

**A SURVEY OF STAFF RECRUITMENT AND SELECTION PRACTICES AMONG
SMALL AND MEDIUM SIZE ENTERPRISES IN NAIROBI**

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of Business Administration, School of Business, University of Nairobi.**

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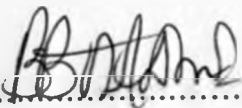
DECLARATION

This project is my original work and has not been presented for a degree in any other University.

Signed  Date..... 29/11/08

Charity Kirigo Kagwaini

This project has been submitted for examination with my approval as a university supervisor.

Signed  Date..... 29.11.08

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The finalization of this project would not have been possible without the assistance accorded to me directly and indirectly by various people:

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To all of you, thank you and may God our Father in heaven bless you.

DEDICATION

To my family,
Jada Jalon Njiru (my daughter),
and
Samuel Njiru (my husband)

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ABSTRACT

The purpose of the study was to establish recruitment and selection practices among small and medium enterprises in Nairobi, while also determining the factors that influence these practices among the enterprises of study. Small and medium enterprises contribute significantly to the Kenyan economy and provide 40% of the private sector employment in the country. A total of 235 enterprises were sampled with 165 of them responding, this is a 70% response rate. The questionnaires were dropped to the targeted enterprises and picked after completion.

The survey findings indicated that 60% of small and medium enterprises have their human resources function headed by either the owner or appointed director and that the enterprises largely use internal sources of recruitment. There is extensive use of oral one-to-one interviews and on the job interview (apprenticeship) in candidate selection among the enterprises.

It can therefore be concluded that small and medium enterprises fall short of the expectations of the “best practice” model. It is therefore recommended that small and medium enterprises explore more of the recruitment and selection practices as prescribed in the model, while at the same time look into the possibilities of outsourcing the human resources function.

1.1 Background

The increasing recognition of human resources management as a business unit adding value to the chain has made it highly strategic in nature and more critical to achieving corporate objectives (Makhino, 2006). This means that the human resources professional plays a more strategic role in the organization. Strong human resources practices have the potential to increase a company's productivity and profitability. The management or the entrepreneur needs to know which practices to focus on for the success of the business. Recruitment and selection are core areas of human resource management. They are not simply techniques for filling jobs, they are also levers for organizational change, sustaining employee commitment and achieving high performance (Price, 2004). It is with people that quality and performance begins and ends.

1.1.1 Recruitment and Selection

Recruitment is the first contact of an enterprise with the potential employee. A well planned and managed recruitment process will lead to high quality applicants while haphazard and piecemeal effort will result in mediocre ones (Leap et al, 1993). Recruitment is the process that informs qualified individuals about employment opportunities, creates positive images of the company and provides information about the job. Recruitment focuses mainly on selling the organization's opportunities for employment and attracting large number of applicants. Selection is the process of collecting and evaluating information about an individual in order to determine whether to employ them or not. Selection evaluates applicants and rejecting all but the one most qualified to perform. The emphasis in recruiting and selection should be to

get the best people from the labour market, people who will steer the organization into prosperity. Finnigan (1983) puts it this way: "the right people for the right job".

Improving effectiveness of recruitment requires the need to use more sophisticated recruitment practices that bring out competences and behavioral characteristics required of employees. This can be achieved by use of such practices as job rotations, college recruitments, recruitment through employment agencies, use of media advertising, direct applications forms and use recruitment consultants. Selection requires the use a wider range and advanced selection practices to identify candidates who match the specifications because the traditional interview approach is very limited (Armstrong, 2005). These practices include selection through application forms, the use of aptitude tests and psychological tests, structured interviews, assessment centers, referencing and medical examinations.

Strategic differences of companies' means that the importance assigned to recruitment may differ. However all companies must make decisions on three areas of recruitment (Raymond et al, 2003). First, staff recruitment policies which affect the kind of jobs the company has to offer. Second is the recruitment sources used to solicit applicants which affect the kind of people who apply. Finally they need to make decisions on the characteristics and behaviors of the recruiter. Recruitment and selection processes are levers for organizational change, sustaining employee commitment and achieving high performance (Price, 2004). They not only seek to attract, obtain and retain the human resources the organization needs to achieve the strategic goal, but also have significant impact upon the composition of the workforce, the ultimate fit with the organization's needs and culture, and upon long-range employment stability (Hsu et al, 2000).

On the whole human resources managers need to ensure that the recruitment and selection practices they adopt is coherent and consistent with their firms' business strategy and with other associated functions of human resources such as planning, training and development, pay and benefits (Mugao, 2004). Hsu et al (2000) in their study state that company size and ownership pattern among other variables, have some influences upon human resources management practices.

1.1.2 Small and Medium Size Enterprises

Small and medium enterprises are companies whose headcount or turnover falls below certain limits. This is a convenient term for segmenting businesses and other organizations that are somewhere between the "small office-home office size and the large enterprises (Muriuki, 2006). The Encyclopedia of International Development (2005) defines small and medium enterprises in relation to employment size, sales revenue and fixed assets. It goes on to explain that small and medium enterprises employ less than 100 workers, without a clear definition of number of workers for each.

Ronge et al (2002) define Small and Medium enterprises based on three criteria: the degree of formality (distinguish between the formal and informal sector), the number of employees or size of employment and finally on amount of capital and skill per worker. The degree of formality and size of employment are the most accepted criteria. The National Baseline Survey of 1999 defines small and medium size enterprises as those non-primary enterprises, engaging in trade, providing services (excluding agriculture production, animal husbandry, fishing, hunting, gathering and forestry). It goes further to mention that small scale enterprises employ 11-50 people, while medium enterprises employ atleast 50 workers. The sales revenues, fixed assets, amount of capital and skills per worker may be difficult to assess due to the variations of the type of industry of the enterprises. Therefore for the purpose of this

study, the headcount definitions will be adopted, where small enterprises are those employing 10-50 employees and medium enterprises those employing 50-100 employees.

Majority of small and medium enterprises are characteristic by having the managers as the owners with most enterprises being family-owned meaning that few partners are involved; hence a small group of individuals supply the capital (Wakah, 1998). He goes on to note that their areas of operation are mainly local, where workers and owners are in one home community although the market for their goods need not be local; the size within the industry is relative, usually is small compared to the biggest firm in its field; in comparison with larger firms, capital base is limited and so are the operational activities of the enterprises. Further, small and medium size enterprises lack a clearly defined organization structure and departments of operations while in some cases the enterprises may be engaging in more than one type of business. This ownership pattern and size in comparison to larger corporations, makes small and medium enterprises tend to overlook prudent recruitment and selection practices.

Small and medium enterprises provide certain benefits to the economy, which include: generate incomes and provide jobs to a large number of Kenyans, employment creation (Ronge et al, 2002). According to Parker and Torres (1993), 3/5 of medium size enterprises provide for large numbers of high quality jobs and are a seed-bed from which large enterprises grow. The most recent research conducted by Central bureau of Statistics and K-Representative Advisory Services Ltd show that there are 1.3 million SMEs in Kenya. Approximately 9.7%, i.e.126, 100 of these are in Nairobi and Mombasa (NBS, 1999). The population of Nairobi and Mombasa is 2.1M and 0.63M respectively, the ratio being 3.5: 1 (GOK, 1999). Using the population ratio above, 98,078 of these are in Nairobi.

Approximately 1.6% enterprises employ atleast 10 workers, i.e. 1,569 (National baseline survey, 1999).

1.2 Statement of the Problem

The high unemployment in Kenya has stimulated the need to examine small and medium enterprises potential to provide employment both by the government and non-government organizations as well as by individual entrepreneurs, more so in the urban centers (Ronge et al, 2002). According to Muriuki (2006), small and medium enterprises provide for 40% of private sector employment and have potential to provide large numbers of high quality jobs and are a seed-bed from which large enterprises grow (Parker et al, 1993). A major constraint among small and medium enterprises is low managerial and technical skills, which is considered the single most contributing factor to failure of these enterprises (GOK, 1989), among other factors such as limited capital. This raises issues regarding their recruitment and selection practices.

The “best practice” model advocates that there is a set of best human resources practices which if adopted by any organization will lead to superior organization performance (Price, 2004). The argument among small and medium enterprises is that it costs too much time and money to recruit and select applicants through such practices hence pushing the idea into the background (Finnigan, 1983). This leaves the recruitment and selection processes to chance. The argument may be justified considering the constraints above. However for these enterprises to remain competitive in an already very competitive entrepreneurial environment, they need to adopt recruitment and selection practices that ensure they identify only those applicants with potential to make a contribution to the long-range stability and growth of the enterprise.

Research undertaken on recruitment and selection practices include; Chunguli (2003) who studied e-recruitment practices among commercial banks, Njine (2006) did a study on employee recruitment and selection practices among international NGOs operating in Kenya and Mugao (2004) did a study on recruitment and selection practices of pilots among commercial aviation firms in Kenya. However, no study has focused on recruitment and selection practices among small and medium enterprises, thus creating the need for this study.

1.3 Objectives of the Study

- i. To establish the recruitment and selection practices among small and medium size enterprises in Nairobi.
- ii. To determine the factors that influences the recruitment and selection practices among small and medium size enterprises in Nairobi.

1.4 Importance of the Study

The study is important to:

- i. Entrepreneurs who wish to improve on their recruitment and selection practices hence the quality of their staff.
- ii. Researchers who wish to research other Human Resources functions among SMEs would use the data findings as secondary data.
- iii. To policy makers, government and non-government organizations offering support to SMEs, to better understand what area to offer the so needed assistance.

2.1 Introduction

Small and medium enterprise owners, perceptions of their problems may be colored both by their inability to analyze their situation and their view of what might or should be provided for them by government. A small number will complain about demand, while others will mention the difficulty of obtaining raw materials or the shortage of skilled and honest workers. Small and medium business owners will also blame external circumstances for their difficulties other than admit to their own lack of ability (Harper, 1984), such as the absence of coordinated forms of Human Resources Management practices. People are the most important asset. To keep the machines rolling, the sales being made, the customer happy and the profits coming in, the basic and vital factor in a business remains the efficient employee, (Bruce, 1969). Understanding people as the worker is what human resources management in business is all about.

2.2 Recruitment Practices

In free market countries the Human Resource profession has adopted a 'best practice' model which fits the prevailing business ideology, Price (2004). This model prescribes a quest for the 'right (best) person for the job'. The 'best-person' or psychometric model has achieved the status of orthodoxy in free market countries. But different models of recruitment and selection have been developed with a greater concern for personality and attitude than presumed ability. Recruits may be sought who will 'fit in' with the culture of the corporation; who will be content to build a career within the organization; who will absorb the goals of the organization.

When recruiting, the candidate should fit in the job and company vision and there is need to look into the requirement of the job, e.g. physical strength, mental disabilities, traveling away from home, shifts, long hours of concentration talking and personal appearance. The recruitment Yield Pyramid could be used to determine number of applicants they must generate to hire the required number of new staff. While recruiting, both the line managers and staff need to work in coordination.

Hall and Goodale (1986) in their book suggest a simple process for recruitment. First is the need to identify recruitment needs via strategic staffing and planning. This is the planning for present and future staff requirements. Various methods have been suggested by scholars and an organization could use the most effective to suite its need. Second is the need to define each job and conditions of employment: these include salary, benefits, travel, relocations i.e. job analysis and prepare a job description. The third step is to prepare a job specification. To get the right applicants a decision on the recruitment method(s) to reach and attract appropriate people must be made. An inappropriate recruitment method means the wrong applicants are reached hence the wrong person for the job which would result in under performance on the job.

Once the applications are received, they are reviewed and preliminary interviews are conducted to help prepare a shortlist. Realistic job previews are an important recruiting technique. Finally the short listing of qualified application is done and the selection process is ready to begin.

According to Hsu and Leat (2000) planning for present and future staff, job analysis, preparation of job descriptions and job specifications were all more important than recruitment. Their study further reveal that recruitment is the only process of hiring that varied with firm size where large firms considered recruitment more important than did small

and medium size firms: from their findings, small firms had a mean of 3.62, medium firms 3.67 and large firms 4.72. The recruitment process is viewed as a process of looking for qualified applicants to get interested in a job opening of a firm. More specifically, recruitment serves to (Gatewood, 1987): increase pool of job applicants with minimum costs. It also serves to meet organization legal and social obligations regarding the demographic composition of its workforce. Finally it serves to help increase success rate of the selection process by reducing number of applicants who are poorly qualified or have wrong skills.

When a firm decides to recruit they must be able to reach the desired pool of applicants from which they make their selection for job offer. The firm can reach these desired applicants using any one of the following sources. Dessler (1991) indicates both internal and external sources as good sources of candidates as follows:

Current employees are the largest source of recruitment. Some survey indicates that 90% of management positions are filled internally (Dessler, 1991). Internally the job openings could be made known to employees either through job posting or using informal methods. In the case of job posting, the opening is posted on notice boards, magazines or via memorandums to departments. The attributes and specifications for the job are posted in the internal advertisement and the qualified staff encouraged to apply. An enterprise could also use skills banks as an internal source of recruitment. The employees will often update the employer of newly acquired skills and knowledge, and the employees file is updated. In the case of job openings, the employer will use skills banks of present employees to source for recruitees. When job openings are filled from within the employee morale and performance is enhanced as they see that competence is rewarded. Another advantage is that, having been in the company the candidate is more committed to goals and vision of the firm. At the same time there is more accuracy in assessing skills and of course less orientation and training is

required. However the problems that come with promotion from within cannot be ignored. First is the inbreeding problem. The employees may also protest such promotions if they are discontent and finally those who do not qualify for the job may get discontented leading to low morale.

Where a firm opts to reach qualified applicants outside of the firm, they could use any one or more of the following sources to reach the desired applicants: Media as a source of candidates. Two things to consider when using advertising as a source of candidates: The media to use and the construction of the advert (Dessler, 1991). The media used will determine the cadre of candidates one wants to reach. For example to clerical jobs, low-level jobs and administrative jobs a local newspaper would be the best. The local newspaper is readily available to locals who could be potential candidates. For specialized jobs trade and professional journals and magazines would be the most appropriate to use. When needing to recruit large numbers and for long periods, an entrepreneur could consider using outdoor advertising. This includes the use of roadside billboards, posters on street boards and buses. Point-of-purchase as a form of media is very useful to reach large number of candidates, using posters, banners brochures and placement offices. Radio and television advertising is not commonly used but cannot be absolutely ruled out as effective.

Employment agencies are a great source of candidates and fall into three categories. Those operated by the local government, those associated with non-profit organizations and those privately owned. Whichever the category, an agency is useful first and foremost where a Human Resources department is absent in an organization. Majority of Medium size enterprises have no Human Resources departments. Secondly an agency is useful when a pool of qualified applicants is not easy to come by. An agency is also useful when few recruitments

are required thus no need for a recruitment office and when an opening must be filled fast and there is no time to look for potential candidates. Recruitment agencies keep data banks for job applicants and can quickly call them for interview. For recruitment of minority groups such as women with specific skill, handicapped persons the agencies are able to source for candidates more effectively.

One advantage of using employment agencies is the prescreening of applicants. The entrepreneur gets only qualified candidates for testing and interviewing. However successful applicants may be blocked from entering your applicant pool due to inappropriate testing and screening at the agency. For agency recruitment to be successful there is need for the employer to give accurate and complete job descriptions, specify devices and tools to be used in screening of potential applicants and a need to review data of accepted and rejected candidates as this would provide valuable information before making a final decision on who to hire.

Educational institutions are a good source for management trainees. The aim is to screen potential candidates while attracting them to your enterprise. On campus recruitment however comes with a few problems. First, it is time consuming and expensive from the recruiters perspective. Visiting various colleges and screening numerous students takes time. At the same time recruiters are sometimes ineffective and are unprepared while showing little interest in candidates, sometimes they even act superior hence discouraging the candidates.

Referrals and walk-ins are also a source of candidates with announcements of job openings and requests are posted on organization bulletin boards. Employees can then inform friends and relatives and encourage them to apply. Referrals are a good source of candidates and often result in high-quality hires. The success of referrals however depends on the morale of employees. Job applicants will also walk-in and submit their resume to organizations in case

of job opening they could be called upon. Other sources of candidates include: employee Data Bases and older workers.

In their study, Hsu and Leat (2000), agree with culturally relativist arguments, that recruitment practices are culturally sensitive across national boundaries. Recruitment methods also vary significantly with company size. According to their findings, medium size firms tend to use direct applications more frequently than small firms for entry-level recruitment. Large firms use transfers, job rotation and employee referrals more frequently than do small and medium size firms for all levels of entry.

2.3 Selection Practices

Very often, personnel are selected on a subjective, emotional basis, not on a basis of sound principles. Before hiring workers the entrepreneur needs to know his/her organization. Bruce (1969) suggests twelve steps in thorough selection. He points out that doing the job of selection well from the beginning will give way for more effective and smoother operations of the business. Understand the organization, the “climate” in which the worker will work: the working conditions, the physical and psychological atmospheres. Besides there is need to analyze the job, determine the abilities needed for success and a need to find out what personal factors (age, education, and the like) are needed. He/ she also need to know the job to be filled, being familiar with each duty and responsibility. Have a job description and job specification. Finding out what tests will help predict competence, recruiting widely and wisely as well as interviewing objectively are fundamental. The entrepreneur has to know what he is looking for without making generalizations. The entrepreneur needs to have an associate also interview the applicant, review the important biographical items, test the

applicant, check on all references, at least by telephone and putting all the information together and review it carefully before making the final decision.

The selection criteria used to rate prospective applicants by means of selection techniques include biographical data/ application forms, one-to-one interviews and panel interviews, psychometric and aptitude test, group exercises, skills and knowledge tests, simulated work samples, references, medical examinations and even handwriting analysis. Armstrong (2005) categorizes all selection techniques into three: interviews, assessment centers and tests. Interviews fall into three categories according to Armstrong. These are individual interviews which involve face -to- face discussions, panel interviews, selection boards and telephone interviews. Telephone interviews are useful if speed is paramount and if geographical distance is a concern. This could also be used where the job involves use of the telephone for example in call centers and for contact center staff.

Assessment centers mainly focus on behavior. Exercises are used to capture and stimulate key discussions of the job. They are useful to indicate the extent to which candidates match the culture of the organization and give candidates a better feel of the organization and its values. Graphology and references are but some of the assessment centers used in selection.

Psychological tests literally mean “mental measurement”. Tests provide an objective means of measuring individual abilities or characteristics (Armstrong, 2005). They are used on the basis that tests scores relate to or correlate with subsequent job performance, so that high test score would predict high job performance and vice versa (Torrington, 2005). Scholars in favour of test attest to greater potential of accuracy and objectivity of test data. Tests include aptitude tests, intelligence tests, trainability tests, attainability tests and personality tests. Personality tests assess personality in order to make predictions about likely behavior in a role, attainment

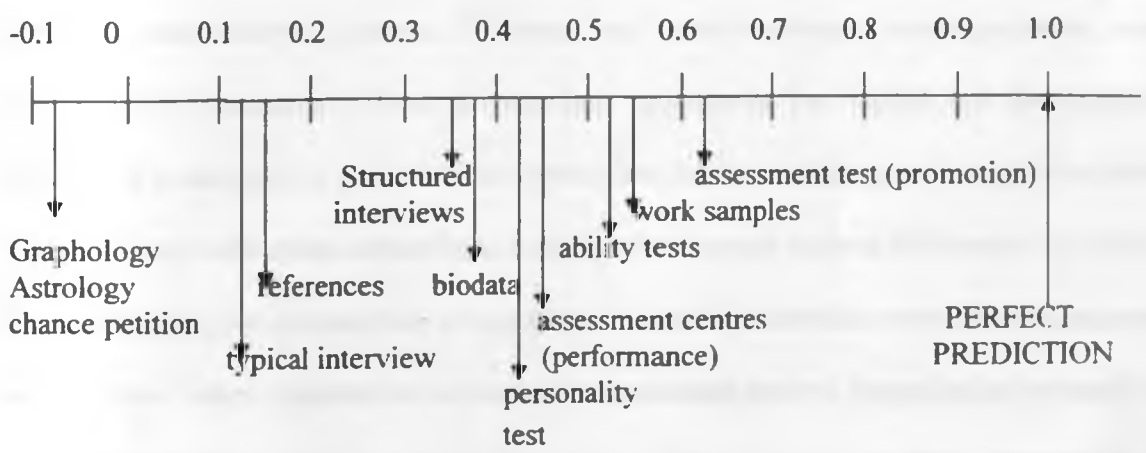
test assess skills already attained by training and experience, while aptitude tests have specific test that predicts potential an individual has to perform tasks within a job.

The company size has a significant effect on some of the selection techniques. Hsu and Leat (2000) in their findings for example, reveal that medium size and large firms appear to use aptitude, psychometric and skills and knowledge test more frequently than do small firms for managerial and professionals selection. Their findings strongly suggest that the number of and type of selection technique used by a firm may be associated with firm size.

The Human resources manager should recognize that the types of selection techniques they use to select the right employee for the job are critical for the firm's success. The misuse of any kind of selection instrument could be costly to the organization and may also be demoralizing to employees who may find themselves in the wrong job.

Armstrong (2005) gives us a representation scale of accuracy of some methods of selection, as contained in table 1.

Table 1: Accuracy of some methods of selection.



Source: Armstrong M. (2005), *A Handbook of Human Resources practices*, London Kogan page. pg 416.

Of all the resources in a firm, its people are far and away the most important. People give life and usefulness of machines and money. Since these recruitment and selection are the first stages of dialogue between the applicant and the firm, the Human resources manager has to realize the importance of formation of expectations during these processes. Failure to do so may result in loss of high-quality applicants. As Finnigan (1983) puts it, there is needed to get “the right people for the right job”, regardless of the size of the firm.

2.4 Factors that influence recruitment and selection practices.

There are several environmental factors that influence recruitment and selection practices. These could be both internal and external to the organization. Hall et al (1986) shows how environmental factors and policies may influence recruitment. Economic conditions affect levels of unemployment and consequently internal and external supply from which an organization can draw. For example during economic recession there is increase in supply of internal and external applicants due to reduced employee turnover. The change in demand and supply may thus affect the recruitment style and levels thereof.

Social changes have resulted to changes in work attitudes. People are not just looking for “a job” but want satisfying careers. To attract and retain employees, an organization, must respond with recruitment efforts that emphasis opportunity for training and development. They need to also present more realistic views of the job to avoid disappointing the candidate. Cross cultural work ethics where firms have to accommodate cultural differences has greatly increased. Many job seekers have even gone to the extent of learning more than one language to give them better opportunities to work without cultural barriers. Organization are made up of people who form social systems having values, attitudes and norms, thus when recruiting they reach a job applicants pools that share the same values as the organization. The

organization's self-concept of elitism, where certain organizations feel that they are the "best" hence recruits those that are "best".

Jobs change and new ones created with technological changes. Unusual combination of skills and knowledge is hence required. Recruitment efforts have to thus account for these combinations and give all applicants equal opportunity to compete. The methods of recruitment have also changed with new technology, with firms being able to reach applicants and vice versa through the internet, E-recruitment. Recruitment methods such as online application blanks are now available electronically; job adverts are being placed on websites of organizations.

The Legal environment where equal employment opportunity laws and orders that have over the last years been effected, have seen organizations adopt recruitment efforts to abide with the law. Affirmative action, giving women and the minority an equal chance for employment has seen companies reconsider their recruitment effort. Such laws and administrative rules restrict information that can be gathered from applicants and the way information is evaluated (Gatewood et al 1987).

Organization policy and financial constraints where corporate and organization policy restrict recruitment behavior. For example, a policy to promote from within: in this case only people who have potential for promotion may be recruited and taken through the selection process. Another policy could be to hire college graduates for supervision positions. Recruitment and selection must operate within the limited budget. Because of this enterprises may narrow geographical areas, reduce on site recruitment visits and go for cheaper but not necessarily effective recruitment practices. A main constraint here is on recruitment staff: are there

finances allocated for training the recruiting team(s) and are there enough people to do the recruitment and selection. The financial ability depends on the size of the company.

Last but not least, the rapid and costly turnover, lower performance levels and friction between employee and organization due to the mismatch of interests is another factor that influences recruitment and selection. Recruitment and selection should be viewed in terms of effects over time with the need to match talent with the organization.

3.1 Research Design

This was a descriptive survey. The design was appropriate since the population is large and not all the small and medium enterprises can be covered. In addition the study sought to collect data from representative units of a population dispersed over a wide area to get a representative general characteristic of the population of study (Cooper et al, 2001).

3.2 Population

The population of study was 1,569. Of the 1.3 million small and medium enterprises in Kenya, 9.7%, (126,100) are in Nairobi and Mombasa (Muriuki, 2006). Using the population ratio of 3.5:1 for Nairobi and Mombasa respectively (GOK, 1999), there are approximately 98,078 small and medium enterprises are in Nairobi. Approximately 1.6% of these enterprises employ atleast 10 workers, i.e. 1,569 (NBS, 1999).

3.3 Sample

Sample size was 235. Purposive sampling technique was used to pick the sample units. The sampling was preferred because the units of study must meet the criteria, employing atleast ten workers. A sample size of 15% was used based on Cooper (2001) recommendation that 10%-20% of population size is sufficient sample size.

3.4 Data collection

Primary data was collected. A semi-structured questionnaire was used; Section A contained demographic data, Section B contained the recruitment and selection practices and Section C sought to get the opinion of the respondents on their recruitment and selection practices. The

respondents were the entrepreneurs or the heads of human resources unit. The questionnaire was administered with the help of trained research assistants.

3.5 Data Analysis

The completed questionnaires were first checked for completeness and analyzed for accuracy. The data was then transferred to a computer sheet and using the five-point Likert scale (1=very large extent, 2=large extent, 3=some extent, 4=less extent, 5=not at all), the data was categorized for analysis. Using tables the data was analyzed using descriptive statistics, frequencies and a summary of the findings indicated after every table. Descriptive statistics was used to summarize information for accurate description and comparison inferential statistics was used to make generalization from the collected data and be prepared by use of tables after which conclusions and recommendations based on the findings are made. The findings helped answer research questions.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the study as per the objectives of the study namely:

To establish the recruitment and selection practices among small and medium size enterprises in Nairobi.

To determine the factors that influences the recruitment and selection practices among small and medium size enterprises in Nairobi.

4.2 Response rate

Of the 235 questionnaires administered, a total number of 165 were received duly completed.

The overall response rate was 70%.

4.3 Year of formation of the enterprise

Table 2: Year of formation of the enterprise.

Year	Frequency
1976	7
1995 – 1999	25
2000 - 2006	133
Total	165

Majority of the businesses involved in the survey were formed between the year 2000 and 2006 (see table 2). This means that most small and medium enterprises do not have a long life span.

4.4 Number of employees in the enterprise

Figure 1: Number of employees in the enterprise

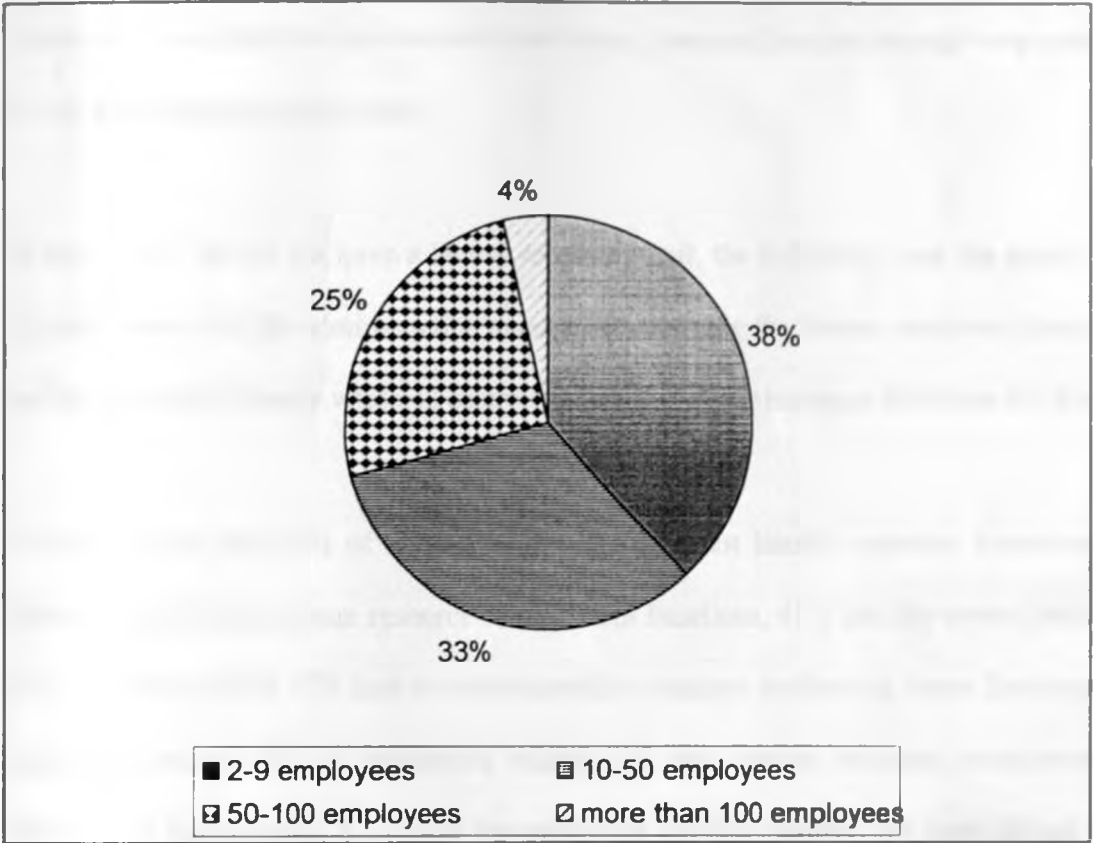


Figure 1 shows that 38% of the enterprises had 2-9 employees, 33% had 10-50 employees, and 25% had 50-100 employees, while a small proportion of enterprises (4%) had more than 100 employees. This confirms that majority of the businesses studied were small and medium scale enterprises.

4.5 Existence of a human resources management unit in the enterprise.

The results of the study indicate that 38% of the enterprises studied have a human resources unit, while 62% do not have a human resources unit.

majority of the enterprises in the survey comprising 62% of the total population did not have a human resource department while 38% had a human resource department. It was noted that small and medium enterprises lacked clearly defined functional units in their structure. It can therefore be concluded that human resource function among these enterprises is not an independent department.

In enterprises that do not have a human resources unit, the following were the results: 17 of the enterprises had the administration manager discharging the human resources function, 44 had an appointed director while 42 enterprises had the owner manager discharge this function.

It can be seen that 42% of the businesses that did not human resource department had directors performing human resource management functions, 41% had the owner performing these functions while 17% had the administration manager performing these functions. This means that at least 50% of enterprises studied had their human resource management role taken up by the owner(s). 62.4 % of the enterprises studied reported that they did not have a human resources manager. The human resources function was mainly either taken up by the director or the entrepreneur. The administration manager is hired to take up managerial duties which include office administration, payroll management and may or may not be involved in the recruitment and selection processes. The owner-manager is involved in the day to day management of the enterprise yet is faced with the challenge of low management proficiency. The director is a part owner and even though he may not be involved in the day to day management of the enterprise, he is part of the decision making processes. All such persons may have business management training but not human resources management skills.

The expertise that a human resource manager brings to an organization is therefore absent among majority of these enterprises which may explain why low managerial skills was a major constraint among small and medium enterprises as indicated in the statement of the problem of the study.

4.6 Recruitment practices

A look at job analysis, job specification, job description and realistic job previews during recruitment process revealed that job description was used to a very large extent and large extent by 25.5% and 35.2% of the enterprises respectively. Job specification was also used by a majority of the businesses with over 60% of the enterprises using both to a very large extent and large extent. Job analysis was used to some extent by at least 41.2% of the enterprises with only 25% of the enterprises using this practice both to a very large extent and large extent. On the other hand realistic job previews and approval concerning the job were used to a small extent by majority of the businesses involved in the survey in recruitment of workers.

It was noted that job analysis, job descriptions and job specifications were more important than the actual recruitment. The study results therefore confirm that it is practice among small and medium enterprises to largely use these activities as a part process of recruitment. However how often these activities are upgraded to keep up with the current need for the job is not clear. There are several approaches that these enterprises could use other than the traditional job description and specifications. The use of the seven point plan where physical makeup, attainment, general intelligence, special aptitudes, personal interests and circumstances of the job are considered (Armstrong, 2005). The five fold grading system where impact on others, acquired qualifications, innate abilities, motivation and adjustment

are the criteria or the use of a competence based approach could be an alternative (Armstrong, 2005). However the study did not seek to find out if any of these approaches were used by the small and medium enterprises.

4.7 Sources of recruitment

Employee referrals was the most preferred source of recruitment with 62 % of the enterprises using it to a very large and large extent. Majority of the businesses, 40% used promotion from within to a very large extent in the recruitment of employees while 15.5% used it to a large extent, making it the second most preferred source of recruitment. Job rotation was used to a large extent by only 27.9% of the respondents while 24.2% use it to some extent. Transfers were used both to some extent and less extent by 26.7% respectively, making it just a common practice. Direct/walk in job applicants was used by 21.8% to a very large extent, at the same time used to some extent by a similar number of enterprises studied. Employment agencies and recruitment consultants were not used at all by majority of the businesses involved in the survey with atleast over 80% not using them as a source of recruitment. Media advertising as well as college/university were use to a less extent by over 65% of the enterprises studied. This could be explained by the fact that majority of these businesses are small and therefore such recruitment methods are an expensive venture for them.

The results clearly indicate that it is practice for small and medium size enterprises to mainly use internal sources of candidates during their recruitment. This confirms that current employees as the largest source of candidates and as the most common practice. However, employee referrals were cited as more frequently used by larger firms and not by small and medium size firms. This is contrary to the results of the study where employee referrals was used largely by small and medium enterprises. The use of employment agencies is not a common practice among the enterprises of study, yet it is the one source of recruitment

recommended for organizations that do not have a human resources (Dessler, 1991) department as is the case for 62.4% of the enterprises studied. Schools and colleges are an expensive source of recruitment which could explain why small and medium enterprises shy away from this as a practice because they work on limited capital/budgets.

From the results it can be concluded that internal sources of candidates have been used to reach the desired pool of applicants

4.8 Factors influencing the recruitment and selection decision

The factors looked at included the availability of funds/finances, the organization policy, the availability/ lack of recruitment expertise, the group of applicants desired and the prevailing external environmental circumstances. Three of these factors largely influenced both recruitment and selection namely the availability of funds/ finances, group of applicants desired and organization policy. On the other hand prevailing environmental circumstances and availability or lack of recruitment expertise did not have a significant influence on recruitment.

The group of desired applicants largely influenced recruitment among 67% of the enterprises and selection among 51% of the enterprises. This factor carries more weight during recruitment than during selection. The group of desired applicants will determine the source of recruitment to be used. For example, if the enterprise needs casual workers during a high peak season, it could be more cost effective to let its current workers to know of the openings and they in turn would bring friends and relatives who meet the minimum qualifications. However where an enterprise needs to recruit an administrator, they may need to advertise in

a daily newspaper to reach a wider source. In such a case the budget allocated to the advert will determine the size of the advert and which newspaper to use.

The availability of funds/ finances was indicated as a factor that influenced recruitment by 56% of the enterprises while 55% indicated that this factor had a large influence on selection. It is clear that availability of funds/ finances is a very important factor during both recruitment and selection. In the literature review it is noted that financial ability depends on the size of the company and budgetary allocations among small and medium size enterprises for recruitment and selection may be small hence the reason they cite, availability of funds as one of the major factors influencing the recruitment and selection of their staff. This constraint is also made mention of in the statement of the problem with the research results confirming the same. The use of employee referrals as indicated in the research results earlier has a direct impact of the budget/ availability of funds in the enterprise. This helps keep the recruitment cost at minimal as job posting are up on the notice board or through an internal email system job and current employees asked to refer suitable candidates for the job. The salary amount available to offer the candidate of choice must be agreed upon by the enterprise before the selection of the candidate. In some cases the candidate could ask for a higher pay than the enterprise is willing to offer due to budget constraints, the enterprise may then offer the job to a less preferred candidate or make up their offer in order to hire the preferred candidate.

The organization policy also influenced the recruitment decision to a large extent among 48% of the enterprises while 47% of the respondent indicated that organization policy largely influenced the selection decision.

The organization policy of an enterprise for example could be to promote from within. Such a policy could be used to help keep recruitment and selections costs at minimal as it may be

cheaper to hire low level staff where such a position falls vacant after a promotion. This could explain why small and medium enterprises largely use internal sources of candidates as seen in the results of the study on sources of candidates for recruitment.

4.9 Selection practices

The selection practices surveyed were: application forms, oral interviews (one to one), oral interview (panel), written interview, and psychological tests, on the job interview, assessment centers, references and medical examinations.

The results indicate that oral interview (one-on-one) was used by 66.1% to a very large extent and by 25.5% to a large extent of the firms involved in the survey. This makes it the most common selection methods practiced among small and medium enterprises. 41.2% of the businesses involved in the survey used on the job interview to a very large extent and 32.7% of them to a large extent making it the second most common selection method practiced. References were used to a large extent by 48% of the enterprises studied. However, application forms, assessment centres, psychological tests and written interviews were used to a very minimal extent by majority of the businesses involved in the survey with over 70% of them indicating so. A medical examination was used but only to some extent.

The results of the study indicate that small and medium enterprises largely used interviews, specifically, one-to-one interviews whose accuracy was about 0.1 on the accuracy scale (see page 14). Selection techniques can be categorized into three as seen in the literature review: interviews, assessment centers and tests. The accuracy scale given on page 14, ranging -0.1 to 1.0, indicate clearly that interviews fall below the 0.5 mark in accuracy, while tests and

assessment centers have a higher accuracy. It can therefore conclude that small and medium enterprises do not accurately select their employees as they practice the use of selection methods that have minimal accuracy.

The company size was cited to have a significant effect on the choice of selection techniques, where the large and medium firms used tests more than did small firms. The results of the study however indicate minimal use of tests among small and medium enterprises in Nairobi. The discrepancy could be explained by the difference in economy size from which the two findings are derived from: Taiwan and Kenya.

4.10 The importance of level of education and work experience in the selection decision.

The results indicated that work experience and specialized skills were very important factors during the selection decision. The level of education was important while physical built of the candidate was not considered an important factor in the selection decision by a large majority of the businesses involved in the study.

This could mean that these enterprises prefer candidates that can already do the job as opposed highly educated candidates because they do not have the capital capacity for training and development of their staff. Apprenticeship, on the job training, is an effective way of training staff as it is efficient in terms of employee cost (Ronge et al, 2002). Small and medium enterprises could use this approach where they desire to hire highly educated candidates who do not have the required work experience and specialized skills.

4.11 Challenges facing the small and medium enterprises in the recruitment and selection of staff.

The study revealed the following as the challenges small and medium enterprises face while recruiting and selection of their staff.

Reaching the desired pool of applicants at minimal cost. With a large portion of the enterprises studied using internal sources of candidates coupled with a minimal recruitment budget, the possibilities of reaching the desired applicants is reduced. The current employee will reach a family member or a friend who may not necessarily be the most qualified and sometimes these employees will try and influence the recruitment process by insisting on their own being hired. As an enterprise works at minimizing recruitment costs, it may fall short of reaching the desired applicants by using a cheaper recruitment source but not necessarily the most effective for the job being filled.

Applicants received sometimes do not match the required specification in terms of experience, specialized skills and education background. The use of job descriptions and specifications is very crucial here. The study shows that these two important documents were largely used by small and medium enterprises. However if they are not upgraded to suite the current need of the job they may mislead the recruiters hence recruiting the wrong applicants.

The large number of applicants is a major challenge when short listing for candidates. This is especially so because majority of job applicants do not know anything about the job they apply for hence having a lot of open applications. It is worth noting that because small and medium enterprises are a large source of employment for a large population in our economy,

this may be a challenge experienced even by the larger organizations. Low management skills among small and medium enterprises, especially in human resources management, poses a great challenge during the short listing process.

Establishing a point of reference and previous employee records was also cited as a major challenge. Some cited the availability of job contracts as a challenge especially enterprises that hired workers on short contract basis. Many job applicants want job security and where this is not guaranteed they tend to shy away.

The salary agreement is a major challenge with too many overqualified candidates demanding high pay. With small and medium enterprises working under tight budgets, they may not have very competitive salaries to offer their candidates of choice. They therefore have to work at convincing the candidate of choice based on other factors such as job security and potential to grow as the enterprise grows over time.

The Lack of selection expertise largely contributes to the challenge of identifying those with ability to perform and handle clients. This is especially so where there is need to hire a candidate with specialized skills. The candidates may have to do on the job interviews or the use of assessment centers may be more viable. However these were not identified as commonly used selection practices among small and medium enterprises.

The lack of desire to do more than current job description/scope where there is need for staff that can multitask is another challenge. This challenge may be tied to the salary agreement contract where the candidate feels that the pay is not commensurate to the work output. At the same time, it was noted in the introduction that small and medium enterprises often engage in

more than one business. In such a case the workers may be called upon to handle jobs of more than one business which may not have been spelled out in the job description.

Finally experienced staff are not available when you need them. This is could be incases where the jobs are available on short contract basis. The entrepreneur may be faced with the challenge of getting the preferred candidates at his/her convenience as the worker may not be available when needed may be because they have another job.

5.1 Summary

The study set out to establish the recruitment and selection practices among small and medium enterprises in Nairobi and to determine the factors that influence these practices. The research problem highlighted why it was important for small and medium enterprises to adopt the recommended recruitment and selection practices. This study therefore aimed at confirming the use or the non use of “best practices” of recruitment and selection among the enterprises of the study.

The research findings overall reveal that majority of small and medium enterprises do not have a human resources unit hence no human resources manager. This function is therefore in the hands of persons who are not trained to in the field hence the lack of expertise in the handling of human resources function.

On the other hand it can be seen that from the research findings that there is a presence of use of some “best practices” practices among small and medium enterprises. The enterprises studied reveal the use of job description and job specifications while recruiting. They largely use internal sources of recruitment of candidates i.e. promotion from within, transfers and job rotation. They also use employee referrals as the main source of external candidates.

The research findings also reveal that oral interviews one-to one was the main selection method commonly practiced among the enterprises studied, with 109 of the responding enterprises using it. The other two commonly practiced methods were on the job interview and references in that order.

5.2 Conclusions

From the research findings certain conclusions could be made. First, when it comes to recruitment and selection among small and medium enterprises there is low human resources management skills or in some cases a complete absence of the same. This is evidenced by the absence of a human resources unit hence a manager which means that the expertise skills required to handle this processes is lacking. This could explain the use of just but very few recruitment and selection practices among these enterprises.

The extensive and convenient use of internal sources of candidates during recruitment could be explained by the financial constraints among small and medium enterprises as cited in the statement of the problem. It can therefore conclude even though this saves the enterprise in financial terms another problem of inbreeding crops up, which may in one way or another contribute largely to the slow or stagnated growth of these enterprises. There is a need to look outside of the enterprise to get good mix of staff that can steer the enterprise to growth.

The accuracy scale on page 14 clearly shows the accuracy of selection practices. from the research findings, majority of the small and medium enterprises tend to use selection practices that have an accuracy of 0.1 to 0.2 on the scale. It can therefore conclude that small and medium enterprises are not accurately selecting the best candidates from the pool of applicants they receive. They are limiting their ability to get the best because of their limited selection practices.

5.3 Recommendations

Small and medium enterprises owners need to understand the need for hiring the best candidate for the job they are offering at any given time. This will only be achieved from

moving away from the traditional recruitment and selection practices to using a combination prudent practices as recommended by the “best practices” model, giving more accurate and reliable results.

It is also recommended that small and medium enterprises owners and their administrative managers attend some courses and/ or seminars that will equip them with relevant human resources management skills to enhance their ability to handle the human resources function within their enterprises. This would mean they do not have to hire a trained human resources manager which works in their favor as they work with limited capital.

There is need to look elsewhere for help when recruiting and selection of staff for example outsourcing that particular service. This may give the enterprise a better chance to get the best candidate for the job they offer. With the right employee(s) an enterprise will not only continue to provide for large numbers of high quality jobs but may become a seed-bed from which large enterprises grow.

5.4 Limitation of the study

The unwillingness by part of the entrepreneurs to complete the questionnaire as they were suspicious of the intentions of the study.

In some cases, those completing the questionnaires did not understand some of the terminologies used and had to sit with the research assistants to guide them as they completed the questionnaire, this was time consuming and cumbersome.

Identifying only the targeted enterprises, those employing atleast ten workers only was a major limitation. This limitation was anticipated therefore, the researcher worked closely with

my research assistants to help identify the targeted enterprises. However a good number of enterprises employing two to nine workers responded the questionnaire and were used for the study.

5.5 Suggestions for further research

The current study targeted to identify the practices that small and medium enterprises use. It also sought to identify what challenges these enterprises face while recruiting and selecting their staff.

Future studies could focus on how the use of such limited choice of practices affects the performance and hence profitability of the enterprises and in comparison to larger corporations, with the studies focusing more on the sales revenues, fixed assets and amount of capital.

Future studies could also focus on identifying the possibility of outsourcing human resources services by small and medium enterprises and to what extent this would improve on their performance and profitability to give them a competitive edge.

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Appendix I: Introduction letter to Respondents

Charity Kirigo K.

MBA finalist

University of Nairobi

P.O. Box 3551-00100

NAIROBI.

To: The human resources manager or the Entrepreneur.

Dear respondent,

I am a postgraduate student in the School of Business, University of Nairobi. I am conducting a management research project entitled: A SURVEY OF STAFF RECRUITMENT AND SELECTION PRACTICES AMONG MEDIUM SIZE ENTERPRISES IN NAIROBI. This is in partial fulfillment of the requirements for a Masters of Business Administration.

Kindly fill the attached questionnaire to assist me collect the necessary data for my research. The information you give will be used purely for academic purposes and will be treated with strict confidence. A copy of the final report will be availed to the interviewed enterprises on request.

Your assistance will be highly appreciated. Thank you.

Charity Kirigo

MBA STUDENT – UNIVERSITY OF NAIROBI.

Encl.

1. Introduction letter from University of Nairobi.
2. Questionnaire.

Appendix II: Questionnaire

Section A: Demographic data

1. Describe the nature of the Business undertaken by the enterprise

2. Year of initial operation _____

3. What is the size of your staff?

2- 9 employees ()

10-50 employees ()

50-100 employees ()

More than 100 employees ()

4. Do you have a Human Resources department? Yes () No ()

5. If answer to Q4 is No, who handles the Human Resources function in your enterprise?

Section B: Recruitment and Selection

6. To what extent does your firm use the following recruitment activities?

1 - very large extent 2 - large extent 3 - some extent

4 - less extent 5 - not at all

	1	2	3	4	5
Job analysis	()	()	()	()	()
Job description	()	()	()	()	()
Job specification	()	()	()	()	()
Realistic job previews (RJP)	()	()	()	()	()
Approval concerning job offer	()	()	()	()	()

7. To what extent do you use any one or more of these recruitment methods?

1 - very large extent 2 - large extent 3 - some extent

4 - less extent 5 - not at all

	1	2	3	4	5
Promotion from within	()	()	()	()	()
Transfers	()	()	()	()	()
Job rotation	()	()	()	()	()
Media Advertising	()	()	()	()	()
Schools or college/university	()	()	()	()	()
Direct/walk in job applicants	()	()	()	()	()
Employee referrals	()	()	()	()	()
Employment agencies	()	()	()	()	()
Recruitment consultants	()	()	()	()	()

8. How effective would you rate your recruitment activities in the past?

Largely effective ()

Effective ()

Less effective ()

Not effective ()

Please state why _____

9. To what extent do the following factors influence the recruitment decision?

1 - very large extent 2 - large extent 3 - some extent

4 - less extent 5 - not at all

	1	2	3	4	5
The availability of funds/ finances	()	()	()	()	()
The group of applicants desired	()	()	()	()	()

Organization policy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/lack of recruiting expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prevailing environmental circumstances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. To what extent do you use any one or more of the following selection methods?

1 - very large extent 2 - large extent

3 - some extent

4 - less extent 5 - not at all

	1	2	3	4	5
Application forms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Oral interview (one-to-one)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Oral Interview (panel)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Written interview	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Psychological Tests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On the job interview	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Assessment centre	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
References	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Medical examinations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. To what extent do these factors influence the selection decision?

1 - very large extent 2 - large extent

3 - some extent

4 - less extent 5 - not at all

	1	2	3	4	5
The availability of funds/ finances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The group of applicants desired	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Organization policy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability/lack of recruiting expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prevailing environmental circumstances	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. How important are the following factors in your selection decision?

VI-very important I-important R-required NI-not important

VI I R NI

Level of education () () () ()

Work experience () () () ()

Specialized skills () () () ()

Physical build () () () ()

Section C: Challenges faced when recruiting and selecting staff.

13. In your opinion what are the challenges you face when recruiting your staff?

14. What are the challenges you experience while selecting staff for your firm?
