic skills or specific skill
training programs. More attention needs to be given to information management so that the enterprise can capitalize on the knowledge it has distributed across employees, knowledge learnt from doing the job or from more formal training opportunities.

The theoretical framework guiding the study, based on the SHRM theory, recommended the building of employee competencies as one of the key tools that might help the enterprise to achieve competitive advantage over its competitors, and one of the ways of building such competencies is through effective and well-planned employee training and development programs. It expected that there should be well-designed planned training and development programs in place to add to employee competencies and motivate them to stay with the enterprise, however there seemed to be no planning and budgeting towards employee training and development. Findings showed that participants’ key interest was in the engagement of on-the-job training programs (mostly in an ad hoc manner only) as can be deduced from Table 6.4 in this thesis. Even though the on-the-job training encourages the building of competencies, this alone may not lead to the success of the enterprise until a commitment is built among the employees through motivation, as outlined in the theoretical framework, and one of the ways of doing this is through developmental training programs.

However, as described in Chapter One of this thesis, the education curriculum in Ghana seems to contribute to this situation as it does not support increased competencies in job-specific skills (as reported by some of the participants) and as such specific job training for competencies (often referred to as vocational education and training) does not flourish. This has generated a system whereby employers need to train their employees most often from scratch for a specified job on the job. The fact that informal recruitment and selection methods were employed means some degree of training was needed, which was costly. Nonetheless, the crucial financial position of these participants, as noted also in the HRM literature, raised other issues (Kayanula & Quartey, 2000; Arthur, 2007). Issues such as the cost of training, applicability and transferability of knowledge gained by employees from such training programs to the job, and the high rate of employee turnover after such training were raised by participants. The cost of suitable training was too much for stakeholders to bear, that is, one that could be applied to the individual enterprise’s need. Since the cost of running such training is very high for such categories of enterprises, and training programs organized by government and other benevolent bodies were
less connected to their daily enterprise operations, participants tended to carry out on-the-job training themselves, to reduce costs and increase output. The high percentage of participants’ engagement in on-the-job training shows the significance of this preference, which could be linked to their low level of participation in employee developmental training programs.

The problem encountered here is the benefit of such developmental programs to the participants, with their notion that the employees did not stay long with them to contribute to the achievement of their enterprises’ objectives. The fact that employee developmental programs bear fruit in the future (Noe et al., 2011:259), and workers did not stay long with participants might also be a major contributor to their low-participation in such programs, hence their conclusion that they did not even see any gains in using production time to train employees as such employees would leave the enterprise to work in larger enterprises in search of greener pastures. The fact is when an enterprise invests in employee training it does not gain all the benefits of the training in the short term, but rather in the long term. Therefore, with the employees leaving the enterprise after training implies that the participant gained nothing from the investment made. However, these participants cannot use this to stay away from employee training as it is often used to make up for deficiencies in the educational system. Consideration needs to be given to the cost of such training and how this can be better shared between trainees, SMEs, large enterprises and government. This will be taken up in Chapter Eight.

In the context of a developing country like Ghana, another issue that comes to mind is how employers can change their production equipment to keep abreast with new technology. The studies in the HRM literature mention that SME owners go in for second-hand machines and equipment due to their inability to afford new ones, and maintain them with either second-hand or locally made spare parts. This implies that the on-the-job training preferred by participants did not help in acquisition of new skills, since the workers operated with obsolete equipment and technology. The use of such equipment also made the employees’ skills and knowledge acquired from the few available outside job-specific training in modern technology ineffective. This suggests that even with specific job knowledge and skills, not much would be gained by employees since they continuously work with the same obsolete machines.

To sum up, the objective of the study for this section was achieved in that the type of training and development programs participants had in place for their employees, method of deployment,
reasons for choices, and the constraints associated with such choices by participants were known. However, certain parts of the approach employed by participants did not support the assumption of the theoretical framework in the building of competency and commitment in employee to perform. Rather, findings supported what has been noted in HRM literature on SMEs and employees training programs.

7.3.3. Performance management: performance appraisal

HRM literature upholds performance management and appraisal as means of determining how well employees are executing their tasks, communicating that information to them, and establishing new objectives and plans for improved performance (Stone, 2011:286). Such action helps in making decisions on employee transfer, promotion or demotion, salary increases, extending responsibilities, staff retrenchment, and for HR planning in general, to promote the achievement of the enterprise’s set objectives.

A question investigating the approach participants employed in managing employee performance found that such an important activity had not been seriously taken care of by participants. It seemed clear from participants’ responses that no formalised performance management was being carried out at any time during the year. Their attention was focus on effective and efficient supervision that made sure that employee really worked to achieve the daily target. Just few participants conducted an annual performance appraisal. Since such participants were busy with many enterprise-related issues, the whole system of appraisal was based on rather haphazard observations reported by supervisors or team leaders. They followed the traditional procedure of making copies of an appraisal form for employees to fill in, without setting objectives, communicating with the employees in the process of the evaluation, or giving them feedback on their performance. Performance interviews and feedback were missing in their evaluation method. Also, there were no performance standards of any kind in their appraisal system, which made it difficult to assess employees based on job analysis, description and specification. The adaptation of such informal performance management methods might mean that participants underestimated the importance of performance appraisal and as such did not spend time to plan it well. However, if participants were to maximise employees’ contributions to the achievement of the enterprise objectives, effective planning of such an important function is necessary (Cardon & Stevens, 2004; Carlson et al., 2006).
On the whole, the study failed to fully achieve its objective for this section at the side of the assumption of the theoretical framework. Little information was available from participants on the activity. Rather, findings supported literature that SMEs pay little attention to performance management and adopt informal methods (Jackson et al., 1989; Cassell et al., 2002).

### 7.3.4. Compensation

According to the literature, an effective compensation system may contribute to increased productivity, quality, greater acceptance of changes, and improved enterprise performance (Fisher et al., 2006; Noe et al., 2011; Stone, 2011). This is because the way employees see the enterprise’s compensation system affects their work behaviour, as well as the strategic objectives of the enterprise and could play an important role in the efforts of the enterprise to gain a competitive advantage over its competitors (Fisher et al., 2006: 483). It is also known that a motivated workforce is essential for the continuity of the enterprise, and that financial rewards could be a key aspect to motivate employees to make an effort towards the achievement of the enterprise’s set objectives and stay longer (Curran et al., 1993).

The compensation system employed by participants, as portrayed in Figure 6.4, Table 6.6 and Table 6.7 in Chapter Six, was based more on a monthly fixed salary payment. It meant that employees had to work and wait for a relatively long period before having money to meet their personal needs. Such a method caused employees to be without money for a long period as they tended to spend whatever they received at the end of the month before the middle of the next month. The most common method used by participants to determine an employee’s remuneration package (for experts in the job) was through individual negotiations at the time of hiring. This means that there was no formal job evaluation system to ensure internal equity of salary or benefit structures. It was also found that salary increases were primarily based on increases in fuel prices, which meant that the increment had little or no impact on the employee’s financial wellbeing.

Whereas participants’ commission method only brought income to the employee where the condition attached was readily available and fulfilled, the bonus payment method employed was effective annually, as explained by participants. This led to employees asking for soft loans by the middle of each month and, most often, getting the loan paid back became a problem, which became a further constraint on the enterprise’s operational budget.
Additionally, the few benefits offered by participants were on an across-the-board basis, which did not make the system competitive to affect motivation. Participants seemed to compensate for their poor engagement in protective and service programs for employees with soft loans, which were repayable without interest; social gatherings, which were mostly based on the individual’s presence at these occasions; and hospital bill refunds, which participants admitted came with a range of conditions attached (see Table 6.7).

The overall picture of the participants’ compensation system seemed ineffective to lighten the embedded financial issues of the employees, which influenced their desire to leave the enterprise in search of greener pastures, as reflected in participants’ responses. Participants’ difficulties in getting the right staff and maintaining them were mostly tied to the non-competitive nature of their compensation packages.

The literature on SMEs highlights the lack of formally designed compensation systems (Carlson et al, 2006) and this is the exact picture seen in this study. In Ghana (and other developing economies), the competition between SMEs and large enterprises for skilled and specialised labour is very keen and always favours the large enterprises since they have more finances available than SMEs do. This made it very difficult for the participants in the study to be competitive in the labour market, hence the adoption of a selective and unfair compensation method, leading to non-commitment of employees to perform. According to the participants, they relied on individual salary negotiations to attract skilled and specialised labour. This has generated a system in the country whereby employees perceive inequity between their input and the compensation awarded. Hence, workers’ demands through demonstrations for salary increases are very common in Ghana. Even though all the participants confirmed not experiencing any major industrial action by their employees, they also confessed having had a number of confrontations with their employees on the issue of salary increments, but they tried to settle them in round-table meetings. The danger is that some employees may leave on short notice, but those who may not leave because of difficulties in readily finding another job may stay, but not be motivated to perform to a level that fulfils the enterprise’s set objectives.

Furthermore, social gatherings, as noted earlier in Chapter Six, form an essential part of the socio-cultural practices of Ghanaians. The physical presence of the individual, at such events, is valued more than any material contribution made. This partly explains why participants’
engagement in such an activity is encouraging (see Table 6.7). However, looking at the hard environmental situations in which these participants find themselves, especially in operational funding, compensation components like benefits, allowances, and other extrinsic incentives could not be afforded by them, as rightly explained in their responses. This area of policy development is one that could be given more attention, by governments working in partnership with SMEs, health insurance schemes, loan schemes, and others that bring workers from many enterprises together to provide better purchasing power. Providing such schemes for low paid workers would support the continuity of the participants and SME workforce as a whole, and costs could be shouldered across beneficiaries – government, employees, and employers.

The theoretical framework assumed that participants’ engagement in competitive and attractive compensation methods might enable employees to stay longer with the enterprise and be motivated to contribute to the achievement of the enterprise’s set objectives. However, the above discussion establishes that the methods employed by the participants were not in support of fair compensation packages that might motivate the employees to perform their best toward the enterprise’s growth. Nonetheless, the objective for the research sub-question for this section has been achieved, in that the research has brought to light the type of compensation methods employed by the participants, the reasons for their choices, the effects such choices had on employees’ performance and the problems participants faced in employing such methods.

7.4. Conclusion

This chapter has outlined the findings of the research study in Chapter Six of this thesis. The significance of the key findings has been drawn together in relation to the literature review in Chapter Two, the derived theoretical framework in Chapter Three and back by the general information on the participants of this study and their respective enterprises in Chapter Five. As could be deduced from Chapter Four, the size of the sample for the study was small. This makes it difficult to generalise any particular finding to cover all SMEs in Ghana. However, it reflected the HRM practices by SMEs in Accra Capital. Furthermore, the location of the research in an urban area reflected on the educational levels of the participants, an issue which might not have been the same if the study had expanded its sample population to include SMEs in the rural areas. In the light of these, the findings cannot be generalised to HRM practices of SME owners in the
rural areas of Ghana. However, the core question of the research study, which was to explore the HRM practices engaged in by SME owners in Ghana to find out the types of HRM practices they employed, how and why such choices were made, and the constraints they faced in the deployment of their choice of HRM practices, has been answered in this discussion. The discussion of the findings has shown that the SME owners who participated in the study had HRM practices in place, but deployed them in an informal way, generating constraints to the success and growth of their enterprises. The researcher as such draws a conclusion to this thesis in the next chapter, and outlines some recommendations.
CHAPTER EIGHT
CONCLUSION AND RECOMMENDATIONS

8.1. Introduction

The main aim of the study was to explore the HRM practices engaged in by SMEs in Ghana in order to contribute to the existing knowledge on HRM in SMEs in developing countries. The core research question explored the HRM practices of this economic sector using face-to-face semi-structured interviews, based on seven key questions. The data collected has been analysed in Chapter Six, and findings further discussed in Chapter Seven. This chapter gives a summary of the research and draws a conclusion to the whole study, with some recommendations.

The literature review conducted for this study revealed a knowledge gap on HRM practices by SMEs in Ghana – an omission of an important aspect in the management of their enterprises. From the review, this researcher found that even though there had been a number of studies in the area of this economic sector, they were mostly focused on the sector as a mechanism for private sector growth to enhance economic development. The studies threw light on the contributions of the sector to economic growth, and highlighted various constraints holding the sector back from effectively performing to support the economy of Ghana. Most of these studies argued that availability of adequate finance, lower costs for accessing funding and lower costs of raw materials and electricity power supply might ease SMEs’ problems and enhance their development and growth. However, financial and other forms of support from both government and private institutions to remove these barriers have not helped the SMEs much to perform to expectation. The literature further highlighted HRM as a key to enterprises’ effective performance, success and growth. This research, therefore, focused on the solution to the under-performance of the sector towards HRM with a salient question: “Can this under-performance of the SMEs in Ghana be as a result of their HRM practices?” Unfortunately, little information was found on HRM practices regarding SMEs in the literature to answer this important question – a gap in knowledge which needed to be filled before any quantitative studies could be conducted to measure the effects of other important variables.
This study then opted for an exploration into the HRM practices of SMEs in Ghana to bring to light the type of HRM practices they had in place, the methods they used in employing such practices, their reasons for engaging in such HRM practices, and the constraints they faced in employing such methods. The central question addressed in this study was: What are the HRM practices employed by SME owners in Ghana; how and why are these practices employed, and what are the problems and challenges associated with such practices?

To find answers to this question, the study adopted a qualitative strategy and designed questions to explore the HRM practices of SMEs in Ghana, using sample size of 30 participants, in the area of recruitment and selection, employee training and development, performance management, compensation method, and some of the general administration practices such as employee promotion, work assignment and work supervision, as well as HRM problems and challenges the participants faced in the deployment of their choices of such practices. The study also explored general information on the participants and their respective enterprises to obtain conclusive and accurate information to answer the central research question. Since such an exploratory study could not be conducted in a vacuum, a theoretical framework was used by consolidating relevant elements from HRM theories such as Maslow’s Hierarchy of Needs Theory and Herzberg’s Two-Factor Theory, the resource-based theory, and the SHRM theory to guide the study. The resultant framework guided the setting of the objectives that were used to formulate seven major themes for the study, from which the seven key questions emerged as explained below:

Question 1 sought to explore the recruitment and selection methods engaged in by the participants.

Question 2 investigated the training and development programs available by the participants for their employees, and the methods of performance evaluation in place.

Question 3 investigated the performance management approach of participants.

Questions 4 investigated the compensation methods of the participants.

Question 5 explored the general administration practices such as employee promotion, work assignment and work supervision.
Question 6 dealt with the common problems and challenges faced by these participants in the execution of their choice of HRM practices.

Question 7 sought to explore the general information on the SME participants and their respective enterprises, focusing on their family background, age, marital status, educational level, experience before starting the enterprise, mission and goals, and their individual source of motivation to starting their own enterprises. Also included were basic information on their respective enterprises such as background and operational history, year of establishment, product or service line engaged in, and size of the enterprise by total number of employees. (See Appendix 2d for a copy of the questions.)

In order to obtain good coverage in the research, each main question was divided into sub-questions and used as an interview guide (see Appendix 2f). Other questions arose, prompted by what emerged during the interviews. This method yielded a substantial volume of data on the topics. As stated in the introduction to this chapter, the data collected from these questions (all of which were direct responses by the participants) were analysed and interpreted. The ways in which the participants interpreted their views in their responses to the central research questions, and how the researcher understood their interpretations and views, were presented in chapters Five, Six and Seven of this thesis.

8.2. Conclusion

From the analysis and its subsequent discussion, the conclusions that have emerged are as follows:

1. The participants were of mature age and had at least been educated formally up to JHS level. Such factors coupled with their distinct family backgrounds and varied experiences before establishing their respective enterprises showed that they knew the enterprises they were getting into. They had formal written mission statements and had set out their objectives and goals. Hence they were able to realise their business aspirations, motivated by their respective sources of support. Such attributes could have affected their decision-making about their HRM practices positively; however, their lack of effective HRM
practices and their adoption of informal HRM practices have generated problems that had hindered the development, success and growth of their respective enterprises.

2. The findings from the analysis showed that participants had HRM practices of their choice in place in their respective enterprises. They were engaged in all the HRM practices covered under this study namely, recruitment and selection, employee training and development programs, performance management, compensation, employee promotion, work assignment, and work supervision, but these were at varied levels of efficiency and effectiveness. Whilst participants had knowledge on formal HRM practices, they did not act on that knowledge, instead imitating their SME enterprise peers and older generations. Participants’ HRM practices were mostly deployed informally, which tended to have an adverse effect on the success and growth of their enterprises. This is nothing new and has been found by many researchers investigating HRM by SMEs (El-Kot & Leat, 2007; Babatunde & Leoye, 2011; Zakaria et al., 2011). The value of HRM for understanding workers, their motivations and their concerns was not appreciated by these participants. Their efforts were concentrated on using their authority to direct employees rather than on thinking about the systems within which their employees worked and how such systems could be adjusted to get the best from each employee.

3. Recruitment was mainly sourced from recommendation and voluntary sources, which did not present the right pool of skills for selection or the best candidates for vacant job positions. The selection process was either too short (with the participant skipping a lot of important steps in the formal selection process), or too long (with the participants repeating certain steps, or adding unnecessary ones) without any definite sequential order. Education and experience of the applicant were found to be the most commonly used criteria for selection.

4. Participants utilised mostly on-the-job training, with little planning or budgeting for outside job-specific training and employee developmental training programs, due to financial constraints. Formal performance management methods such as appraisal were not evident among the participants’ HRM practices. Those who used formal appraisal forms merely handed out the form for employees to complete themselves, more as a formality achieved annually, with no set objectives, effective appraisal process, nor
feedback; the majority of the SME owners in the study did not have any kind of performance evaluation process in place.

5. Their inability to offer appreciable compensation packages led most of them to deploy selective commission-based payments, and individual negotiation of wages and salaries in order to motivate their best employees to stay longer with them.

6. Promotion of employees seemed to be non-existent in the participants’ HRM practices, since this depended on the availability of a vacant position at the top, a situation that rarely occurred since higher positions tended to remain static due to prevailing low job vacancies in Ghana.

7. The choice of informal HRM practices had generated problems in the participants’ execution of HRM activities that negatively affected the achievement of their set enterprise objectives.

From the data collected and the subsequent analysis and discussion, it could be concluded that, despite the small sample size of this study, the findings reflected the HRM practices by SMEs in Accra, Ghana as a whole. This group of SME owners who participated in the study were not very different from others from the urban area of Accra. The participants consisted of 100% SMEs mostly listed on business association lists that were located in the suburbs of Accra Central, Accra Newtown, Achimota, Airport, Asylum Down, East Legon, Kokomlemle, Labadi, Madina, Osu, Roman Ridge, Spintex Road, and Teshie-Nunguah. The only exceptions were firstly, enterprises listed on the association lists which did not fall into the sample frame, or were no longer operating at the listed address or telephone number. Secondly, enterprises where the owner was not directly involved in the day to day management, but employed a manager to take complete charge, were not included. Through this approach, the study has achieved its objective of finding out the types of HRM practices engaged in by a sample of enterprise owners from this economic sector, how and why such practices are employed, and the problems and challenges they are faced in the choices of such practices. It has also provided the reader with an understanding of HRM practices in Ghana, and thrown light on some institutions, such as the political, socio-cultural, and economic issues that have influenced the Ghanaian choices and methods of practice in HRM. In effect, it has filled a knowledge gap in HRM practices within the SME sector in Ghana, thereby contributing to the existing knowledge on HRM activities of SMEs in developing economies. However, the findings demonstrated, within the parameter of the
theoretical framework used in the research, that the enterprises of the participants of this study had largely failed, in the area of HRM practices, to develop, succeed and grow to enhance general economic growth in Ghana. The findings and the subsequent discussion revealed that there was a need to improve the effectiveness and efficiency of HRM activities engaged in by the SME owners who participated in this study. In view of this, some recommendations are made in the next section.

8.3. Recommendations

This thesis recommends, in the first instance, that SME owners in Ghana who participated in this study regard HRM as the backbone for the success and growth of their respective enterprises, without considering the size of the enterprise. Once even just one person is employed to serve the enterprise and help achieve its set objectives and goals, effective HRM practices should apply. It is the effectiveness of HRM in the enterprise that could help to identify the strengths and weaknesses of the total operations within the establishment and to ascertain how successfully it can use its opportunities in the business environment. Employees are needed to bring the aspirations and expectations of the participants to fruition, and that largely depends on effective and efficient HRM practices.

Firstly, the researcher suggests that a systematic approach to recruitment and selection must be taken by participants in order to improve the quality of the candidates they offer jobs to. Best practices of recruitment and selection processes must be followed to result in choosing candidates with the appropriate knowledge, skills, abilities, and personal qualities; and also eradicate the problems like nepotism and discrimination.

Secondly, participants must put in place a systematic approach to training and development programs. Such approach should involve assessing needs, selecting training methods, and evaluating the effectiveness of such programs to ensure they are contributing to the success and growth of the enterprise. Also, participants, supervisors, and training program sponsors should share the responsibility together with employees for ensuring that what is learnt by the employees has a chance of being transferred on to the job. Participants, supervisors and even the employees should have a say in determining what training is needed.
Thirdly, the participants should recognize the fact that having the right skill level of staff impacts on the productivity, profitability, success and growth of the enterprise. This calls for effective and efficient assessment of employee performance on a day-to-day basis instead of the annual traditional method of performance management through the filling in of appraisal forms, without any follow-up or feedback activities. To address such an issue, there should be an administrative role for day to day dealings and interactions with employees, not only to produce the desired results on a daily basis, but also to find out their physical and emotional strengths, as well as other problems that may negatively impact on production both quantitatively and qualitatively. It is therefore recommended that participants of this study institute a performance management system that objectively measures the contributions of the individual employee in terms of performance; to enable effective HR decisions concerning employees to be made in such a way that they may be motivated and committed to the achievement of the enterprise’s goals and objectives. Participants may adopt simple appraisal approach which may not need sophisticated processes such as the 360-degree performance appraisal so that no further costs may be incurred.

Fourthly, in order to attract, motivate and retain employees, the participants (and therefore SME owners in Ghana as a whole) would benefit from more standardized wage fixing. If compensation packages within all enterprises are comparable, employees may not feel pushed to leave one enterprise for another. Also, a systematic approach to compensation may help to reduce the level of subjectivity and increase the likelihood of participants attracting, training, and motivating suitable employees and gaining a competitive advantage. As a result of the lack of adequate operational funding to pay employees compensation packages that are comparable to their counterparts in large enterprises, it is recommended that participants encourage more intrinsic rewards to encourage employee commitment towards the achievement of the enterprise’s set objectives.

Also, the findings have highlighted some HRM practices in the SME sector in Ghana that government policy makers should be aware of. Substantial efforts have been made by the Government of Ghana and donor communities to develop the SME sector but it seems the implementation and monitoring of such developmental policies and programs are far from efficient. It is recommended that the government establishes an effective monitoring mechanism aimed at checking on HRM practices in the private sector of the country, so that feedback on
such developmental issues can be easily provided to help measure the trends. The government should work together with the SME owners to recognize the problems they face in their HRM practices and put in place a common framework for HRM practices that will be attractive to all the SME owners.

The context of training and developmental programs organised by the government, NGOs, unions, and associations the SMEs are affiliated to should be geared towards the training needs of the sector to make the knowledge acquired from such programs transferable at the workplace by employees who participate in such training programs. To help achieve this, the government should seek the assent and cooperation of the SME owners in drawing up such training and development programs.

Furthermore, it is recommended that the course structure of the JHS in Ghana should include entrepreneurial courses, such as HRM, to enable those who may drop out at that level to set up their enterprises, know the importance of such subjects and how to practise HRM effectively for success.

In terms of relevance for future researchers, this study is exploratory; it aimed at scoping the HRM activities of SME owners in Ghana. It has achieved its central aim of uncovering what HRM practices occur in this sector using a specified sample of SME owners. The findings from this research serve as the starting point for a further, definitive study of HRM practices in the sector in Ghana. The study has produced empirical groundwork and opened the door for future research that could be conducted quantitatively, to find out more details about how each of the HRM practices is planned and executed by the SME owners, with the application of other research approaches. However, the interviews conducted for data analysis in the study only sought responses from the SME owners who participated in this study, but omitted the perspectives from employees due to limitations of time and funding. The theoretical framework guiding the study did not accommodate the perceptions of the employees in the model. As such, the primary data used for the analysis of this study came from the responses given only by the SME owners who were the decision-makers for HRM practices within their respective enterprises; no data was derived from employees who carry out the operations of the enterprise under the particular HRM practices of the SMEs involved in this study. Van de Berg (1999:302) noted that HRM policies and practices become meaningless until the employee perceives them as
something important to his/her organisational ‘well-being’. As such, it is recommended that future research, which may wish to use this model in part, fully note this deficiency and rectify the model to include investigation of the employees’ perceptions of the HRM practices in their respective SMEs in Ghana.

Lastly, the sample in the study (as stated earlier in Chapter Four) was selected from an urban city and the characteristics of HRM practices there may differ from those in the rural areas of Ghana. This means that the findings cannot be generalised to include SMEs in the rural areas. It is recommended that future research take note of this and include the views of SME owners (and their employees) in the rural areas.

Finally, this research has studied HRM practices employed by SME owners in Ghana, who participated in the study, looking at factors that constrained success. The literature highlighted the HRM practices by SMEs in general but not much was obtained on SME in Ghana, a task this study took up to accomplish. A theoretical framework was designed as a guide to the study using qualitative approach to explore HRM practices by this economic sector. The study identified some issues within the areas of recruitment, selection, training and development, compensation and other general HRM practices areas. However, a number of suggestions have been made that may improve the HRM practices of SMEs in Ghana.
APPENDIX 1

GOVERNMENT AND PRIVATE INSTITUTIONS SUPPORTING SMES IN GHANA

Association of Ghana Industries (AGI)
The Association of Ghana Industries (AGI), a voluntary business association, was established in 1958 in response to the launching of an industrialisation program by the then government which called for the support of the indigenous Ghanaian enterprise owners to ensure its success. Its initial approach was to look into the problems and challenges of the indigenous enterprise owners (AGI, 2008). The association was initially named the Federation of Ghana Industries (FGI) with its primary aim of supporting the vision of the government’s economic emancipation through rapid industrialisation plans. Initially, all members were Ghanaians but later, the need for foreign investors into the economy was realized; foreign enterprises were admitted under registration. The federation changed its name to the Ghana Manufacturing Association (GMA) in 1961 until 1985, when it was changed again to its current name Association of Ghana Industries (AGI) in order to reflect the members of the service sector enterprises such as utilities, banks, insurance, hotels and the likes.

Currently, AGI membership is over one thousand, made up of small-, medium-, and large-sized industries in agro-processing (food and beverages), agriculture enterprises, pharmaceuticals, electronics and electrical, telecommunications, information technology, utilities, transport, construction, textiles, garments and leather, banking and advertising (AGI, 2008:16). It has grown over the years to be an independent, credible and respectable voice of the industries in Ghana, having positioned itself strategically as a commendable policy advocate, generating key industrial policies and entrenching its influence on government, to the benefit of its members and the entire business community in Ghana. As a leading voice of industries in the country, it is dedicated to advocating policies that advance the growth and development of industries; facilitating international trade through exhibitions of members’ products in countries across the sub-region; strengthening national industry associations through the sharing of knowledge, experience and critical information; providing members with a vast network of contacts, especially in the West Africa sub-region; and hosting the Industry and Technology Exhibition to promote members’ goods and services. One of its major achievements is the reduction of
Corporate Tax from 32.5% to 25% (AGI, 2008:52), thus reducing the cost of doing business in Ghana.

**The Ghana Export Promotion Council (GEPC)**
The Ghana Export Promotion Council (GEPC) was established in 1969 as an autonomous corporate body outside the civil service by the National Liberation Council Decree No. NLCD 396, and given charge of promotional activities to encourage Ghanaians to enter into entrepreneurship. The institute was restructured in 1987 as part of the Economic Recovery Program II and tasked to revamp the non-traditional export sector. It operates under the Ministry of Trade and Industries and is specifically in charge of the development of a diversified export base for the economy through the creation of export awareness within the enterprises and by providing the skills and services necessary to optimal development of Ghana’s non-traditional export potential. The institute offers seminars, training, trade fairs, workshops and many other activities which go a long way to prepare Ghanaians to create and own enterprises. Its establishment has made a great impact on the operations of SMEs in Ghana especially those in the export sector. It works very closely with the Trade Fairs Authority to arrange trade fairs and exhibitions in Ghana, in which potential importers participate. It also informs its members about fairs in potentially attractive foreign markets, and encourages them to attend, hence helping export oriented SMEs to meet potential importers. The institution is also a potential source of market information for SMEs in exports and has consequently become the first place of enquiry for foreign retail enterprises who are interested in sourcing their goods from Ghana. In addition to such a role, GEPC has instituted an annual award in recognition of extraordinary non-traditional export performance.

**The National Board for Small Scale Industries (NBSSI)**
The National Board for Small Scale Industries (NBSSI) was established by the Government of Ghana by ACT 434 of 1981, under the Ministry of Industry, Science and Technology to promote the growth of SMEs. It comprises Credit Units and Business Advisory Centres (BACs), which are located in all the ten regional capitals of Ghana. As a focal governmental agency dedicated to the promotion, growth and development of the SME sector, NBSSI has established an Entrepreneurial Development Program which intends to train and assist persons with entrepreneurial abilities into self-employment. Its primary mission is to assist in the
identification, development and sustainable improvement of a competitive SME sector, through the provision of innovative business development services and access to financial services, in order to maintain and strengthen the nation’s economy.

The Ghana Standard Board (GSB)
The Ghana Standard Board (GSB) was established as a facilitating institution to ensure quality standards, to enable Ghanaians in production to be competitive on the global market. The institution has won respect from many exporting enterprises for acting as a guarantee of the quality of their products with its certification recognized in importing countries as evidence of quality. Its role has guaranteed the acceptability of the products of some SMEs in exports into foreign markets.

Ghana Free Zones Board (GFZB)
Ghana Free Zones Board (GFZB) is committed to the enhancement of Ghana’s image as a destination of choice for foreign investment and is set to collaborate effectively with AGI to achieve this aim (AGI, 2008:55). To enhance this task, the Legislative Instrument on Immigration Quota, which grants automatic immigration quota for investors, has been enacted. In addition, visas for all categories of investors and tourists were issued on arrival at the ports of entry without much delay. The GFZB has collaborated with the AGI for several years to make the economy more investor-friendly. It works with the AGI to disseminate information on the free zone program to educate and encourage indigenous industries take advantage of the benefits under the program.

Public Procurement Authority (PPA)
Established under the ACT 663, Section 3(t), one of the main functions of the Public Procurement Authority (PPA) is to assist the local business community to become competitive and efficient suppliers to the public sector. PPA, in collaboration with AGI, has redrafted the Domestic Content Bill and replaced it with the Industrial Development and Competitiveness Bill. PPA has also consulted AGI in an introduction of a concept of Sustainable Public Procurement (SPP) in Ghana’s Public Procurement, which will ensure that enterprises meet their needs for goods, services, works and utilities in a way that achieves value for money, generating benefits not only to the enterprise, but also to society and the economy.
Ministry of Trade, Industry, Private Sector Development and Presidential Initiatives

The ministry has overall responsibility for formation, implementation and monitoring of Ghana’s internal and external trade. It collaborates with AGI in policy advocacy issues. To meet the challenges posed by the changing domestic and international trade environment, the ministry is pursuing proactive policies designed to create conditions for the renewal of Ghanaian industry and commerce, with one of its major policy measures towards the achievement of accelerated and sustainable growth, being the Ghana Trade and Investment Gateway Program which seeks to promote foreign direct investment and establish Ghana as a major manufacturing, value added, commercial centre in West Africa (AGI, 2008:52).

The Food Research Institute (FRI)

The Food Research Institute (FRI), an institute within the Ghana Council of Industrial and Scientific Research, was engaged in research work in the area of food processing, working on new methods of preparing, processing and storing local foods, especially improved techniques for preparing traditional foods in Ghana to reduce time and energy often required to put into these activities. The institute has worked in the area of palm press in the preparation of palm oil and has also produced instant fufu from yam, cassava, cocoyam and plantain powder (which are mostly within the areas of SMEs), some of which have found their way as exports to European markets.

The Ghana Appropriate Technology Industrial Services (GRATIS)

There was also the introduction of the Ghana Appropriate Technology Industrial Services (GRATIS) in 1987 to promote small scale industrial growth, improve incomes and employment opportunities, as well as enhance the development of the economy of Ghana. It was charged with the supervision of the operations of Intermediate Technology Transfer Units (ITTU) in Ghana. Its objectives are being achieved by developing and demonstrating marketable products and processes which enable SMEs to increase productivity, jobs, and income (Hands On, September, 2008). Alongside the introduction of improved technologies, manufacturing processes and products, GRATIS provides loans to SMEs for acquisition of equipment and working capital, engineering design, marketing and other consultancy services to enable the enterprises to expand or upgrade their operations (Hands On, September, 2008). GRATIS’ task is to upgrade small scale industrial concerns by transferring appropriate technology to SMEs at the grass roots level,
Its services are sponsored by the Government of Ghana, the European Union (EU), and the Canadian International Development Agency (CIDA), while funding for specific projects are provided by the German Agency for Technical Cooperation (GTZ) and the British Overseas Development Administration (ODA) - now the Department for International Development (DFID).

**Intermediate Technology Transfer Units (ITTU)**

GRATIS operates through a network of ITTUs which have been established in all the ten regions of the country. The ITTUs provide short and long term training for over eight thousand people annually and administer loans for working capital and equipment (Hands On, September, 2008). In addition, ITTUs provide training, business and technical advice, access to equipment and tools for specific jobs, repairs and maintenance, use of specialized machines, marketing and other support services to small scale artisans and entrepreneurs to address specific needs of the regions. Some of the equipment designed and manufactured by GRATIS/ITTUs are being employed by SMEs in income generating activities in rural areas such as batik and tie-dye production, cotton spinning, beekeeping and honey extraction, soap and bead making and food processing like shea butter extraction (Hands On, September, 2008).

**Mutual Credit Guarantee Scheme**

Apart from these, there is also the provision of equipment leasing to help enterprises that cannot afford to purchase their own equipment. A mutual Credit Guarantee Scheme is set up by the government to help SME owners who have inadequate or no collateral and have limited access to bank credit. In addition, a Rural Finance Project which is aimed at providing long term credit to small-scale farmers and artisans is established.

**Trade and Investment Program (TIP)**

The Trade and Investment Program (TIP), is a facilitating institute which is sponsored by USAID and which has made a notable contribution to the SMEs in exports. TIP plays the role of influencing changes in official policies that hinder export activities of enterprises in Ghana (including SMEs) and removes confusing rules, regulations and bottlenecks to allow smooth export. One of the key roles played by TIP is the abolition of the Export Proceeds Retention Scheme which required exporters to deposit 65% of their proceeds with banks free of interest.
Credit Guarantee Scheme (CGS)
A Credit Guarantee Scheme has been established to underwrite loans made by commercial banks to SMEs to address the issue of difficulties in accessing credit. In view of this, the Bank of Ghana obtained credit from the International Development Association (IDA) of the World Bank for the establishment of a Fund for Small- and Medium-sized Enterprises Development (FUSMED). A revolving fund was also set aside to assist SMEs under the Program of Action to Mitigate the Social Cost Adjustment (PAMSCAD).

Sub-contracting and Partnership Exchange Program (SPX)
There is also the establishment of the Sub-contracting and Partnership Exchange Program (SPX), which aims at helping SMEs to maximize their marketing opportunities (AGI Newsletter, 2010). The SPX is a component of the Micro, Small and Medium Enterprise (MSME) Project, developed by the Government of Ghana, the International Development Association (IDA), and the International Finance Corporation (IFC) to enhance the competitiveness of MSMEs. It serves as an avenue through which SMEs within the sub-contracting division will be linked to large enterprises (as main contractors both locally and internationally), with targeted areas being metals, plastics, electrical, electronics, industrial services, and construction.

The Export Finance Company Limited (EFC)
In response to the country’s efforts at resolving the liquidity plight of the non-traditional export sector, the Bank of Ghana (BOG) initiated the establishment of the Export Finance Company Limited (EFC) in July, 1989 with the prime objective of facilitating the flow of funds for financing the SMEs in the export sector. The company has provided useful but limited services in the areas of pre-shipment trade finance for the sector.

Ghana Investment Promotion Centre (GIPC)
Another institution that works towards the development and promotion of SMEs is the Ghana Investment Promotion Centre (GIPC). Apart from helping a significant number of enterprises to obtain tax exemptions for machines and equipment they have imported to facilitate smooth production, GIPC has worked closely with AGI to enable it access investment opportunities from abroad and arranges for visits for foreign countries who explore the various investment opportunities in the private sector of the economy (AGI Newsletter, October, 2010).
VAT Deferred Payment System
There is also an institution of a Value Added Tax (VAT) Deferred Payment System initiated by the AGI which has been of immense benefit to manufacturers. Before then, manufacturers were asked to pay VAT upfront on raw material. Currently, the deferred system of payment is helping to give, especially for SMEs, extra funds to boost their operations.

Government Sponsored Skill Training Programs
Furthermore, the government supports many programs aimed at skill training, registration and placement of job seekers, as well as training for redeployment, a step which enhances the enrolment at training institutions such as the National Institute for Vocational Training (NIVT) and Opportunity Industrial Centres (OIC). This especially encourages early school leavers to revisit their different talents and utilize them in the establishing and managing of their own enterprises.

31st December Women’s Movement
31st December Women’s Movement cannot be left out from this discussion. It has played a wonderful role in the life of the ordinary Ghanaian woman, making her aware of the numerous potentials within her and how best she can release and use these potentials to improve upon her living standard and even contribute more to the building of the economy of Ghana. The movement has been organising seminars, training in appropriate technology, and exhibitions all over the country, helping women to open income generating projects, especially in the rural areas, in order to earn something for living. To help ease the burden of caring for the young during working hours, the movement has opened nursery schools all over the country. Moreover, the movement saw illiteracy as a major barrier to economic development among women, especially in the creation of enterprises; hence the embarkation on girl-child education campaigns, as well as environmental cleanliness to prevent sickness.

The National Council on Women and Development (NCWD)
The National Council on Women and Development (NCWD) has also undertaken economic projects as pilot projects in order to demonstrate to women what opportunities are available to them, and what income generating activities can be undertaken using available local resources. The council organises series of workshops at both national and regional levels to teach women new skills and to help improve their skills using locally available raw materials.
Product Associations
Apart from the above mentioned bodies, the need for SME owners to present their views and concerns about policies that affect their enterprise operations has led them to form various product associations to help them present and advocate their common interests to the government and other societies in general. There are as such numerous other bodies of both product and service associations which have affiliation with AGI as associate members, such as the Ghana Printers and Paper Converters’ Association, Advertising Association of Ghana, Furniture and Wood Products Association of Ghana, Ghana Timber Millers’ Organisation, and many others.
APPENDIX 2a

Participant Information Form

Project Title

Researcher
Name: Vida Rosemary Osei
Course: Professional Doctorate in Business Administration
Faculty: Business & Government, University of Canberra

Purpose of the Project
The purpose of the project is to explore human resource management practices employed by Small- and Medium-Sized Enterprise owners in Ghana.

The project is in fulfilment of Professional Doctorate in Business Administration Programme at University of Canberra, Australia.

Aims of the Project
The aims of the project are as follows:

1. To identify human resource management practices employed by Small- and Medium-Sized Enterprise owners in Ghana.
2. To throw light on how and why they employ such practices.
3. To bring out problems and challenges they face in employing these human resource management practices.
4. To provide the space and opportunity for the Small- and Medium-Sized Enterprise owners to critically analyse their human resource management practices problems and suggest ways by which these problems can be properly addressed.

Research Method
Small- and Medium-Sized Enterprise owners in Ghana will be invited to participate in this study. Participants will take part in an interview of about one hour. The researcher will meet with participants and explore with them their human resource management activities and problems. Copies of the themes to be covered within the interview will be made available to participants before the respective interviewing day. Questions involved in the interview are designed to seek
participants’ opinions, ideas and experiences. If the participant agrees, the interview will be recorded using an audio voice recorder, and afterwards transcribed.

The interview will be supplemented with any other material (relevant to the project) that can be collected from the participants. Data collected will be analysed and the information generated used to help the researcher to understand the type of human resource management practices employed by the Small- and Medium-Sized Enterprise owners in their respective enterprises, how and why such practices are employed, and the problems and challenges associated with such practices. Some general (but relevant) information on their enterprises will also be obtained.

**Benefits of the Project**

The result from the project will expand the existing knowledge on human resource management practices by Small- and Medium-Sized Enterprises in general and specifically throw light on human resource management practices by Small Medium-Sized Enterprises in developing countries like Ghana.

Participants will benefit from a seminar that will be organised by the researcher on her return home, which is intended to facilitate a discussion on the outcome of the project. They will, also, receive a feedback report on the study to help enhance their strategies for human resource management practices.

**Risk in Participating**

Currently, there are few foreseen risks involved in participating in the project. Interviewees and their businesses will be confidential. On the other hand, participants may reveal any part of the information given which he/she may not want to share with others, during the review of the interview transcript. Information from individual businesses will not be reported, rather data will be analysed and reported in aggregate form. Where quotes are used names of participants and businesses will be changed. People known to interviewees may be able to identify them despite name changes, thus care will be taken by the researcher to ensure that any information that might cause harm to interviewees or their businesses will not be reported at the individual level. Interview times and places will be arranged to minimise any inconveniences to participants. Participants will be allowed to fix a time that is the most suitable for them and their business transactions.

**Participants’ Description**

There is a total of 30 participants, selected from Small- and Medium-Sized Enterprises in Ghana (of different product categories), who are expected to provide information on the project through interviewing. Participants are made up of 30 Small- and Medium-Sized Enterprise owners.

**Participants’ Rights**

Participation is completely voluntary and participants have the right to choose not to respond to any question, or can stop the interview at any time, or withdraw totally from participating in the interview without any consequences.

Each participant has the right to reveal any part of the information given in the interview which he/she may not want to share with others.
They also have the right to seek more information, raise a concern or make a complaint on the project through the contacts given below.

**Handling of Information**

Data from the interview will be transcribed and saved for analysis. Names and identifying information will be changed on interview transcripts. Information accessed from the data in the form of paper records and tapes will be stored under a secured locked cabinet while that in the form of electronic data will be stored in a password-protected computer. The names and identities will be substituted with numbers and alphabets to hide the identification of the interviewees.

Information accessed from the data is solely owned by the researcher and will be used to write a thesis for the University of Canberra as required under the Professional Doctorate in Business Administration Programme. The findings will be shared through publications in journals and other means likely to benefit Small- and Medium Enterprises in Ghana.

The researcher guarantees a total confidentiality of the interview. No one, except the researcher and her supervisors, will have access to participant information.

**Ethics Committee Clearance**

This project has been approved by the University of Canberra Ethics Committee in Human Research (Approval Number CEHR 10-138).

**Queries and Concerns**

Further enquiries/queries/concerns about the project can be directed to any of the contact details below:

**Researcher**

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E  vidose_2004@yahoo.com

**Research Supervisor**

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E  Doug.Davies@canberra.edu.au
Dear Participant,

Subject: Invitation To Participate In Research.

I am Vida Rosemary Osei, a current student at the University of Canberra, Australia, undertaking a programme in Professional Doctorate in Business Administration at the Faculty of Business and Government.

I am conducting research on the topic – Human Resource Management Practices by Small- and Medium-Sized Enterprise Owners in Ghana. I am inviting you to participate in this project as your participation will contribute positively to this research, and your knowledge and experiences in this management area will provide value in the study. If you agree to participate, you will be involved in an interview to provide information on human resource management practices you employ in your enterprise, reasons for your choices and the problems and challenges you face, which will take about one hour. You will be asked to respond to a number of questions. The interview will be audio recorded, only if you agree.

Participation in the project is purely voluntary. You can choose to not respond to any question or stop the interview at any time without any consequences. I guarantee that the interview will be extremely confidential and your anonymity maintained.

Enclosed is a consent form to be signed for your approval should you decide to participate. Further enquiries/queries/concerns about the project can be directed to any of the contact details below:

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APPENDIX 2c

Participant Informed Consent Form

Project Title

Consent Statement
I have read and understood the information about the research and agree to participate in this project.

I (agree / do not agree) to the audio recording of the interview (Please circle one).

Name:

Signature:

Date:

A summary of the project report can be forwarded to you after completion. Please, supply your mailing address below if you would like to receive a copy.

Name:

Address:
APPENDIX 2d

SEMI-STRUCTURED INTERVIEW QUESTIONS FOR PARTICIPANTS

1. Could you tell me about your recruitment and selection practices for employees?

2. What formal or informal training do you give your employees and how do you evaluate the effectiveness of that training?

3. How do you manage the performance of your employees?

4. Could you explain your compensation methods and their effects on performance?

5. Could you tell me about the general administration of your business in relationship to promotion, work assignment and supervision?

6. What problems do you face in your human resource management practices and how, in your opinion, can such problems be eliminated? Have there been any problems in business like yours with industrial relations?

7. What made you commence this business? Could you tell me about your business e.g. the number of employees, total annual turnover and others?
APPENDIX 2e

THEMES FOR THE INTERVIEW (Participant’s copy)

1. General information about your enterprise.
2. Recruitment and selection practices.
3. Training and development programs for employees.
4. Performance management / Performance appraisal.
5. Methods for paying your workers, and administration of benefits and services programs.
6. General administration of employee promotion, work assignment, and work supervision.
7. Problems and challenges encountered in your choice of human resource management practices.
8. Your personal profile.
APPENDIX 2f

INTERVIEW GUIDE (Researcher’s copy)

QUESTION 1: Could you tell me about your enterprise?

- The mission statement
- Goals of the enterprise
- No. of products / services it deals in
- Product / service lines
- Total No. of employees
  - No. in senior position
  - No. of permanent employees
  - No. of casual employees
- No. of years the enterprise has been in establishment

What motivated you to commence this business?

- Original founder:
- Non-founder:

QUESTION 2: A. Could you tell me about your recruitment practice?

- Sources of recruitment
- Most preferred source
- Reasons for preference
- Method employed for choice of recruitment and reasons
- Problems encountered in such recruitment strategies

B. What is your selection process for employees?

- Educational level (Qualification) / Reasons
- Experience / Reasons
- Physical qualities / Reasons
- Gender ratio / Reasons
- Problems encountered in strategies

QUESTION 3: A. What training do you give to your employees?

- Type
- Method for selecting employees for training/development programmes
- Problems associated with such training
B. How do you evaluate the effectiveness of such training?

QUESTION 4: How do you manage the performance of your employees?

QUESTION 5: A. Could you tell me about your compensation methods?
   - Type of remuneration
   - Remuneration administration method
   - Reasons for choices
   - Problems encountered

B. What are the effects of such methods on performance?

QUESTION 6: Could you tell me about the general administration of your business in relationship to employee promotion, work assignment and work supervision?
   - Employee promotion
   - Employee work assignment
   - Employee work supervision

QUESTION 7: A. What problems do you face in your human resource management practices?
   - Problems
   - Participant’s suggestion of possible solution
   - Challenges in choice of HRM practices

QUESTION 8: Could you tell me a little about yourself?
   - Family background
   - Educational level
   - Experience
   - Hobbies
   - Role in the enterprise
   - Post title:
REFERENCES


Gibson, T. & Van der Vaart, H. J., (2008). *Defining SMEs: A Less Imperfect Way of Defining Small and Medium Enterprises in Developing Countries*. [global@brookings.edu](mailto:global@brookings.edu)


