

**ASSESSMENT OF IMPORTANT ASPECTS OF HUMAN RESOURCE
PRACTICES IN SMALL BUSINESS ENTERPRISES**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT FOR THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled *Assessment of Important Aspects of Human Resource Practices in Small Business Enterprises* in partial fulfillment for the requirements for the degree of Master of Business Administration.

.....

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(Supervisor)

Date.....

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DECLARATION

I, Lilian Chambulikazi, declare that this dissertation is my own original work and that it has not been submitted for any academic award in any other University for a similar or any other degree award.

Signature.....

Date.....

DEDICATION

This dissertation is dedicated to my husband, John Christopher Mwakalonge, and our son, Lusubilo John.

ACKNOWLEDGEMENTS

This work is the end product of contributions from a number of individuals, whom I cannot list them all for lack of space. Nonetheless, I wish to express my sincere gratitude and appreciation to all of them.

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Lastly, I am indebted to Dar es Salaam small business enterprise owners and employees who took their time and energy to assist the author during the data collection task.

ABSTRACT

This study assesses important aspects of human resource practices in small business enterprises. The data was analysed using both content analysis and Statistical Packages for Social Sciences (SPSS). The findings show that small business recruitment has been a problem for many years especially in identifying hard workers and trustworthy employees; thus some of the small business enterprise owners run their businesses solely on their own. As a result some of the small business owners employ assistants ranging from one up to five depending on the actual requirement of their business undertakings. In addition, the findings reveal that there are only two major challenges facing small business enterprises, those which are related to employees and others which are related to employers. Furthermore, the study shows the only compensation that has been identified is salary. Similarly, the findings show that most of the small business enterprises do not have a human resource policy, thus they can not enforce the existing labor laws policy, laws and procedures. Based on these findings, this study recommends that there is a great need of enforcing labor laws, small business enterprises having their own human resource policy, and Government, through VETA, supporting local initiatives or strengthening existing organizational forms.

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ABBREVIATIONS

UNDAF	United Nations Development Assistance Framework
HRD	Human Resource Development
HRM	Human Resource Management
HR	Human Resource
SME	Small and Medium Enterprises
SHRM	Strategic Human Resource Management

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Mfaume and Wilhelm (2004) as cited in UNDAF (2002-2006) show that over the past fifteen years, Tanzania has embarked on an ambitious and long process of economic, social and political reforms in order to improve the business environment, increase economic growth and reduce poverty. In the past five years, despite adverse weather conditions and deteriorating terms of trade, the economy of Tanzania has been growing at an annual average rate of more than 4 percent. For example, in 2003 the economy grew by 5.6 percent in real terms.

Despite the increased change, the rate of growth of the national economy has not been big enough to generate the number of jobs required. That brings up the issue of the majority to enter into private sector in the form of entrepreneurship and small business thus expanding the private and informal sector of the economy from 23.9 percent in 1971 to 79.6 percent in 1996. Mfaume and Wilhelm (2004) state that small Business Entrepreneurship has been seen as a hub in generating income for the majority of urban dwellers with no formal paid employment. In Tanzania, entry into small business entrepreneurship is usually not seen as a problem. One can start small business at any time and in any place.

These urban dwellers are always exploring the opportunity in their business to address their economic difficulties. While doing this, bearing in mind that their businesses are just small and they are facing challenges like having small capital

they draw upon all available resources such as themselves, their families, friends and community to minimize the cost of their business. In this situation they find themselves in the condition of informal and local management of human resource which in one way or the other affect the growth of their business and sometimes even total failure of their business.

These small business enterprises are very important to individuals who are engaging themselves (self-employment) and to the country's economy. It is discouraging to note that there is little attention given to small business enterprises research literature concerning human resource practices. There are few readings or reviews about human resource practices in small business enterprises in surveys and empirical studies. Most of the studies are being conducted focusing on human resource practices in well-established organizations which however compose of small part of the population. There is just small number of studies about human resource in Small business enterprises.

Klimoski (1991), Miner (1980) & Personnel Psychology (1993) concluded that lack of information about human resources in small business enterprises is problematic for theory, research, and practice. Current human resource theory is often developed and tested in large organizations. As a result, little is known about the extent to which the theory extends to smaller entrepreneurial organizations. This is problematic given that a critical component of sound theory is the delineation of those circumstances, such as organizational size and structure that serve as boundary conditions to the theory.

The researcher feels that the human resource requirements like recruitment, compensation or performance management in well organization can also be applied in small and emerging firms. Apparently, there are some challenges these small entrepreneurs are facing, which could be solved through proper practicing of human resource management. After reviewing different literature the researcher has noticed that there is little knowledge concerning the importance of human resource issues in emerging firms and small firms. Therefore, the objective of this study is to assess human resource practice in these small businesses and thereafter recommend solutions to the challenges that small entrepreneurs face in this area.

1.2 Statement of the Problem

Several literature shows that if human resource management is practiced well, the result will be that the employees will be happy, satisfied, motivated with their jobs and will be stress free; hence the growth and success of the organization. This means recruiting the right people in the right job positions, compensating them accordingly, motivating and satisfying them. This is supposed to be done regardless of how big, organized or complex the firm is. In Tanzania there is the mushrooming of small business enterprises and also there are some challenges on managing human resource employed in these small business enterprises.

There are some employees who perform well in their jobs and others are not performing well, some are satisfied in their jobs while others are not. There are some of the small business enterprises that can maintain their employees while the majority of them are facing a high rate of turnover. This means there is no human

resource practices in small business enterprises and that is why the business owners cannot manage their employees well. For instance in XYZ company, which deals with food vending and has got five employees, when the author approached these employees they indicated that they were looking for new jobs in other companies, because they were unsatisfied with the benefits they were getting from their current employer. The author found out that in a period of about five years the company had changed employees, averaging one employee in every six months. In addition, XYZ Company is still at the same level of growth for about five years now. This is contrary to the expectation for any established business to grow in all aspects especially financially. However, XYZ Company has not grown due to great turnover of its employees. This shows that there is no human resource practice in this company.

Therefore the main purpose of the researcher is to study the way companies are managing their human resources. Assessing how the owners of small business enterprises recruit their employees, how they train them to add knowledge in benefit of their small businesses, how do they compensate their employees in terms of salary, healthcare or in case of an accident at work etc.

1.3 Research Objectives

The general objective of the study is to assess the important aspects of human resource practices in small business enterprises.

The specific objectives of this study are as follows:

- i. To assess employees' attitudes towards important aspects of human resource practices in the small business enterprises.

- ii. To identify the challenges facing managers with regard to important aspects of human resource practices in small business enterprises.
- iii. To assess how the available policies can be applied to the small business enterprises regarding important aspects of human resource.
- iv. To assess the important aspects of human resource practices training with regard to small business enterprises.

1.4 Research Questions

- i. What is the employees' attitude towards human resource practices in the small business enterprises?
- ii. What are the challenges with regard to important aspects of human resource practices that managers face in small business enterprises?
- iii. How can the available policies on important aspects of human resource practices be applied to the small business enterprises?
- iv. How can the important aspects of human resource practices training be done effectively in small business enterprises?

1.5 Research Hypothesis

Training small businessmen owners about important aspects of human resource management practices will help the small enterprise owners to manage their human resource effectively.

1.6 Significance of the Study

- i) Study findings should help the small business enterprises and policy makers to determine the factors leading to effective human resource

practice in the business world.

- ii) This study should enable small businessmen and policy makers to make the right decisions when managing their human resources.

1.7 Scope and Limitation of the Study

The research will be confined only to small business enterprises located in Dar es Salaam due to easy access to respondents and the limited time allocated for the study. These samples of small business enterprises will represent all small enterprises doing business in Tanzania. The researcher will also focus the study mainly on small business enterprises located in Dar es Salaam as a case study due to financial and time constraints.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

In this chapter the literature review provides the theoretical background of important human resource practices in small business enterprises. Empirical literature review is equally given.

2.2 Theoretical Literature Review

2.2.1 Human Resource and Small Business

Until recently human resource management (HRM) has been considered as inappropriate for SMEs especially small businesses and consequently research in this direction has been relatively at a minimum level. Small businesses in general have been seen as only smaller examples of large firms. However, Zoltan & Audrestch (1990) cited Burns, (2001:9). According to him small business cannot be characterized as only scaled down versions of large firms since they show a number of fundamental differences. A number of these differences can be explained by lacking economies of scale and scope which amongst others is also caused by less provision for human resource management as cited from Fitzsimmons & Fitzsimmons (2003). Principle challenges facing SME's, whether family or non-family businesses, point to human resource aspects as also cited from Hoover & Hoover (1999).

Saru (2007) asserts that human resource management and human resource development (HRD) is equally centre for both small and large firms but manifest it differently in them. As early as the beginning of the 1990s it was found that the size

of a business does affect the formality of human resource practices. It also affects the sophistication of the HRM practices used. Small firms do not have the same kind of resources to implement official human resource practices but they still need to keep employees satisfied and productive. Even with regard to HRM research the tendency is to focus on larger businesses and to ignore the very significant small and medium-sized segments of the economy.

Heneman et al. (2000), Chandler and McEvoy, (2000), Welbourne & Cyr (1999) say that for smaller businesses resource constraints may mean that HRM may often be less formal and also limited in their scope and sophistication but this does not imply that effective HRM is any less significant to firm performance and success. Growth of small businesses is normally accompanied by an increase in their personnel and consequently managers-owners must begin to learn how to develop and implement HRM policies. The faster the growth experienced by the small businesses the greater the chance that HRM problems will be experienced.

The way small business the owners practice HRM is that the owner is usually carrying all the responsibility of performing the variety of HR functions for which he is generally poorly equipped. Managing such issues as recruitment and selection, staff promotion and retention, wages and salary negotiations, training and development, tax insurance regulations, and other HR aspects can place a huge and extensive burden on the average small business owner.

Little (1986) states that as the number of staff employed increases the need for a formal HRM manager or process also becomes pressing. Caudron (1993) views

businesses with less than 100 employees as being able to operate without a full-time personnel or human resource manager. However once the employee base exceeds 150 a HR manager or department becomes a necessity.

Small businesses in general have been typified as only being smaller examples of large firms. However a number of problems arose when assuming that small firms are the same as large firms (Cassell, Nadin, Gray & Clegg, 2002). These problems emerge as a result of resource poverty which results because of various conditions unique to smaller firms. (Koning, 1992) comes to the conclusion that SMEs differ from large businesses in the following ways:

- i) small degree of division in labor;
- ii) informal, personal relationship between the entrepreneur and personnel as well as between personnel themselves;
- iii) the definite mark of the entrepreneur on the business operations;
- iv) the strong binding and relatively large dependency on the local market and/or limited number of customers;
- v) a relatively large degree of independence in the workplace in determining the content of the work and the working conditions.

Taking these characteristics into consideration it becomes evident that insights and ideas of HRM must be related to the specific characteristics of SMEs and to examine the degree of value HRM might have in SMEs and how it might be put in use. Employee and employees' practices appear to be one way that companies are able to improve their performance. Strategic human resource (SHRM) scholars have argued that an organizations' success is at least partially dependent on their employees and

their behaviors in carrying out the strategies of the company. Becker & Huselid (2006) says that organizations that can effectively influence the behavior and motivation of their employees through human resource management systems will be able to increase performance and viability (Collins & Smith, 2006) like any other organization, entrepreneurial firms should also be able to leverage their employees through human resource management (HRM) to improve their performance

2.3 Empirical Literature Review

2.3.1 Small Business

A small business is a business that is characterized with the following features like private ownership and operating with a small number of employees and relatively low volumes of sales. Small businesses are normally privately owned corporation, partnership, or sole proprietorships. When we are talking about small business and small number of employee in the context of Tanzania the number of employees starts with one employee which can be in shops like in retail shops, boutique and probably does not exceed ten employees like in restaurants.

2.3.2 General Overview of Small Business in Tanzania

Agupusi (2004) shows that globally, the concept of small business is diverse and depends on the level of each country's economic development. Lack of a clear and homogeneous definition of small business can affect research findings and the understanding of its contribution to socio-economic development. There are different characteristics of small business such as entrepreneurship, ownership and management, labor status, the formal and informal economy and the size of the entity.

Internationally, size of entity is the criteria adopted most in small business studies. Meanwhile, what constitutes the size of a small business or the legal definition of "small" varies by country and by industry, ranging from fewer than 15 employees under the Australian *Fair Work Act 2009*, 50 employees in the European Union and fewer than 500 employees to qualify for many U.S. Small Business Administration programs. In country like Tanzania the number employed in small businesses may be smaller or even one person. Small businesses can also be categorized according to how much sales, how much assets, or net profits of a business.

Small businesses are very common in many countries this includes developed and developing countries but they are always depending on the economic systems in operation in the particular country. Typical examples of these small businesses are convenience stores other small shops (such as a bakery or delicatessen) event decorations, packaging, hairdressers, tradesmen, lawyers, accountants, restaurants, guest houses, photographers, small-scale manufacturing and online business such as web design and programming etc.

2.4 Conceptual Framework

2.4.1 Human Resource Management

Coomper & Smolders (2005) as cited by Schermerhorn (2001) defines human resource management as the “process of attracting, developing, and maintaining a talented and energetic workforce supporting organizational mission, objectives, and strategies”. The social function of the firm is integrated in the organizations technical, financial, commercial and administrative work. Taking into consideration the wishes and expectations of the employees with respect to the content of the work

and the working. Departing from this viewpoint Koning (1992) states that HRM can be considered as a management style with a purpose of:

- i) incorporating management tasks at the line level or the middle-management level;
- ii) strengthening the mutual relationships between the various areas of personnel management;
- iii) strengthening the coherence of personnel-management in the strategic business plan;
- iv) giving definite consideration to the developmental issues related to organization and person.

Ngirwa (2000) also defines human resource management as all activities which are intended to facilitate the effectiveness of people in the performance of work organization. Human resource of an organization is not only the most important resource; they represent one of the largest investments and thus the name human capital which nowadays is used interchangeably Ngirwa, (2000)

Human resource can be defined as managerial philosophy policies, procedures practices related to the effective management of people for purposes of facilitating the achievement of result in the work organization. Human Resource Management is the management of an organization's employees. While human resource management is sometimes referred to as a "soft" management skill, effective practice within an organization requires a strategic focus to ensure that people resources can facilitate

the achievement of organizational goals. Effective human resource management also contains an element of risk management for an organization which, as a minimum, ensures legislative compliance.

Fundamentally, human resource management is based on the assumption that employees are individuals with varying goals and needs. Human resources should not be categorized with basic business resources (trucks, filing cabinets, etc.). Practicing good human resource management enables managers of an enterprise to express their goals with specificity, increasing worker comprehension of goals, and provide the necessary resources to promote successful accomplishment of said goals. When HRM is properly employed members of the workforce are expressive of the goals and operating practices of the firm.

HRM is seen by practitioners in the field as a more innovative view of workplace management than the traditional approach. Its techniques force the managers of an enterprise to express their goals with specificity so that they can be understood and undertaken by the workforce and to provide the resources needed for them to successfully accomplish their assignments. As such HRM techniques when properly practiced are expressive of the goals and operating practices of the enterprise overall. HRM is also seen by many to have a key role in risk reduction within organization.

The notion of best practice, sometimes called 'high commitment' HRM, proposes that the adoption of certain best practices in HRM will result in better organizational performance. Perhaps the most popular work in this area is that of Pfeffer, (1997)

who argued that there were seven best practices for achieving competitive advantage through people and 'building profits by putting people first. These practices included:

- i) providing employment security
- ii) selective hiring
- iii) extensive training
- iv) sharing information
- v) self-managed teams
- vi) high pay based on company performance and
- vii) The reduction of status differentials.

However, there is a huge number of studies which provide evidence of best practices, usually implemented in coherent bundles, and therefore it is difficult to draw generalized conclusions about which is the 'best' way

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains how this study will be conducted with regard to Research Design, Sources of Data, Data Collection Techniques and Data Analysis Techniques. In addition, the chapter highlights limitation on the study.

3.2 Research Design

The research has used a descriptive design. Descriptive research is the study which is concerned with describing the characteristics of a particular phenomenon describing "what exists" with respect to variables or conditions in a situation. The methods involved range from the survey which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which seek to determine changes over time (Kothari, 2004).

3.3 Survey Population

Population is a group of individuals who have one or more common characteristics that are of interest to the researcher (Best and Ichan, 1998). Researcher's population was the two thousand small business enterprises located in Dar es Salaam.

3.4 Sample Size

Sample refers to the number of items to be selected from the universe to constitute a sample. The sample size should neither be excessively large nor too small. It should be optimum. An optimum sample is one which fulfills the requirement of efficiency, representativeness, reliability and flexibility. While deciding the size of the sample a

researcher must put into consideration nature of the study and financial resources available for the study Kothari,(2004). The researcher chose a sample size of a hundred men and women. This formed different variant business types, i.e., retail shop, food vending, tailoring, saloon, etc.

3.5 Sources of Data

The research used secondary data by reviewing relevant literatures on the study and primary data which is necessary for the empirical findings of the study.

3.6 Data Collection Methods

Two methods were adopted, namely secondary and primary data collections: First, in getting the secondary data the researcher visited a number of theoretical literature review from various researchers/authors who had done the study in other developing countries. This method has been chosen to meet the time limit which is available for the study. Second, primary data was collected by way of exclusive interviews guided by structured and semi structured questions to the selected sample of small business enterprises and administration of questionnaires to the selected subjects from amongst them. Shipman, (1972) asserts that no single technique or instrument is adequate in itself in collecting valid and reliable data on a particular problem, all have shortcomings and dependable.

3.7 Sampling Techniques

The study used a stratified sampling technique. The sample size of small business enterprises was picked to represent the population and the sample was stratified in twelve categories of small business enterprises according to type of business. This

was done to check bias in the responses since the population was not a homogeneous group. Stratified sampling techniques are generally used when the population is heterogeneous or dissimilar where certain homogeneous or similar sub-populations can be isolated (strata). Simple random sampling is most appropriate when the entire population from which the sample is taken is homogeneous. Some reasons for using stratified sampling over simple random sampling are (Best, 1998):

- i) The cost per observation in the survey may be reduced;
- ii) Estimates of the population parameters may be wanted for each sub-population;
- iii) Increased accuracy at given cost.
- iv) The sample size of small business enterprise was picked to represent the population equally and the sample was being stratified in twelve categories. This was a deliberate move to check bias in the responses, since the population was not a homogeneous group.

3.8 Data Analysis Techniques

The analysis of data requires a number of closely related operations such as establishment of categories, the application of these categories to raw data through coding, tabulation and then drawing statistical references. Analysis work after tabulation is generally based on the computation of various percentages like coefficients and coding method by applying various well defined statistical formulae. In the process of analysis, the relationships and differences supporting or disagreeing with the original hypotheses were tested to determine with what validity of data can be said to indicate conclusion(s) (Kothari, 1993)

Given that the research design is descriptive the information was entered in Microsoft excel spread sheet and where necessary into a tabular form and analyzed accordingly and other information was gathered and used to arrive at a conclusion in accordance with the research objective.

CHAPTER FOUR

4.0 FINDINGS

4.1 Introduction

This chapter presents findings and their implications in relation to the study's objectives and policy at large. For ease of reading, this chapter has been divided into seven parts. The first part presents variations of distribution of respondents from small business enterprises, followed by nature of business, duration of the existence, employees' attitude towards human resource practices in the small business enterprise, Small business enterprises' recruitment, compensation and training, availability of human resource policies, the last section identifies challenges facing human resources in small business enterprises.

4.2 Variations of Distribution of Respondents

Table 4.1: Sample Population Distribution

	Category	Frequency	Per cent
	Male	82	54.3
	Female	69	45.7
	Total	151	100.0

Source: Field Survey

Table 4:2 shows the proportion/distribution of female and male involved in small business enterprises in Tanzania.

Table 4.2: Distributions of Respondents

SEX	Age of the respondent				Total
	below 25	Between 25 and 40 years	Between 40 and 55 years	Above 55	
Male	14	16	1	0	31
	45.2%	51.6%	3.2%	.0%	100.0%
Female	5	14	0	1	20
	25.0%	70.0%	.0%	5.0%	100.0%
Total	19	30	1	1	51
	37.3%	58.8%	2.0%	2.0%	100.0%

Source: Field survey

Table 4.3: Nature of Business

S/N	Type of Business	No of Respondents
1	Food staff vendors	12
2	Tailoring	15
3	retailing shops	13
4	hair dressing saloon	16
5	poultry keeping	17
6	butchery	20
7	secondhand clothes	19
8	Boutiques	12
9	florists	14
10	barber shop	13
	Total	151

Source: Field survey

4.2 Mode of Ownership

Table 4:4 shows the nature of ownership of these small businesses that was surveyed.

Table 4.4: Nature of Ownership

Ownership		Frequency	Per cent
	Sole Proprietor	122	80.8
	Partnership	29	19.2
	Total	151	100.0

Source: Field survey

4.3 Duration in Business

The findings from Table 4:5 show how long the businesses surveyed are operating in the business.

Table 4.5: Duration of Business

Duration (in years)	Frequency	Percent
0-1	7	4.6
1-4	75	49.7
5-8	68	45.0
9-Over	1	.7
Total	151	100.0

Source: Field survey

4.5 Findings by Research Questions

- i) Research question No 1. What is the employees' attitude towards human resource practices in the small business enterprises?

Data collected from the field shows that the employees have positive attitude towards their employers since they agree with the human resources practice in the small business enterprises as shown in the table 4.6.

Table 4.6: Attitude of Employees towards Employers

Expression	Frequency	Percent
Strongly disagree	1	0.7
Disagree	20	13.2
Agree	53	35.1
Strongly agree	77	50.99
Total	151	100.0

Source: field survey

- ii) Research question 2: What are the challenges with regard to important aspects of human resource practices that managers face in small business enterprises?

a) Challenges Facing Employers

The data collected from the employers identified the following factors to be main challenges facing the small business enterprises owners:

- (i) Leadership development;
- (ii) Human resource effectiveness measurement;

- (iii) Organizational effectiveness;
- (iv) Staffing, recruitment and availability of skilled labour;
- (v) Staffing retention; and
- (vi) Compensation

b) Challenges facing Employees

While the data collected from employees indicate that the following are the main challenges;-

- (i) Benefits cost: healthy and welfare;
- (ii) Compensation;
- (iii) Organizational effectiveness;
- (iv) Learning and development; and
- (v) Leadership development

iii) Research Question no 3: How can the available policies on important aspects of human resource practices be applied to the small business enterprises?

Table 4.7: Understanding of Policy Regard Important Aspects of Human Resource Practice in Small Business

Expression	Frequency	Per cent
Agree	3	2.0
strongly agree	148	98.0
Total	151	100.0

Source: Field survey

iv) Research question 4: How can the important aspects of human resource practices training be done effectively in small business enterprises?

a) Recruitment

According to both employers and employees from the surveyed small business, recruitment has been a problem for many years especially in identifying hard worker and trustworthy employees, due to this the findings shows that some of the small business enterprises owners run their business solely on their own whereas some employed assistants ranging from one up to five depending on the actual requirement of their business undertakings.

Table 4.8: Numbers of Employees

Number	Frequency	Percent
0-2	11	7.3
3-8	104	68.9
9-20	10	6.6
21-Above	26	17.2
Total	151	100.0

Source: Field survey

b) Compensation

Various questions related to compensations were asked to respondents, the Table 4:8 presents the findings.

Table 4.9: Understanding of Compensation

Understanding	Frequency	Per cent
Yes	122	80.8
No	29	19.2
Total	151	100.0

Source: Field survey, 2013

6) Training

Skills and knowledge of any employee need to be upgraded by having in-service training.

In a nut shell it is difficult to establish the nature of training rendered to employees in each small business enterprises surveyed in this study because of the reasons that has been explained above especially on the fear to resign once he/she has acquired such skills.

Table 4.10: Understanding the need of Training

Understanding	Frequency	per cent
Yes	129	85.4
No	22	14.6
Total	151	100.0

Source: Field survey, 2013

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, discussions and conclusions. The chapter also provides recommendations for action and suggestions for further studies.

5.2 Discussion

5.2.1 Research Questions 1: What is the Employees' Attitude Towards Human Resource Practices in The Small Business Enterprises?

Tim Mazzarol, (2003) Substantial work has been undertaken in the field of human resource management (HRM) as it applies to large organizations. However, for small business these models frequently do not apply. The small business lacks adequate systems to ensure the efficient management of human resources. Further, most small businesses are the product of their owners, whose personality and personal involvement dominate.

Drawing upon evidence from four case studies of small business owners who have experienced growth the aim of the paper is to examine the point at which these owners became aware of the need for team building and delegation within their companies and how they responded. All have found finding, motivating and retaining good staff a critical bottleneck in their business growth. Of importance, appears to be their beliefs, attitudes and values. A shift in these areas was necessary before change could be undertaken.

The point of awareness for many came from the managerial training programs but was tempered by their beliefs and the growth cycles of their companies. Prior to change being possible these owner-managers needed to develop skills and competencies in leadership, coaching and management before effective delegation and team building could take place. These findings are linked to the existing body of knowledge relating to HRM. A theoretical model of the small business HR process for small business growth is presented. Future, implications for small business management and research are discussed.

According to Muse et al. (2005) *Small Economics* vol 24 pg. 98, Western Michigan, U.S.A. The potential impacts of OCE have been studied at both the micro and macro levels, suggesting a relationship between OCE and company performance exists. At the individual level, research has shown that if employees perceive their organization cares about their well-being and distributes rewards fairly, they are likely to form affective attachments to the organization (Eisenberger et al., 1986; Eisenberger et al., 1990) as cited by Muse et al (2005). Studies have also linked employees' affective attachment to the organization to work outcomes such as, reduced absenteeism (Eisenberger et al., 1986) turnover, and improved job performance (Mowday et al., 1984) as cited by Muse et al.

It has also been suggested that even the most dedicated competitive strategy will fail to bring a firm success without inspired a committed employees to effectively execute the strategy (Lee and Miller, 1999). At the organizational level, Yeung and Berman (1997) emphasized the robustness of previous studies on human resource practices related to OCE and firm performance. When examining their samples, the

authors noted that MacDuffie (1995) studied firms within a single industry, Pfeffer (1994) as cited by Muse et al (2005) across many industries, Huselid (1995) within a region, and Ostroff (1995) across the nation, all finding support for a positive relationship between human resource practices and firm performance. In terms of employee attitude towards employees, the study found that employees strongly agree that their employers have positive attitude towards them these results implies that since employees believe there is a good term between them and their employers, it is likely this relationship can be more cemented if the human resources aspects and policy will be observed at the working places.

On the other hand the study found that small business recruitment has been a problem for many years especially in identifying hard worker and trustworthy employees, due to this the findings shows that some of the small business enterprises owners run their business solely on their own whereas some employed assistants ranging from one up to five depending on the actual requirement of their business undertakings. Since there is no formal recruitment procedures and human resource policy observed in the whole process involved in recruitment, therefore recruitment depend on nature of the business and at some point nepotism applies as the employer fears to employ someone whom they have no his/her previous record.

5.2.2 Research Questions 2: What are the Challenges with Regard to Important Aspects of Human Resource Practices that Managers Face in Small Business Enterprises?

The study found there is only two major challenges, those related to employees and other related to employers, furthermore the study shows the only compensation that

has been identified is only salary, and the results indicate that 80% of the employers do pay their employees salary as the only compensation they deserve of which this implies that salary is major causative in employing to small business enterprises. Small businesses in general have been typified as only being smaller examples of large firms.

However a number of challenges arose when assuming that small firms are the same as large firms. These challenges emerge as a result of resource poverty which results because of various conditions unique to smaller firms. These being the case this study saw it is also important to ask respondents who participated in the study their views in relation to challenges with respect to human resources practices that face small business enterprises. Responses were mixed hence they are categorized into two those related to employers and those related to employees as follows;-

a) Challenges Facing Employers

The data collected from the employers identifies the following to be main challenges facing the small business enterprises owners:

- (i) Leadership development;
- (ii) Human resource effectiveness measurement;
- (iii) Organizational effectiveness;
- (iv) Staffing, recruitment and availability of skilled labor;
- (v) Staffing retention; and
- (vi) Compensation

b) Challenges Facing Employees

On the other hand, the data collected from employees indicate that the following are the main challenges;-

- (i) Benefits cost: healthy and welfare;
- (ii) Compensation;
- (iii) Organizational effectiveness;
- (iv) Learning and development; and
- (v) Leadership development

5.2.3 Research Questions 3: How can the Available Policies on Important Aspects of Human Resource Practices be Applied to the Small Business Enterprises?

Thang V. Nguyen and, Scott E. Bryant, A Study of the Formality of Human Resource Management Practices in Small and Medium-Size Enterprises in Vietnam International Small Business Journal December 2004 vol. 22 no. 6 595-618 (A Study of the Formality of Human Resource Management Practices in Small and Medium-Size Enterprises in Vietnam International Small Business Journal December 2004 22: 595-618,).

One main challenge for human resource (HR) management in small and medium-size enterprises (SMEs) is to balance the formal policies and the informal culture of these smaller firms. While HR formality has remained a subject of much qualitative analysis, it has not received much quantitative analysis. Using a sample of 89 Vietnamese SMEs this study tested the level of formality as a dimension of HR management. The results supported our hypotheses that firm size is positively related

to HR formality, and that HR formality is positively associated with owners' perceptions of firm performance. This study provides important research implications as well as practical implications for managers and policy makers.

In the case of this study there is a need of each small business enterprise to have its own human resource policy. Human resource policies are the formal rules and guidelines that businesses put in place to hire, train, assess, and reward the members of their work force. These policies, when organized and disseminated in an easily used form such as an employee manual or large postings—can go far toward eliminating any misunderstandings between employees and employers about their rights and obligations in the business environment. This will ensure effective, consistent, and fair human resource decisions are often made.

Furthermore, there is a need of improving small business enterprises' human resource practice by enforcing the existing labor laws policy and use of various channel of communication in educating Small business enterprises on the importance of adhering to this policy.

5.2.4 Researches question no 4: How can the Important Aspects of Human Resource Practices Training be Done Effectively in Small Business Enterprises?

In small business enterprises it is possible to train the business owners about the important aspects of human resource and they will understand its importance in their businesses but the small capital is the major hindrance to practice in their working environment. However they need to be aware of some of them so as it

might make easy for them to track down some problem regard human resource in their business. Thing like human resource organizational structure may help to make their jobs easily done and the objective of the business achieved on time.

5.3 Conclusion

5.3.1 Research question 1: What is the Employees' Attitude Towards Human Resource Practices in the Small Business Enterprises?

The study found out that the working environment in most of the small business enterprises attracts many employees to join the industry. This analysis is supported by findings in Table 4.6, which shows that almost 50 per cent of the employees strongly agree that their employers have a positive attitude towards them while it is only 0.7 per cent who strongly disagree. These results imply that since employees believe they are in good terms with their employers, may be this relationship could be more cemented if the human resources aspects and policy were observed at the working places.

5.3.2 Research question 2: What are the Challenges with Regard to Important Aspects of Human Resource Practices that Managers Face in Small Business Enterprises?

a) Recruitment

Since there is no formal recruitment procedures and human resource policy observed in the whole process involved in recruitment, therefore recruitment depend on nature of the business and at some point nepotism applies as the employers fears to employ someone whom they have no his/her previous record. Moreover, sometimes working to this kind of business does not require much education for example barber shop,

hairdressing saloon and butchery therefore no specifically criteria set. The findings reveals that most of small business enterprises involved in this study employs people from 0-2 which are approximately to 7.3 percent compared to 68 per cent of employees under category of 3-8 employees. Most the employees that falls under this group deals with food staff vendors and tailoring.

b) Compensation

The data collected indicate that the 80% of the employers do pay their employees salary as the only compensation they deserve of which this implies that salary is major causative in employing to small business enterprises, this result have a causal link with the result in table 4:7, where findings shows the employees of 3-8people dominates in this type of business hence justifies that the employers sees salary as the only compensation that employees deserves.

The major concern that almost all employees raised was the inadequate salary they get; they argued that the salaries they get are totally inadequate; as a result they are forced to engage in other activities that may affect their performance. The complaint made by hair dresser at one of the saloon surveyed was related to salary levels. Every single hair dresser interviewed about this issue felt that employees' salaries in small business enterprises were too low even to provide for the most basic needs of a person and his or her family.

The salary that employees are getting in small business enterprises is not adequate for them to meet their basic requirements. They therefore have to do other things in order to make a living. They also forced to borrow money and they are always in debt. (Customer at Mwenge).

b) Training

This is to do with the fact that there are many changes that driven by globalization thus employees need in-service to familiarize them with these changes and this can either be done at VETA and other private institutions that offer such a similar trainings on their areas of work. Both employers and employees were asked if they do understand the need for training, the findings depict that 85 per cent they do understand the need of it, however employees do neither take the orientation nor in service training to enable them perform their duties.

Similarly, some of the activities like barber at barber shop, retail shops, florists, butchery does not need even a training or orientation to enable a person perform his/her assignments while the areas of food stuffs may need someone to undergo an orientation training, moreover employees do not want to train the employees because they afraid they will go for more green pastures somewhere else once they have obtained the skills. On the other hand 15 per cent of the employers do not know the difference between orientation and training hence can't tell the importance of training to their businesses.

5.3.3 Research Question 3: How can the Available Policies on Important Aspects of Human Resource Practices be Applied to the Small Business Enterprises?

This study also researched on the awareness aspect among the small business enterprises on human resource policies as one of the factors that lead to setbacks in employees` performance. Among the 151 respondents of these question 148 respondents (equivalent to 98 per cent) strongly agreed that policies are one of the main factors for small business enterprises not to grow compared to 2 per cent who

agreed that policies may be one of the factors being the setback for employees' performance.

5.3.4 Research Question 4: How can the Important Aspects of Human Resource Practices Training be Done Effectively in Small Business Enterprises?

It appears that most aspect of human resources practices are violated as it is difficult to establish the nature of training and compensation rendered to employees in each small business enterprises because of the fear to resign once he/she has acquired such skills. Also the recruitment process is not observed as the nature of the works does not require much skill.

5.4 Recommendations

The researcher recommends that:

1. There is a need for improving small business enterprises' human resource practice by enforcing the existing labor laws policy and using various channels of communication in educating small business enterprises on the importance of adhering to this policy.
2. There is a need of each small business enterprise to have its own human resource policy. Human resource policies are the formal rules and guidelines that businesses put in place in the areas of hire, training, assessment, and reward with regard to their work force. These policies, when organized and disseminated in an easily used form—such as an employee manual or large postings—can go far toward eliminating any misunderstandings between employees and employers about their rights and obligations in the business

environment. This will ensure effective, consistent, and fair human resource decisions are often made.

3. The Government needs to support local initiatives or strengthen existing organizational forms instead of being too quick to supply answers and promote adoption of fixed organizations. The strategy could be through VETA organizing various workshops involving small business enterprises employers and employees for ensuring their business does involve aspects of human resource management. In the long term, this could result into mainstreaming human resources aspects on their business.
4. It is particularly important for small business establishments to implement and maintain fairly applied human resource policies in their everyday operations. Small businesses—and especially business startups—cannot afford to fritter away valuable time and resources on drawn-out policy disputes or potentially expensive lawsuits. The business owner who takes the time to establish sound, comprehensive human resource management policies will be far better equipped to succeed over the long run than will the business owner who deals with each policy decision as it erupts.
5. Adoption of human resources aspects to small business enterprises will help in time saving. Prudent and comprehensive human resource management policies can save small business enterprises significant amounts of management time that can be spent on other business activities instead, such as new product development, competitive analysis, marketing campaigns.

5.2.6 Areas for Further Research

This study was conducted in Dar es Salaam Region only. There is a need to conduct a similar study that involves many Regions so as to ascertain a wider knowledge concerning the applicability of human resources aspects to the small business enterprises in Tanzania and in the world.

In addition, there is a need to conduct a study involving several large business enterprises and assess the applicability of the human resource aspects. This would help in the drawing up of appropriate policy recommendations for both small and large enterprises as far as the human resources aspects are concern.

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APPENDICES

Appendix 1: Business Owner Questionnaire

Dear Respondent,

This is an MBA research study on “ASSESSMENT OF HUMAN RESOURCE PRACTICES IN SMALL BUSINESS ENTERPRISES” The questionnaire is seeking your invaluable opinion on this subject. The results of this dissertation could go a long way in providing information with appropriate knowledge when dealing with human resources in order to achieve success in your business.

Please, answer the questionnaire as fully as possible. Your responses will remain totally confidential and at no time be directly attributed back to you. Instead, they will be aggregated with responses from other subjects in the survey. Please do not write your name on the questionnaire.

Thank you.

LILIAN CHAMBULIKAZI

Section AGeneral information / Demographic and socioeconomic information:

Name of candidate: _____

Age of candidate: _____

Gender of candidate: _____

Contact number: _____

Residential address: _____

Name of company: _____

Section B (circle the correct answer)

Research question no. 1 what is the employees' attitude towards human resource practices in the small business enterprises?

Q1. The organization encourages me for my hard work and inspires me to do well.

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q2. I am satisfied with the salary I get for the work I put in.

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q3. My colleagues are helpful and cordial and my manager is quite supportive and encouraging.

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q4. The work environment in this company is healthy and follows a good approach towards my work.

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q5. I am fully aware of my employer's business strategy

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q6. I fully understand what my employer is trying to achieve in business management and customer satisfaction

- a) Strongly agree
- b) Agree

- c) Disagree
- d) Strongly disagree

Q7. The position I work in gets sufficient support from the management

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q8. The promotions in the position I work in have been fair and result-oriented

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q9. I get sufficient compensation for the work I do

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q10. I am adequately motivated for my work

- a) Strongly agree
- b) Agree

- c) Disagree
- d) Strongly disagree

Q11. My manager is fun to work with since he/she encourages innovation and creativity

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q12. There is minimal fear of failure in my position and therefore we are free to experiment on various things

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

Q13. My supervisor or manager shapes relations and job attitudes within my position

- a) Strongly agree
- b) Agree
- c) Disagree
- d) Strongly disagree

SECTION C (Please give a short explanation)

Research question no. 2 what are the challenges with regard to human resource practices that face managers in small business enterprises?

Q1. What are the challenges you are facing in your business?

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____

SECTION D

Researches question no 3: how can the available policies on human resource practices be applied to the small business enterprises?

- 1. Do you know if there is any policy regarding human resource practice in small businesses? (yes/no) cut the incorrect answer.
- 2. If the answer above is yes please mention at least one policy you know:

SECTION E

Researches question no 4: How can human resource insights, specifically recruitment, compensation and training be done effectively in small business enterprises?

Q1. How do you recruit your employees? Please explain

Write yes or no

Q1. Do you usually assist employees on personal issues that may affect their performance at work? _____

Q2. Do you evaluate field employees on a regular basis? _____

Q3. Do you find it necessary to communicate with the employees issues such as future work prospects, success and failure of the company? _____

Q4. Do you have a pay-for-performance practice that rewards good performing employees? _____

Q5. Does the organization have a new employee orientation program? _____

Q6. Do you encourage your employees to give their opinions or suggestions on how their performance can be improved? _____

Q7. Are unskilled employees in your organization encouraged to take up training? _____

Q8. Do your employees benefit from group benefit programs? _____

Thank you for taking the time and effort to completing this questionnaire. It is greatly appreciated. Please, hand over the completed questionnaire to the researcher or place it in the pre-paid envelope (herewith enclosed) and return it within two weeks of the date of the questionnaire receipt.

For correspondence or in case of any queries, please contact:

Name:

Address:

Phone:

Mobile

Appendix ii: Employee Questionnaire

Dear Respondent,

This is an MBA research study on “ASSESSMENT OF HUMAN RESOURCE PRACTICES IN SMALL BUSINESS ENTERPRISES” The questionnaire is seeking your invaluable opinion on this subject. The results of this dissertation could go a long way in providing information with appropriate knowledge when dealing with human resources in order to achieve success in your business.

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LILIAN CHAMBULIKAZI

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Gender of candidate: _____

Contact number: _____

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Section B (circle the correct answer)

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Q3. My colleagues are helpful and cordial and my manager is quite supportive and encouraging.

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Q4. The work environment in this company is healthy and follows a good approach towards my work.

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- d) Strongly disagree

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Q13. My supervisor or manager shapes relations and job attitudes within my position

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- d) Strongly disagree

SECTION C (Please give a short explanation)

Research question no. 2 what are the challenges with regard to human resource practices that face managers in small business enterprises?

Q1. What are the challenges you are facing in your business?

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____

SECTION D

Researches question no 3: how can the available policies on human resource practices be applied to the small business enterprises?

1. Do you know if there is any policy regarding human resource practice in small businesses? (yes/no) cut the incorrect answer.
2. If the answer above is yes please mention at least one policy you know:

SECTION E

Researches question no 4: Taking into consideration of their small capital, how can human resource insights, specifically recruitment, compensation and training be done effectively in small business enterprises?

Q1. How do you recruit your employees? Please explain

Write yes or no

- Q1. Do you usually assist employees on personal issues that may affect their performance at work? _____
- Q2. Do you evaluate field employees on a regular basis? _____
- Q3. Do you find it necessary to communicate with the employees issues such as future work prospects, success and failure of the company? _____
- Q4. Do you have a pay-for-performance practice that rewards good performing employees? _____

- Q5. Does the organization have a new employee orientation program? _____
- Q6. Do you encourage your employees to give their opinions or suggestions on how their performance can be improved? _____
- Q7. Are unskilled employees in your organization encouraged to take up training? _____
- Q8. Do your employees benefit from group benefit programs? _____

Thank you for taking the time and effort to completing this questionnaire. It is greatly appreciated. Please, hand over the completed questionnaire to the researcher or place it in the pre-paid envelope (herewith enclosed) and return it within two weeks of the date of the questionnaire receipt.

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