**HUMAN RESOURCE MANAGEMENT PRACTICES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN UGANDA: A CASE OF NTUNGAMO MUNICIPALITY**

**BY**

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# DECLARATION

I Atyanga Patrick, declare that the content or information given has been out my own effort of this Study together with the help of other scholars and my academic supervisors and has never been submitted to any institution for any award.


Signature .............................          Date: .............................

**ATYANGA PATRICK**

# APPROVAL

This is to certify that this dissertation belongs to Atyanga Patrick. It has been written under our supervision and is now ready to be submitted to the department of Postgraduate Studies at Kabale University.

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## DEDICATION

This report is dedicated to my Agency supervisor, my family member and to all my friends for the support knowledge and guidance you have given me during my research.

# ACKNOWLEDGEMENTS

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# ABBREVIATIONS

**SMEs**:          Small and Medium Enterprises

**HR**:          Human Resource

**HRM**:          Human Resource Management

# ABSTRACT

The study examined how human resource management practices influenced the performance of small and medium enterprises in Ntungamo Municipality's service and manufacturing industries. Specifically, the study examined the influence of employee resourcing on the performance of small-scale enterprises; explored the influence of employee rewards management practices on the performance of small-scale enterprises; and established the influence of employee training practices on the performance of small-scale enterprises. The study utilized a cross-sectional survey design based on questionnaires and interviews, and a mixed methods research approach. A sample of 169 was selected from 300 employees using simple random and purposive sampling techniques. Quantitative data was analysed using descriptive statistical techniques of mean and standard deviations. Regression analysis was used to establish the influence of human resource practices on the performance of SMEs. The results showed that human resource practices significantly influence about 50% of the variations in performance of SMEs in Ntungamo district. Specifically, employee resourcing significantly influences 38.0%, reward management significantly influences about 19.7%, while employee training significantly influences about 25.5% of the variation in the performance of SMEs in Ntungamo district. Hence the study concluded that human resource management practices have a significant influence on the performance of SMEs. The significant findings make the applications of RBV Paradigm, Attraction Selection theories to solve performance challenges of small scale businesses from a human resource management perspective. The study recommends that small-scale businesses with few employees should set up human resource departments to handle human resources. Small-scale enterprise owners should extend their marketing to online channels to match the business competition and development. In future, a study on the influence of human resource management practices on the performance business organizations, comparing small and large-scale enterprises in Ntungamo district is necessary.

## 1.0    Introduction

This chapter covers the introduction of the study, background of the study, Human Resource Management Practices, Performance of Small and medium enterprises, Theoretical background, Conceptual Background, Contextual Perspective, statement of the problem, purpose of the study, objectives, research questions, research hypothesis, scope of the study and the significance of the study.

Human Resource Management (HRM) is the process of employing people, training them, compensating them, developing policies relating to them, and developing strategies to retain them. Human Resource Management practices are functions and practices of human resource such as pay and compensation management selecting and administering, recruitment and selection, skills monitoring and training and ongoing performance management of businesses. They usually refer to the working methods and innovations that managers use to improve the effectiveness of work systems.

Small and medium enterprises (SMEs) are looked at as businesses with revenues, assets or numbers of employees that fall below a level or threshold, they outnumber large firms considerably, employ vast numbers of people and are generally entrepreneurial in nature, helping to shape innovation in the local communities. These are sometimes group-owned, individual or demand-driven in some cases like the pineapple plant in Ntungamo.  There is clear evidence in our respective communities of the successes our great grandparents made of their respective trading concerns, iron smelting, farming, cottage industries and the likes (Ayozie et al., 2013). In the Ugandan perspective, small-scale enterprises are referred to as businesses that employ mostly family members or sometimes few people out of their family with limited capital and materials and medium enterprises. They are also regarded as businesses with slightly good capital and have enough things to sell on a wholesale basis. This is evidenced from the study area where most of the SMEs employ staff in the line described above. Most of them are not trained in the skills they are working in which makes it difficult for these businesses to thrive.

## 1.1 Background of the study

The background was divided into four sections namely: historical, theoretical, conceptual and contextual aspects. Historical background shows the trends of events in regard to human resource

management; theoretical background presents the empirical explanations regarding the dependent and independent variables in the study; conceptual explains the major concepts or variables used in this study; the contextual gives an explanation on the extent to which human resource management practices have influenced the performance of small-scale enterprises.

This study examined the influence of human resource management practices on the performance of small-scale enterprises in Uganda. The study was carried out in the manufacturing and service industries. Human resource management practices (De Saa´ Pe´rez and Garcı´aFalco´n, 2004; Kidwell and Fish, 2007) are policies and practices that govern the organizations' human resources and some of these include recruitment and selection, training and development, and reward systems with business strategies (Petrescu and Simmons, 2008; Verano-Tacoronte and Melia´n-Gonza´lez, 2008). The World Bank (2002) defines small-scale enterprises as those that require small amounts of capital to establish, small number of employees or in most cases personally handled by the owner. In Uganda, Uganda Investment Authority (UIA) (2008) defined a small enterprise as the one employing a maximum of 50 people; annual sales or revenue turnover of maximum Uganda Shillings 360 million and total assets of maximum Uganda Shillings 360 million. The enterprises' ability to develop HRM practices aligned with business strategy is a source of sustainable competitive advantage that determines an enterprise's performance (Barrett and Mayson, 2007; Andonova and Zuleta, 2007). In different small-scale business environments, there are a number of human resource management practices that contribute to their performance (Huselid, 1995). Delery and Doty (2006) identified seven such practices that have been consistently considered strategic HRM practices. They include internal career opportunities, formal training systems, results-oriented appraisals, employment security, participation, job descriptions, and profit sharing. This chapter, therefore, presents the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, hypotheses of the study, conceptual framework, scope of the study, justification of the study, significance of the study, operational definition of terms and concepts.

### 1.1.1  Historical Background

The history of human resource management and its practices is reflected in prevailing beliefs and attitudes held in society about employees, the response of employers to public policy and reactions to trade union growth. In the early stages of the Industrial Revolution in Britain, the extraordinary codes of discipline and fines imposed by factory owners were, in part, a response to the serious problem of imposing standards of discipline and regularity on an untrained workforce (Mathias, 1999). In the 1840s, common humanity and political pressure began to combine with enlightened self-interest among a few of the larger employers to make them aware of alternative ways of managing their workforce, other than coercion, sanctions, or monetary reward.

Human resource management practices are thought to have evolved in the 1920s when the first formal HRM function and department was initiated in America and Europe. The human resource management function, once responsible for record keeping and maintenance, has evolved into a strategic partner in organization (Ferris, Hochwarter, Buckley, Harrell-Cook & Frink, 2009).

People who worked during the 1600s to 1700s were guided by a craft system. Under this system, the production of goods and services was generated by small groups of workers in relatively small workplaces, usually in a home. In the early 1900s, many changes occurred in the workplace. After the Industrial Revolution, machines and factory methods that increased production were introduced. However, several problems occurred with this increased production. Since the machines required several people to operate them, the number of workers increased dramatically.

This forced managers to develop rules, regulations and procedures to control the workers. Some of the regulations required an increase in job specialization, which led to boring, monotonous jobs (Anthony, Perrrewe and Kacmar, 2006). At that time, with the effect of scientific management, workers were seen as a part of a machine without considering that they were social human beings. All the jobs were broken into specific tasks.

The development of human resources occurred in the late 1920s and early 1930s by Hawthorne Studies. As a result of these studies, the social side of workers was realized by managers and the effect of social factors on the performance was understood. Expanding on the human relations school of thought including academic findings from various disciplines such as psychology, political science, sociology and biology, the behavioural sciences era was born. This era focused more on the total organization and less on the individual. It examined how the workplace affected the individual worker and how the individual worker affected the workplace. Many believe that the modern-day fields of organizational behaviour and human resource management grew as s result of the behavioural science influence (Anthony et al,., 2006). In recent years, human resource management practices have been adopted as an alternative to personnel management. Personnel management is to be directed mainly at the organization's employees, recruiting, training and rewarding them, and is portrayed as a caring activity. It is concerned with satisfying employees' work-related needs and dealing with their problems (Torrington and Hall, 2007).

In Uganda over time, the human resource practices in small-scale businesses have neither been clear nor well documented. However, Rwakakamba (2011) states that in terms of human resources, family members constitute the main source of labour in most of small-scale businesses. The majority of small-scale businesses employ their family members in order to avoid the costs that come with formal and fully-fledged human resource practice in their business. To avoid legal and tax

requirements that are associated with formal human resource practices, many employed less educated and skilled labour who learn on the job and are cheaply paid. This situation is not far from the SMEs in Uganda, where most small-scale enterprises are run by family members and less educated work force and such human resource practices may be related to the performance of such enterprises.

In recent years, there has been growing interest in the potential benefits that may accrue to firms that make extensive use of formal and informal management practices. Motivated in part by a substantial body of evidence which documents persistent heterogeneity in the performance of firms, even within narrowly-defined industries, this literature has focused on the extent to which such heterogeneity may be explained by observable differences in the firms' use of operational and human resource practices (see, for example, MacDuffie, 1995; Ichniowski et al., 1997; Lazear, 2000; Black and Lynch, 2001; Bloom et al., 2016a; Brynjolfsson and McElheran, 2016a). Whilst the proposition that management matters is far from new, the development of datasets that link information on management practices with accounts-type data on firm performance has allowed this aspect of the firm to be subject to a greater degree of formal scrutiny.

One strand of research in this vein has focused primarily on human resource management (HRM) practices. Studies in this area have sought to investigate the contention that HRM practices can aid firm performance by: (a) helping the firm to acquire and develop its human capital; (b) structuring jobs in such a way as to encourage employee participation in process improvement; and (c) motivating employees to direct their efforts in line with organizational goals (see Bailey, 1993; Appelbaum et al., 2000). Research has thus focused on the performance effects of practices such as: recruitment tests and structured employee training; team-working and quality circles; and appraisal and incentive pay. Huselid (1995), for example, studied a cross-sectional sample of 1,000 US companies, finding that greater use of such HRM practices was associated with higher productivity (sales per employee) and better financial performance (Tobins q and gross rate of return on assets). Guest et al. (2003) undertook a similar study of 366 UK companies with longitudinal data on firm performance. In their sample, an index of HRM practices was positively associated with profitability (not productivity) but the association was non-significant after controlling for prior performance. A third study is that of Black and Lynch (2001) who analysed a sample of 636 US manufacturing establishments, again with longitudinal data on firm performance, and found that regular work-focused meetings and the use of profit-sharing schemes were positively associated with productivity; but other practices such as teamwork were not. The evidence from this strand of work on the performance benefits of HRM practices has thus been somewhat equivocal.

Manigart and Vanacker (2009) demonstrate that human capital is necessary in creating wealth, and more wealth is used to develop human capital. This symbiotic relationship leads to national economic growth and calls for a special attention to SMEs.

## 1.2.2 Performance of Small-scale and medium enterprises

Despite being engines of growth for economic development of Uganda and the world, SMEs currently are characterized by: inadequate technical and business skills; managerial challenges; limited access to affordable finance; limited technology adaptability; limited access to quality assurance and affordable product certification services; dominant informality of the sector. Small and medium enterprises (SMEs) are increasingly taking the role of the primary vehicles for the creation of employment and income generation through self-employment, and have been argued to alleviate poverty, thus improving people's livelihoods (Kasekende and Opondo, 2013). Evidence from the Uganda National Household Survey (UNHS) 2012/13 shows a rise in self- employment from 70.9 % to 81.5 % in the period 2009/10 to 2012/13, signalling hope in improving livelihoods of the people in Uganda. Therefore, self-employment through setting up SMEs seems to be a gateway to improved livelihoods as it creates employment and thus reduces poverty as evidenced from UNHS 2012/13. This in turn grows the economy's Gross Domestic Product (GDP).

Besides fostering employment, research shows that SMEs are the engine behind proliferation of economic growth in Uganda. They are seen as critical for economic growth of the Municipality and Uganda at large (Kisaame, 2003; Nangoli, Basalirwa, Kituyi & Kusemererwa, 2013). In the same vein, scholars like Tusubira and Nabeta (2013) explain that SMEs contribute 75% of GDP and constitute 90% of the private sector, improving standards of living and ensuring social and political stability. SMEs are therefore responsible for entrepreneurial development, poverty alleviation and improved quality of life, resource mobilization, business adaptability and sustainability (Tushabomwe, 2010). Mbabazi (2012) adds that SMEs provide the economy with a continuous supply of ideas, skills and innovation necessary to promote competition and the efficient allocation of scarce resources. Today, SMEs are estimated to contribute over 80% of manufactured goods output. This explains why SMEs should be closely monitored to ensure that risk and vulnerability do not impede their growth. Despite the important role of SMEs in the Ugandan economy, the rate at which they are running out of business stands at 50% annually, leaving a lot to be desired (Uwonda, Okello & Okello, 2013). The main reason for quitting business is lack of sufficient finance to fund their operations. But why should SMEs face challenges in raising finance? What theoretical explanations justify these financial challenges? How can such theoretical explanations provide answers to these challenges? The following discussion provides a theory to guide the seeking of answers to these questions.

### 1.1.2 Theoretical Background

Theoretical discussion on the relationship between human resource (HR) management and performance have been well documented in number of past and recent reviews (Guest, 2007; Gratton, Hope-Hailey, Stiles & Truss, 2009; Wood, 2009; Pauwe, 2013). Effective and evolving HRM practices lead to better and changed employee behaviour which helps enhance organizational performance. Various theories linking Human Resource Management to organizational performance have been formulated by several authors (Becker, 2007).

The study put its emphasis on Schneider's (1987) Attraction Selection Attrition Theory which states that there is a reason why people are attracted to work with particular institutions, not others. Recruitment and selection practices are carried out after initial attraction of employees to the organization. It must also be stated that attraction is bi-directional. This is to say that the organization before recruiting and selecting candidates for positions also gets attracted to a pool of talent with specific attributes that might be existing outside the organization and that are supposed to help achieve business objectives. The Attraction Selection Theory is relevant to this research as it explains attraction, selection and retention of employees by organizations. According to the theory, organizations attract, select, and retain those people who share their values and help achieve the organizations' objectives.

A core set of integrated HRM practices in small-scale and medium enterprises can achieve superior individual and enterprise performance. High employee commitment is a vital HRM outcome in small enterprises, concerned with the goals of binding employees to the organization and obtaining behaviour outcomes of increased effort, cooperation, involvement, and organizational citizenship. This model may help achieve enterprise performance. The theory works towards having highly skilled employees. A high-quality employee refers to issues of workplace learning and the need for the organization to have a capable, qualified and skillful workforce to produce high-quality services and products.

The Attraction selection theory is relevant to this research as it explains attraction, selection and retention of employees by organizations. According to Webner Gilfet (2018) organizations attract, select, and retain workers depending on their loyalty to the owner of the investment and the relationship of the employee to the business owner. It was largely introduced to the field of strategic management in running of small businesses in the 1980s and became a dominant framework in the 1990s. Penrose (1959) viewed the heterogeneity of the firms, with productive services available from their internal resources that give a peculiar character to each firm (Hoskisson, 1999) and from this, emphasizes how human, physical and intangible resources will combine over time to create value. It

allows for a dynamic view of firm behaviour and manipulation of resources. Schumpeter (1950) discussed this behaviour as a process of "creative destruction," wherein a firm must continually renew its resources and abilities by remaining innovative. Penrose (1959) also acknowledges that firm behaviour is dynamic and that firms remain competitive by developing new combinations of resources. In the same way, core competence is seen a bundle of tangible and intangible resources and tacit know-how that must be identified, selected, developed, and deployed to generate superior performance (Penrose, 1959; Wernerfelt, 19M). These scarce firm-specific assets may lead to competitive advantage.

The attributes of the management team may satisfy the conditions for achieving and maintaining competitive advantage. The management team is valuable when they exploit opportunities and/or neutralize threats in a firm's environment. The management team may be rare in terms of firm-specific knowledge of individual managers as well as knowledge embedded in the team. In this regard, the accumulation of firm-specific knowledge may lead to imperfectly imitable advantages for firms that have assembled competent management teams. Barney (1991) notes that: "managers are important in the resource-based model, for it is managers that are able to understand and describe the economic performance potential of a firm's endowments. Without such managerial analyses, sustained competitive advantage is not likely". A firm may achieve rents not because it has better resources, but rather the firm's core competences involve making better use of its resources (Penrose, 1959). The firm may make better use of human resources by correctly assigning workers to where they have higher productivity in the firm (Prescott and Visscher, 1980; Tomer, 1987), and the firm may make better allocations of financial resources toward high-yield uses (Williamson, 1985). Fiol (1991) champions this Penrosean theme by considering how managers of a firm make sense of their stock of assets and manage the process by which resources are used and renewed.

### 1.1.3   Conceptual Background

Storey (2002) defines human resource management as a distinctive approach to employment management, which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques.

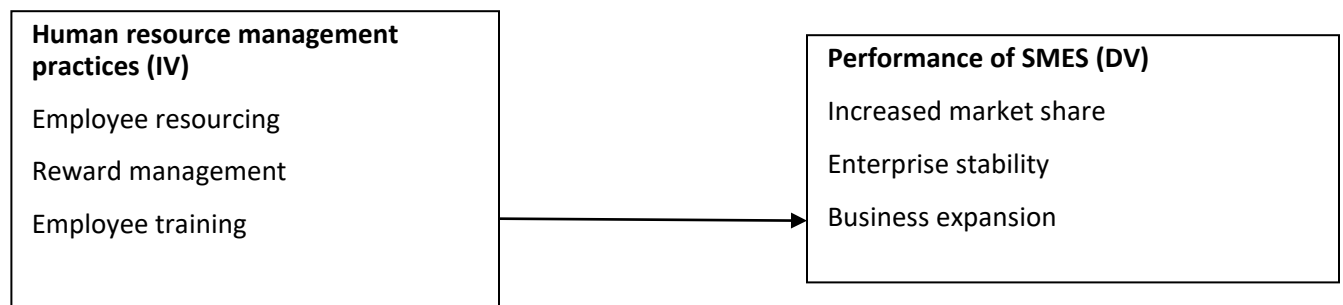Employee resourcing practice relates to obtaining the right basic material in the form of a workforce endowed with the appropriate qualities, skills, knowledge and potential for future training. The selection and recruitment of workers best suited to meeting the needs of the organization ought to form a core activity upon which most other HRM policies geared towards development and motivation could be built (Armstrong, 2010).

Reward management practices are the strategies, policies and processes required to ensure that the contribution of people to the organization is recognized by both financial and non-financial means. It is about the design, implementation and maintenance of reward systems (reward processes, practices and procedures), which aim to meet the needs of both the organization and its stakeholders. The overall objective is to reward people fairly, equitably and consistently in accordance with their value to the organization in order to further the achievement of the organization's strategic goals. Reward management is not just about pay and employee benefits.

It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility (Armstrong, 2007).

**Conceptual framework**

**Figure 1: Conceptual Framework**

| Human resource management practices (IV) | Performance of SMES (DV) |
|---|---|
| Employee resourcing | Increased market share |
| Reward management | Enterprise stability |
| Employee training | Business expansion |

Source: As guided by Armstrong, 2010.

The conceptual framework explains the relationship between human resource management practices and performance in small-scale enterprises. The way in which employee resourcing is done particularly in regard to recruitment and selection of suitable employees for the business significantly influences the nature of performance likely to be achieved by the organization in terms of profitability, sales volumes and growth of the business. In addition, reward management where employees are well aligned to financial and non-financial rewards significantly determines the nature of performance likely to be achieved by the small-scale industry in business. The nature of training given to employees in small-scale enterprises significantly determine the nature of performance these small-scale enterprises are likely to achieve. However, there are other moderating aspects that influence the performance of small businesses like inflation at hand, location of business, government policies, among others.

The independent variable looks at the human Resource function for the smooth running of the business recruitment, reward management, employee training so that the small businesses started can

run without difficulty and for the dependent variable the following need to be looked into: product quality, customer care, market share, product storage, and competition from other entrepreneurs. A study of these variables brings in the component of government policies that are geared towards the smooth running of the businesses. The policies made by government should be favourable to the business owners and operators, but also train the entrepreneurs the responsibilities bestowed on them.

Reward is defined as anything that extrinsically or intrinsically reinforces, maintains and improves the employees' behaviour in an organization (Zhou et al., 2009). Reward is the compensation which an employee receives from an organization in exchange for the service offered by the employee or as the return for the work done (Bau & Dowling, 2007). Luthans (2010) highlights two types of rewards which are financial (extrinsic) and non-financial (intrinsic), and both can be utilized positively to enhance employees performance. Financial rewards mean pay-for performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-monetary or non-cash and include social recognition, praise and genuine appreciation.

Employee training practices are the planned and systematic modification of behaviour through learning events, programmes and instruction, which enable individuals to achieve the levels of knowledge, skill and competence needed to carry out their work effectively. Organizational training outcomes contribute to the development of a firm's resource-based capability. It is necessary to invest in people in order to develop the intellectual capital required by the organization and thus increase its stock of knowledge and skills. The knowledge and skills a worker has which comes from education and training, including the training that experience brings generate productive capital (Armstrong, 2010).

According to Wright et al. (2005) a firm's performance is an organizational outcome where operation measures such as productivity and quality are used to measure performance, just as financial or accounting outcomes, which are measurements of real financial performance of the enterprise.

Measures for financial outcomes are expenses, revenues and profitability (Wright et al., 2005).

For this study, performance measure was taken from the above, since it has been shown that financial indicators are commonly chosen output measures of small enterprise performance

(McKiernan and Morris, 1994; Simpson, Padmore and Newman, 2012). The two main variables investigated in this study were human resource management practices and performance of SMEs.

Performance of SMEs was measured in terms of business life span, business profits, business sales volumes and business expansion in form of employee growth.

Small enterprises are such business entities employing less than 20 employees in the service industry or less than 100 in manufacturing Barrett (2009). Kerr and McDougall (2009) defined small firms as having 50 or fewer employees. Most studies define small firms as the ones employing less than 100 people (MacMahon, 2006; Chetty and Campbell-Hunt, 2003). Jackson et al. (2009) define small firms as those with less than 250 employees, and Golhar and Deshpande (2007) use a size-class boundary of 500 employees. Other studies mention firm-size effects, but present no information on the size of organizations within their sample (Barron, Black and Loewenstein, 1987).

### 1.1.4 Contextual Perspective

Nationally and for Ntungamo Municipality in particular, smaller entrepreneurial firms generally are challenged by HRM because the small size of the firm often does not warrant hiring professionals exclusively dedicated to HRM activities (Hornsby & Kuratko, 2003). Hill and Stewart (1999) suggest that smaller firms should be more flexible and informal to be able to cope with the high levels of business uncertainty they usually experience.

The practice of HRM in Uganda has been based on procedural and administrative tasks such as salary and benefits, employee relations, among others (Taylor, 2002). Organizations in Africa appear to adopt a reactive approach to the hostilities in the environment, thereby neglecting the knowhow and expertise that HRM practices brings to the table (Kamoche, 2007) and that are important towards the performance of such enterprises.

Uganda experiences one of the high performance failure rates of SMEs although it is ranked as one of the most entrepreneurial countries in the world (GEM, 2009). Many Ugandans tend to start small businesses enterprises, though many collapse before even completing a year in operation (Walter, Balunywa, Rosa, Sserwanga, Barabas, Namatovu, 2004; Rooks & Sserwanga, 2009). Ugandan entrepreneurs lack certain key skills such as problem solving, goal setting, faith and confidence in what they do and, above all, they lack business vision which is very important for business success (Denslow & Giunipero, 2003; Kiggundu, 2002). The unbecoming behaviour of most Ugandan business men such as a poor saving culture, acts of financial indiscipline, lack of a desire and commitment to achieve greater heights, irresponsibility, laxity and laziness, and lack of a vision are key factors hindering the survival, growth of SMEs and performance of such enterprises (Nakamura, 2007). Ocici (2006) also indicates that the unfortunate education system of Uganda which mainly

prepares students for ready office jobs and gives little attention to entrepreneurship education is another factor accounting for the low business survival rates in Uganda.

Many small-scale entrepreneurs, especially in Ntungamo Municipality, are characterized by low or lack of education, uncouth and poorly managed people. The proprietors of most of these enterprises operate in the informal sector mainly for survival purposes; they have relatives as their employees, have a poor saving culture and do not have proper channels of capital sourcing (Ocici, 2006). This study, therefore, was intended to find out the influence human resource management practices on the performance of small-scale enterprises in Ntungamo Municipality which deal in: metal fabrication, agro-processing, fabricated metal and non-metallic products, wood processing and carpentry enterprises, electrical enterprises, foods and beverage enterprises, textile fashion and clothing businesses.

## 1.2 Statement of the Problem

Human resource management practices are important aspects towards the performance of SME businesses. These practices are vital in employing the skilled, experienced, competent and committed employees to help the enterprise achieve its performance goals and objectives. The human resource practices address recruitment and selection requirements, employee training needs and reward management concerns which effectively help enterprise performance goals be achieved (Rooks & Sserwanga, 2009). Organizations in the study area use such methods like recruitment, retention, trainings at a small extent in that they do this at the rudimentary level where they send their staff to other organizations to learn something or call for workshops for the organizations to run.

Despite this, the human resource practices in small and medium enterprises industries in Ntungamo Municipality, both service and manufacturing industries, face a significant number of performance challenges. The majority of the enterprises in this Municipality employ family members or are run by the proprietors themselves whose human resource professional skills are always largely deficient. According to a study by Sudi (2013), 43% employees in small businesses in Uganda are family members. Small and medium businesses (61%) in Uganda do not keep records. Most of these small scale enterprises fail to maintain market share, do not have a competitive price level, and face stagnated and or reducing profits that keep dropping to their collapse, low sales volumes, unstable market share and low return on investment (Ugadev/Accord, 2008). According to the 2010/2011 UBOS statistics, 78% of SMEs started by entrepreneurs in Ntungamo Municipality do not celebrate their first birthday, meaning they collapse early and the reasons presented hence forth are lack of training, low education levels by the proprietors, employing family members, failure to use professional methods of recruitment and use of HR manuals, among others. It is against this

background that the study seeks to examine how the resourcing practices, employee reward practices and employee training practices (HR practices) influence the performance of small-scale enterprises in Ntungamo Municipality.

## 1.3 Purpose of the Study

The purpose of this study is to examine how human resource management practices influence the performance of SME enterprises in Ntungamo Municipality among the service and manufacturing industries.

## 1.4 Objectives of the Study

This study sought to achieve the following specific objectives:

i. To examine the influence of employee resourcing on the performance of small medium enterprises in Ntungamo Municipality;
ii. To explore the influence of employee rewards management practices on the performance of small and medium enterprises in Ntungamo Municipality;
iii. To establish the influence of employee training practices on the performance of small and medium enterprises in Ntungamo Municipality.

## 1.5 Research hypotheses

i. Employee resourcing significantly influence performance of small and medium enterprises in Ntungamo Municipality.
ii. Employee reward management practices significantly influence performance of small and medium enterprises in Ntungamo Municipality.
iii. Employee training practices significantly influence performance of small and medium enterprises in Ntungamo Municipality

## 1.6 Scope of the study

## 1.6.1 Geographical Scope

The study was carried out in Ntungamo Municipality among small-scale entrepreneurs and other service industries. The sample of small-scale enterprise sectors in Uganda including metal and non-metal manufacturers, agro-processing, carpentry and wood processing enterprises, engineering and electrical enterprises, foods and beverages, textile fashion and clothing.

### 1.6.2    Content scope

The study specifically looked at human resource management practices in its three dimensions of employee resourcing, reward management and employee training and performance as an independent variable and SME product quality, customer satisfaction, reduction of profits and reduction on investment.

### 1.6.3    Time scope

The study looked at those small businesses that have been in business from 2015 to 2019. It is during this period that more small-scale businesses have been seen coming up at the height of intensified competitive environment.

### 1.7 Significance of the Study

The purpose of this study is aligned with Uganda strategic direction platforms like Uganda

Vision 2040 that outline specific development indicators; employment creation and value addition, increasing the level of industrial sector development, promoting science, technology, innovation and ICT to enhance competitiveness, and improving the country's competitiveness position all of which can be achieved through improved SMEs.

The research findings will contribute to deepen of our understanding of effective human resource management practices in small-scale industries and their importance to researchers, policymakers and human resource management practitioners for addressing the key issues starting from assessment of the inexperienced or potential entrepreneurs ideas until their visions are realized.

The findings will also contribute to the existing knowledge and the addition will be utilized byfuture researchers and the different key stakeholders who are the policy makers, implementers and the leaders in the community of study, not forgetting the owners of the small-scale businesses under study.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

The chapter presents the review of literature focusing on the key objectives of the study in regard to human resource management practices in small-scale businesses and how this affects the performance of such businesses and it specifically looks at resourcing strategies, reward management practices as well as training practices and how all these influence the performance of such businesses.

## 2.2 Theoretical Review

Major emphasis on data review was guided by Schneider's (1987) Attraction Selection Attrition Theory which states that there is a reason why people are attracted to work with particular institutions not others. Recruitment and selection practices are carried out after initial attraction of employees to the organization depending on the services they offer. It must also be stated that attraction is bi-directional. This is to say that the organization before recruiting and selecting candidates for positions also gets attracted to a pool of talent with specific attributes that might be existing outside the organization and that are supposed to help achieve business objectives. The Attraction Selection Theory is relevant to this research as it explains attraction, selection and retention of employees by organizations. According to Schneider (1987), organizations attract, select, and retain those people who share their values and help to achieve organizations objectives.

A core set of integrated HRM practices in small-scale enterprises can achieve superior individual and enterprise performance. High employee commitment is a vital HRM outcome in small enterprises, concerned with the goals of binding employees to the organization and obtaining behaviour outcomes of increased effort, cooperation, involvement, and organizational citizenship. This model may help achieve enterprise performance. The model works towards having highly skilled employees. A high-quality employee refers to issues of workplace learning and the need for the organization to have a capable, qualified and skillful workforce to produce high-quality services and products.

The Attraction Selection Theory is relevant to this research as it explains attraction, selection and retention of employees by organizations. According to organizations attract, select, and retain, thus the resource-based view theory of the firm, was advanced by Edith Penrose's work in the late 1950s.

It was largely introduced to the field of strategic management in running of small businesses in the 1980s and became a dominant framework in the 1990s. Penrose (1959) viewed the heterogeneity of the firms, with productive services available from their internal resources that give a peculiar character to each firm (Hoskisson, 1999) and from this, Penrose (1959) developed the Resource-Based View (RVB) where she conceptualized firms as bundles of heterogeneous resources distributed across firms that exist over time (Rugman and Verbeke, 2012). And these resources are valuable, non-substitutable, rare and inimitable that enable the firm to achieve a competitive advantage (Barney, 1991; Eisenhardt and Martin, 2000). The unique resources define the firm performance and differentiate it from others sustainably (Pribadi and Kanai, 2011). Resources include all of a firm's tangible and intangible assets, such as capital, equipment, employees, knowledge, and information. An organization's resources are directly linked to its capabilities, which can create value and ultimately lead to profitability for the firm (Barney, 1991). Hence, resource-based theory focuses primarily on individual firms rather than on the competitive environment.

The recent emphasis on the RBV paradigm theory also puts emphasis on the strategic management's reaction to the earlier emphasis on the impact of external environmental factors on strategic choices and outcomes especially as reflected in the predominance of Porter's Five Forces Model in strategy content development. Strategic management research has begun to stress firms' internal capabilities in order to explain and understand differences in firm performance; this is so much reflected in the SMEs in Ntungamo municipality. RBV addresses how to develop and utilize capabilities which will sustain and enhance firm performance (Lengnick-Hall, 1992). Werner (2014) looked at resources as the drivers of successful diversification, while Rumelt (1984) suggested that examination of firm resources was a suitable starting point for identifying products and markets where they could be applied. These two authors were among the first to explicitly focus on the management of resources. Since then, considerable theoretical work has been done to develop the RBV paradigm. RBV theory views resource use and development as dynamic. Resources change as the result of innovative managerial behaviour, as it is the use of the resources and not the resources themselves that generate profits.

This theory emphasizes how human, physical and intangible resources will combine over time to create value. It allows for a dynamic view of firm behaviour and manipulation of resources. Schumpeter (1950) discussed this behaviour as a process of "creative destruction," wherein a firm must continually renew its resources and abilities by remaining innovative. Penrose (1959) also acknowledges that firm behaviour is dynamic and that firms remain competitive by developing new combinations of resources.

In the same way, core competence is seen as a bundle of tangible and intangible resources and tacit know-how that must be identified, selected, developed, and deployed to generate superior performance (Penrose, 1959; Wernerfelt, 19M). These scarce firm-specific assets may lead to competitive advantage.

The attributes of the management team may satisfy the conditions for achieving and maintaining competitive advantage. The management team is valuable when they exploit opportunities and/or neutralize threats in a firm's environment. The management team may be rare in terms of firm-specific knowledge of individual managers as well as knowledge embedded in the team. In this regard, the accumulation of firm-specific knowledge may lead to imperfectly imitable advantages for firms that have assembled competent management teams. Barney (1991) notes that: "managers are important in the resource-based model, for it is managers that are able to understand and describe the economic performance potential of a firm's endowments. Without such managerial analyses, sustained competitive advantage is not likely". A firm may achieve rents not because it has better resources, but rather the firm's core competences involve making better use of its resources (Penrose, 1959). The firm may make better use of human resources by correctly assigning workers to where they have higher productivity in the firm (Prescott and Visscher, 1980; Tomer, 1987), and the firm may make better allocations of financial resources toward high-yield uses (Williamson, 1985). Fiol (1991) champions this Penrosean theme by considering how managers of a firm make sense of their stock of assets and manage the process by which resources are used and renewed. People who share their values help achieve organizations' objectives.

## 2.3 Employee resourcing and performance of SMEs

In human resource management, employee resourcing, placement, and reward management are important aspects of HRM, particularly the staffing process required by all types of organizations. In many instances, the owner of a small business handles the HRM function himself or herself because the firm only employs a few individuals (Hornsby and Kuratko, 2010). It is easier for the small business owner to make decisions and hire employees due to the owners single authority that they hold. In contrast, in a larger organization, this task is often handled by the HRM department, which employs fulltime personnel to recruit, hire, and fulfil the other HRM functions. Such a process may involve lengthy hiring procedures due to the number of individuals and departments who may be involved in the final hiring decision that may influence the performance of such businesses (Bruystegem et al., 2007). This literature concurs with the situation in Ntungamo among SMEs where the majority of them do not engage in resourcing strategies that are seen by many as costly and not meant for them but big organizations. This has left many enterprises with less skilled personnel which may have an effect on their performance.

Employment resourcing involves the whole process of deciding how many and which positions an organization will have to fill to meet its goals and then moving to fill these positions through recruitment. The first step in the employment process is to identify the need for a particular position, followed by the recruitment and ultimately the hiring of qualified individuals (Cain and

Kleiner, 2002). The way the process is handled determines the quality of staff in place and this largely determines the nature of performance likely to be obtained by the business in the long run. This is central to most small enterprises in central division since most of them do not involve themselves in the formal recruitment process that involves needs assessment that would help in bringing on board appropriate personnel that can help address performance challenges of these enterprises.

The resourcing process involves the recruitment which entails creating a pool, preferably a large one, of qualified applicants from different sources that may help business growth in various dimensions. In small organizations, recruitment of qualified employees may fall on the owner or manager or the other employees in the particular area or department in need of personnel (Curan and Blackburn, 2010). Recruiting is often the responsibility of the HRM department in large organizations. A small business is generally more limited in time and money when it comes to recruiting employees. As a result, internal job posting is often utilized for mid-level and higher positions (Harvey, 2007). This provides employees an opportunity to move up in the organization, which may increase employee morale and loyalty to the company that helps to improve on business performance levels in the long run especially in small and medium-scale businesses like those in Uganda.

Small businesses compared to large business have more time and money to recruit employees. They typically have a wider range of recruitment processes and use a greater number of selection procedures in making hiring decisions that may influence the performance of employees. Large firms also may hire from within through job posting procedures for the same reasons as small businesses. They also tend to advertise more extensively through newspapers, trade magazines, and other media sources (Blackwell & Storey 2005). Large businesses also generally rely on temporary agencies, executive recruiters for special positions, and alternate staffing for short- or long-term projects. Walk-ins, Internet recruiting, and college recruiting are other mechanisms of recruitment typically utilized by larger organizations and small businesses; however, the manner in which this process is handled largely affects the performance of such businesses (Webster &Wood, 2005). This is true in large businesses but not in small and medium enterprises like those in Uganda.

Attracting the most qualified applicants with the right skills and abilities during the recruitment process is an important element for business success, but the placement process is by far the most

critical element that may influence the performance of the business. Small and large businesses use some of the same techniques when it comes to hiring and placing employees. For a small company, a single wrong hire could cost the company an entire year's profit and result in a mountain of work that needs to be redone (Walsh and Carrison, 2002). Most small enterprises like those in Ntungamo fear the cost that come with the recruitment process. However, not following a proper recruitment process may deny opportunity of growth to small-scale enterprises that would be reaped from the hired skilled expertise.

The resourcing strategy also involves placement of the most innovative personnel in their rightful positions. This begins with the review of the applicant's application or resume and concludes with the selection of a qualified individual for the position (Arthur, 2007). Matching the applicant's skills and educational background to the job description and job specification is the first step in the placement process. If there is a match, then an interview may be scheduled to get more information about the applicant. The skillfulness applied in doing this allows attraction of personnel that improves the performance of the business (Brown et al., 2010). After the interview, if the applicant is still being considered for a position, a background and reference check should be conducted to verify the information provided and obtain opinions or impressions from others who know the applicant (Cain et al., 2002). While many small businesses like those in Uganda do not actively pursue background checks and reference checks of potential employees like large businesses due to time and resource issues, there are considerable liability issues that may warrant such attention if such businesses are to improve on their business performance.

Most small businesses hardly do mental testing of their employees. Testing may take place to measure mental, physical, personality, and performance abilities. Small businesses tend to use performance tests such as typing or driving tests, aptitude or skill tests, and physical performance tests (Worthington and Worthington, 2007). Large companies tend to use more sophisticated and lengthy testing such as intelligence, honesty, achievement, and personality. They also may use assessment centres to test the applicants' performance by performing actual job tasks so as to achieve high performance levels in the business.

Human resourcing also involves HR planning which is the process of making assumptions and forecasting future HR needs of the organization. This involves issues concerning revenue, number of employees, and expansion or downsizing of the company (Golhar, 2004). Both small and large businesses try to predict changes that may occur in the future. Small businesses may look to expand the venture through growth strategies. In this case, forecasting the need for additional employees is the first step so as to improve on their business performance (Hornsby et al., 2010).

Small companies may also look at required employee skill levels, particularly when the business relies heavily on technology or other change elements. A large business often looks at cash flow and cost control when it comes to employee resourcing. It may or may not hire additional employees, provide raises, reduce employee pay, and expand or downsize the company in the effort to improve the performance of the business (Megginson, 2005).

The practice of HRM in Africa has been based on procedural and administrative tasks such as salary and benefits, employee relations, absenteeism and grievances among others in small-scale industries (Waweru, 2004; Taylor, 2002). This assumption limited HRM issues to an operational dimension at the expense of its strategic approach which should have viewed the employees as the most valued assets of the organizations. Organizations in Africa appear to adopt a reactive approach to the hostilities in the environment thereby neglecting the knowhow and expertise that HRM brings to the table (Kamoche, 2007) to improve business performance. However, there is a growing awareness to formulate and pursue HR activities such as recruitment, selection, rewarding, performance management, training, and development in line with the mission and strategic objectives of small firms (Kamoche, 2007). This approach, appears to recognize the critical nature and role of the employees in organizations as strategic partners in a challenging competitive environment especially in small businesses.

It should be noted that HR strategies for large firms may not necessarily be applicable to small businesses, because a lot of small and locally owned firms in Africa face a main challenge of survival due to the pressures of the external environment making them ignore the internal functioning of the firms and focusing on overall performance (Kamoche, 2007). In small businesses, Human resource practices are expected to match the characteristics of employees to the values and culture of the organization so as to build an entrepreneurial climate in which employees are stimulated and motivated to identify competitive ideas (Bruystegem et al., 2008).

The majority of the SMEs use informal HR practices. Most scholars agree that the owner or manager is the first factor who keeps the SME's HRM informal. Owners or managers avoid using formal HR practices as they prefer to keep direct personal control of the firm and hesitate to delegate responsibilities to other managers. They equally dislike limiting their room for maneuvering by making explicit rules and procedures which they themselves will then have to follow. Bartram, (2005), referring to Chandler (2008), further suggested that management may possess inadequate training concerning HRM and broader management issues, or have an inadequate understanding of the impact of HRM on the business (Duberley & Walley, 2005). According to Klaas, McClendon & Gainey (2007), formalized HRM practices require considerable development costs, and due to the tight supply of financial resources, SMEs fear this as cost disadvantage.

Thus, vision and knowledge of the owner or manager and limited time and resources play a role in keeping small businesses informal.

HRM policies and practices contribute to business success; hence there are interrelationships between HRM and organizational performance. Smaller entrepreneurial firms generally are challenged by HRM because the small size of the firm often does not warrant hiring professionals exclusively dedicated to HRM activities (Hornsby & Kuratko, 2003). HRM in SMEs is rather informal, intuitive and ad hoc and usually not very sophisticated (Nguyen & Bryant, 2004). Informal approach is actually more suited to the small firm. Hill and Stewart (2009) suggest that smaller firms should be more flexible and informal to be able to cope with the high levels of environmental uncertainty they usually experience. On the other hand, De Kok, Uhlaner & Thurik (2003) referring to Hendry, Jones, Arthur & Pettigrew (2001) argue that its lack of foresight or looking forward and or lack of resources which lead to less use of formal HRM practices in small businesses.

Cardon (2003) suggests that small and or new companies might face problems in recruiting the employees because they lack the resources and the stature. Williamson also reaches the conclusion that without candidates having heard about the company, about its practices or its members, it is difficult for small companies to find the necessary employees (Rauch et al., 2005).

It is said that HR practices do not influence directly the company performance but only through a variable interim causal chain (Delery & Shaw, 2001). Most small enterprises in Uganda have low reputation that even when they advertised would not be able to attract the required skilled personnel. This leaves such enterprises with no option but to opt out of the formal resourcing process. However, the enterprise may miss out on skilled personnel that would have leveraged on its performance in the long run.

## 2.4 Employee rewards management practices and performance of small and medium scale enterprises

In small and medium-scale businesses, reward management is practiced in various aspects to help improve on employee performance and some include financial as well as non-financial rewards. Compensation and Benefits are part of the reward management practices in small businesses that can help to improve on the performance of such businesses. Compensation is the form of pay or incentive given to an employee for performing services for an employer. It is often based on wages, salaries, incentives, or bonuses (Arthur, 2007). Benefits are additional rewards that an employer may use to attract and maintain employees. An employee is compensated based on their skills, knowledge, experience, and education. However, this is centrally to most small-scale enterprises in

Uganda, since most of them hardly give their employees benefits apart from the small remuneration in form of salary.

Small and large enterprises should have a wage and salary administration programme (Rotundo, 2003; Arthur, 2007). A wage and salary administration programme is composed of a salary structure according to an employee's pay grade that is based on job descriptions, position evaluations, and salary surveys. These help to encourage employees to work towards achieving business objectives to achieve the required business performance levels. This is centrally to most small-scale enterprises in Uganda as most do not have salary structures, but give salary according to the earnings of the enterprise or even the bargaining capacity of the personnel. This however fails them in attracting the best personnel that would rather be important improving the performance of the business.

Small businesses face a big challenge in the reward process since they typically do not have the monetary funds to hire employees with exceptional working skills, training, experience, and education to help improve on their performance (Dupray, 2001; Brown, Hamilton, and Medoff, 2000). Thus, it is challenging to compete with large businesses that may be willing and capable of paying higher wages for employees. As a result, workers in large firms usually have more education and work experience than those in small firms like those in Ntungamo, which limit them from attracting competent staff members from the reward management perspective.

As opposed to small businesses, large firms are willing to pay employees more due to organizational working conditions such as the work schedule and environment that may influence the performance of such firms in one way or another. A large business portrays the image of long working hours, corporate appearance, rules, close supervision, less decision making, and an impersonal and formal atmosphere (Brown, Hamilton, and Medoff, 2000). On the other hand, small firms may offer lower wages, but they portray a relaxed and informal environment, employee and employer relationship, and personal atmosphere where employees have the opportunity to make decisions and take responsibility (Dundon et al., 2009) and all such factors may influence the performance of small businesses like those in Eastern Division, Ntungamo Municipality.

Compared to small firms, large firms are often able to offer a wider variety of benefits. Large firms tend to offer non-financial benefits to employees (Sack, 2001) that may include: health insurance; paid vacations, holidays, funeral, and sick leave; retirement and savings plans; personal days off; overtime; discounts with local merchants, company product, or services; pay advancements; bonuses and merit raises; profit-sharing plans and stock options and flexible benefit plans. These are largely absent in small businesses like those in Uganda which would have been a big source of motivation for employees to achieve high performance levels.

## 2.5 Employee training practices and performance of small and medium enterprises

Training and development are essential elements that should be provided by every business, small or large. Knowledge is powerful and acquired though some form of training (Koch &McGrath, 2006). Training involves preparing an employee for the job that they been hired to perform as well as preparing them for future development in the organization. Training allows an employee to develop skills and abilities that are used in the workplace. Development is the continuous training and learning that enhances the employee's talent and knowledge in small businesses that can help them to improve business performance (Shutan, 2003). This is not the case in Uganda, since most of the enterprises do not have resources to engage in training of their employees. Most enterprises consider employee training as a less important aspect since they believe employees can be given on-job training without having to meet costs related to training.

However, this may be disadvantageous to the firm missing out on advantages that come with training of employees.

Employees are an organization's most valuable asset. What better way to increase this asset than by making an investment in training employees? As a small or large company evolves or grows, employees need proper training to help the company achieve its goals. Training is essential to improve skills and overcome deficiencies. Not only do employees benefit, but the company also benefits by improving its performance (Arthur, 2007). Most small-scale enterprises in Uganda do not appreciate the importance of training their employees; they choose not to formally engage them in training, hence poor performance.

In small businesses, training and development is also essential to stay ahead of competitors, especially in the area of innovation and technology. Research suggests that the investment made by entrepreneurs in training their employees strengthens a firm's technical excellence and innovative capabilities (Gundry, 2001). This is however not the case as most enterprises in Ugandahave chosen not to engage in training of their employees.

Small businesses usually do not have large training budgets like many large firms, but they can still get the most out of their training. Smaller companies assess their training needs by finding out what is important to the organization and employees. The most serious challenges small firms face in terms of training and developing employees are restrictions on time, money, space, and staff (Cohen, 2008).

In a small firm, training is informal and often done on a voluntary basis by other employees in the departments of the company. Entrepreneurship education and small business assistance programmes attempt to aid small business owners or managers in developing their skills and expertise (Romero and Gray, 2002). A small business may use volunteers that can provide valuable training skills to their employees. Other resources may include inexpensive or free training and advice from groups such as accounting agencies, law firms, and local business groups.

Small businesses also use lectures, seminars, videos, and on-the-job training. These firms may have training specialists who are responsible for setting training objectives, developing and presenting training materials, and following up on the progress to ensure that the training objectives have been achieved (Brown,Hamilton, and Medoff, 2010).

In small business, employee training should never end; it should be a continuous development process of lifelong learning in all businesses, both small and large. Employers may continue the development of their employees once they have mastered the necessary skills to perform their jobs with management, seminars, workshops, and advanced education courses (Kok, 2002).

Many large businesses, and even some small businesses, offer some form of tuition reimbursement for employees to attend college and other training programmes to obtain skills and knowledge to enhance their performance on the job. These programmes provide a significant incentive for employees to enhance their skills, knowledge, and abilities as well as a chance to advance in the organization and their careers (Golhar& Deshpande, 2007).

In small-scale businesses, HRM intensity can affect productivity and performance directly, modifying the competences and the motivation levels. We can offer some examples of HR practices impact on productivity. The training was probably the most examined from this point of view. A second example is the retribution system. By offering salaries and benefits we can improve productivity by attracting a superior level of the labour force (Heneman et al., 2010).

Payment based on results is considered a good mechanism to guide employees in the desired direction. The use of some performing selection techniques can help identify high productivity employees and find the right person at the right place (Guthrie, 2001).

In small-scale businesses, training is usually on the job conducted mainly by seniors and monitored by the owner or director (Batt, 2002). In small-scale enterprises like those in Uganda, there are no opportunities for external training for employees or trainees. The owners or masters once in a while attend external training organized by their respective associations.

## 2.6 Research gaps

Although the study looked at human resource management practices, more study is needed in the areas of resource mobilization, record keeping and innovation that is coming out with new ideas to boost the SMEs, attaining of skills and knowledge, good public customer relations so as to help proprietors of small and medium enterprises become more professional in their work.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

The chapter presents the methods that were used to carry out the study. It presents the research design, study population, sample size, sampling methods, data collection methods and instruments, pretesting of instruments, procedure for data collection, validity and reliability, data management and analysis, measurement of variables, ethical considerations and limitations of the study.

## 3.2 Research design

The study utilized a cross-sectional survey design. According to Mann (2003), a cross-sectional design facilitates investigation of the prevalence of a phenomenon within a snapshot. The study was a cross-sectional survey since the researcher collected data through a survey using questionnaires and interviews. This design helped the researcher to select a small sample of employees in small scale enterprises in Ntungamo district to provide current data on human resource practices and performance (Levin, 2007). The design was also used to give a clear snapshot of the outcome and the characteristics associated with human resource practices and performance (Hall, 2008). Using a mixed research method of both qualitative and quantitative approach is capable of giving good understanding of the study (Cameron, 2009) to understand the causal influence of human resource practices on the performance of SMEs.

## 3.3 Study area and Population

Population refers to a group or individual or items or objects from which samples are taken from measurement or investigation by the researcher (Kombo, 2005). According to Uganda Investment Authority (2015), Ntungamo Municipality had a total of 4,104 population identified in the Census of Business Establishments (COBE) that have between 1 and 20 employees and fully registered to comply with tax requirements. The study included a target population of 300 study units comprising enterprise owners or directors and employees of such enterprises from the three divisions of central, western, and eastern in Ntungamo Municipality. However, the unit of analysis comprised employees of selected SMEs in Ntungamo district who were approximately 300.

## 3.4 Sample Size and selection

According to Mugenda and Mugenda (2003), it is impossible to study the whole targeted population and therefore the researcher has to decide on a sampled population.

**Table 1: Population and sample size**

| Category | Total Population | Sample Size | Sampling Criteria |
|---|---|---|---|
| Managers | 50 | 26 | Simple random sampling |
| Supervisors | 100 | 50 | Simple random sampling |
| Lower-level employees | 150 | 70 | Simple random sampling |
| **TOTAL** | **300** | **146** | |

**Source: Ntungamo municipality business census 2016**

**The sample size was attained using the simple random sampling**

## 3.5 Sampling Methods

The study used simple random sampling to select employees. Simple random sampling is a form of respondents' selection which is done in order to avoid bias (Mugenda and Mugenda, 2003). As Levy & Lemeshow (2008) explain, simple random sampling is a probability sampling technique in which a random selection is made to select participants from a compiled sampling frame. Simple random sampling is a stronger sampling procedure. Lists of employees from each business were sought from their Human Resource Department to help in determining the respondents. Names of respondents of each category were written on pieces of papers and contacted to be involved in the study. Individual employees were administered with questionnaires. The study used purposive sampling to select business directors. Purposive sampling involves selecting respondents whose characteristics are known to the researcher. In the current study, directors were selected purposively to give personalized and confidential information on the performance of their enterprises.

## 3.6 Data Collection methods

The study utilized both qualitative and quantitative data collection methods. Primary data was obtained using questionnaires as well as interviews. Secondary data was sourced from reading company documents.

### 3.6.1 Questionnaire method

This involved the use of self-administered questionnaires to respondents in relation to human resource management practices and it was given to employees among randomly selected small-scale enterprises. In seeking for quantitative data, closed-ended questionnaires in a scale (five-point Likert form) were used. The questionnaire method was used because it helps to investigate motives and feelings in Likert scaling (Creswell, 1994). However, the respondents take a lot of time to give their views since they are always engaged in selling like the case of this study. The researcher took a lot of time on respondents to give feedback because he had to wait for them due to the various engagements they had with their clients.

### 3.6.2 Interview method

The interview method was used to explore qualitatively on the influence of human resource management practices on the performance of small-scale enterprises in Ntungamo district. This form of interaction was with business directors only. This method took the form of face-to-face interviews that sought to provide the required data as specified above. Interview method was used because it provides an excellent opportunity to probe and explore questions (Cresswell, 1994). However, this method had one disadvantage of respondents faking the information or not giving the right information because they feared to be heavily taxed or for the authorities to know the value of their businesses.

### 3.6.3 Document review method

A document review method was used in sourcing for secondary data in all relevant documents in relation to the influence of human resource management practices on the performance small-scale enterprises in Ntungamo Municipality. These were obtained from company documents, municipality business census records, Google scholar by inserting in the topics, National Bureau of Standards records and National Chamber of Commerce. Novak (1996) explains that if secondary research and data is undertaken with care and diligence, it provides a cost-effective way of gaining a broad understanding of research questions and the broader concept under study. Secondary data was also helpful in designing the research and could provide a baseline with which to compare primary data collection results.

### 3.7 Data collection instruments

Data collection instruments included questionnaires, interview guide and the documentary review checklist.

### 3.7.1 Questionnaires

The study used close-ended questionnaire which will be administered to employees of small businesses. The study had one set of questionnaire that was constructed strategically to capture all the necessary information from all categories of respondents in respect to the themes of the study and each objective for purposes of intensive analysis. The questionnaire was administered to employees in selected SMEs. The Likert scale was used since it is very flexible and can be constructed more easily than most other types of attitude scales (Amin,

2005).

### 3.7.2 Interview Guide

Face-to-face interviews with the help of an interview guide were conducted among business directors. The researcher believed that these people could provide rich information in regard to the study. Interviews were used since they were appropriate in providing in-depth data -- data required to meet specific objectives, allow clarity in questioning and quite flexible compared to questionnaires.

### 3.8 Validity and Reliability

The data collection tools were pretested on a smaller number of respondents from each category of the population to ensure that the questions were accurate and clear in line with each objective of the study, thus ensuring validity and reliability.

### 3.8.1 Validity

Validity is the accuracy and meaningfulness of inferences, which are based on research results. It is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study. Therefore, validity looks at how accurately represented are the variables of the study (Mugenda & Mugenda, 2003). The study adopted content validity which is the degree to which data collected using particular instruments represents a specific domain of indicators or content of a particular concept. To ensure content validity of instruments, the researcher constructed the instruments with all the items that measure variables of the study.

The researcher consulted the supervisor for proper guidance after which the researcher redesigned to remove ambiguous and irrelevant questions. To ensure rigour in the qualitative process, the researcher used respondent validation process. Chew Brink (1991) suggests the use of respondent validation (Bloor, 1998) to ensure stability is paramount in qualitative data. This was done by

checking the results on completion of data collection for any missing responses and other aspects. The content validity index Formula will be used as presented below.

$$CVI = \frac{No \ of \ right \ rated \ items}{Total \ no. of \ items} \times 100$$

$$CVI = \frac{32}{40} \times 100 = 80\%$$

With a content validity index above 70%, the items were considered valid to measure the different aspects of human resource management practices and performance of SMEs.

### 3.8.2 Reliability

According to Mugenda and Mugenda (2003), Reliability refers to the measure of the degree to which research instruments yield consistent results after repeated trials. In testing the reliability of instruments, the study adopted the test-retest method which involved administering the same instruments twice to the same group of subjects and this was done by selecting an appropriate group of respondents, the researcher administered instruments to respondents and then re- administered the same instruments to another group after a week and the results of the two periods were correlated to obtain the coefficient of reliability. If the coefficient was 0.6 and more, as recommended by Mugenda and Mugenda (2003), the instrument would be considered reliable.

**Table 2: Reliability Statistics**

| Variable list | Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|---|
| 1. Employee Resourcing | .724 | .725 | 4 |
| 2. Reward Management | .770 | .778 | 8 |
| 3. Employee Training | .750 | .751 | 5 |
| 4. Performance | .735 | .763 | 10 |
| **Overall** | **0.745** | **0.754** | **27** |

**Source: Pretest data, 2020**

Cronbach's alpha coefficients for all the scale variables were above ($\alpha >. 0.7$), and the overall reliability coefficient ($\alpha = .745$) was above 0.7. These statistics suggest that the items used to investigate human resource practices and the performance of small-scale businesses were internally stable. They could be used to generate similar results across repeated studies.

### 3.9 Procedure for data Collection

The researcher obtained a letter of introduction from the University to help with introduction to various respondents. After the construction of instruments, the researcher took them for approval to the supervisor and there after they were taken for pretesting in selected few respondents. The researcher carried out a pilot run on a participating group in the study. Pretesting was performed on employees of manufacturing firms around Ntungamo before the major project. Pretesting helps to know whether respondents interpret phrases and questions as the researcher wants them to. It also helps to obtain a general assessment of respondents' ability to perform the required tasks (recall relevant information, estimate frequency of specific behaviours). It also helps to obtain ideas for question wording in case rephrasing of the original statements is needed.

### 3.10    Data Management and Analysis

In the study, the instruments that were used yielded both qualitative and quantitative data. Descriptive statistical formula was used to generate information.

After respondents answered questionnaires and interviews, raw data was cleaned, sorted and condensed into systematically comparable data. Data analysis was done using the Statistical Package for Social Scientists (SPSS), which helped to summarize the coded data and produce the required statistics in the study.

### 3.10.1  Quantitative Data

In handling all the objectives of the study, the researcher used a computer package SPSS where data where entered, edited, cleaned and sorted. This programme was used to run unibivairate and bivariate analysis to obtain descriptive data in form of frequencies, percentages, mean and standard deviations. This helped give the general response towards each question on the Likert scale through the mean values. In establishing the influence of human resource practices among variables, bivariate and multivariate analysis in form of regression analysis was run. The researcher used regression coefficients to ascertain the influence the human resource practices on the performance of SMEs (Cresswell, 2004). In regression analysis, the level of significance was p-value $< 0.05$. Dobson

(2002) stresses that it is important use correlations or regressions to examine relationships within the data. Through correlation measures, relationships can be studied in depth, limited only by the data available to the researcher. The main goal of regression analysis was to determine the relative importance of each of the predictor variables (employee resourcing, reward management, and employee training) in explaining variations in performance of SMEs.

### 3.10.2 Qualitative data

Analysis of qualitative data in the three objectives of the study used content analysis where each piece of work answered was coded and analysed according to the coded information. The number of times each answer appeared counted to obtain the number of responses in each respect.

### 3.11 Measurement of variables

The independent variables in the study were human resource management practices and dependent variable was enterprise performance in small scale enterprises in Uganda. Employee resourcing was looked at in regard to manpower planning, employee attraction, employee deployment retention, and employee retention. Reward management was looked at in regard to financial and non-financial aspects including: satisfactory pay, satisfactory benefits, working conditions, incentives, recognition, and value-for-money rewards. Employee training was looked at in regard to personnel development, appropriate knowledge, appropriate skills, and focused training.

The dependent variable small enterprise performance was looked at in regard expansion of sales volumes, expansion of production, and expansion of marketing channels. The nominal scale was used in the measurement of variables in a Likert scale format which ranged from 1 to 5, strongly disagree, disagree, not sure, agree and strongly agree respectively.

### 3.12 Ethical Considerations

To carry out this research, clearance was requested and granted from the University. A letter was issued allowing the researcher to carry out the study. Permission was obtained from each business entity from the administration office. Then permission from the participants was sought using the permission letter from the head of department at the University. All the participants were required to assent or sign a letter of informed consent. Participants were also given liberty to withdraw their consent at any time if they were not comfortable. All data and personal information was kept confidential as no identifying information was required in the questionnaire. Participants could

choose not to answer any questions that they might find not comfortable with. Privacy and wishes of the participants were respected at all times.

## 3.13    Limitations to the study

Since the businesses were privately owned, employees tended to have limited zeal to participate in research. Due to such attitude, it was cumbersome to locate some employees and convince them to spare time to provide information for the study. However, the researcher fixed as many appointments as he could in order to get the required information from the respondents.

# CHAPTER FOUR

## DATA PRESENTATION AND ANALYSIS

### 4.1 Introduction

This chapter presents and analyses the findings. The chapter opens with the response rate and bio data, and extends into the analysis of the research problem

### 4.2 Response rate

The study was conducted among employees of selected SMEs in Ntungamo district. The findings are based on a response rate of 86.3% (146 out of 169). This response rate was high enough for conclusion and generalizability results.

### 4.3 Bio data

The researcher investigated a set of background characteristics, as shown in Table 3 below.

Participation according to gender indicates that majority were men (82.9%) compared to the women (17.1%). There was a significant difference in gender participation, perhaps because men engage a lot in business. Today men in Ntungamo Municipality and the country at large engage a lot in business enterprises especially in small-scale more than women who participate a lot in general market vending.

Participation according to age shows that 54.1% fell in the 18 - 34 years age bracket, followed by 37.7% who fell in the 35 - 49 years age bracket. Least participation (8.2%) was observed among employees in the age group of 50 years and above. The statistics imply that the majority of the employees in the SMEs investigated were youths, and few employees were older than 50 years, perhaps because Uganda's youth levels are higher than the older persons and they are engaging in business to have an income to fend for themselves and their families at large, bearing in mind that formal employment in Uganda is minimal.

**Table 3: Bio data**

| Variable list | Categories | Frequency | Percent |
|---|---|---|---|
| Gender | Male | 121 | 82.9 |

| | | | |
|---|---|---|---|
| | Female | 25 | 17.1 |
| | Total | 146 | 100 |
| Age | 18 — 34 | 79 | 54.1 |
| | 35 — 49 | 55 | 37.7 |
| | 50 and above | 12 | 8.2 |
| | Total | 146 | 100 |
| Education level | Secondary and below | 39 | 26.7 |
| | Diploma | 97 | 66.4 |
| | Degree and above | 10 | 6.8 |
| | Total | 146 | 100 |
| Years in the organization | Less than 1 year | 38 | 26 |
| | 1 — 5 | 81 | 55.5 |
| | Above 5 years | 27 | 18.5 |
| | Total | 146 | 100 |
| Number of employees | 1 — 5 | 23 | 15.8 |
| | 6 — 20 | 15 | 10.3 |
| | 21 — 100 | 12 | 8.2 |
| | 101 — 250 | 9 | 6.2 |
| | More than 250 | 87 | 59.6 |
| | Total | 146 | 100 |

**Source: Field data, 2020**

Participation according to education level indicates that 66.4% had diploma qualifications, 26.7% had not studied beyond secondary education, while only 6.8% had studied up to degree level. The statistics indicate that, cumulatively, about 90% of the employees among the selected SMEs did not have university qualifications, perhaps because some Ugandan educated personnel look at such enterprises as not worthy for their level of education and others are taught job-seeking not creation.

However, technical education and business institutions have helped a lot the young generation to have business-oriented minds of self-sustainability.

In respect to how long employees had worked in their respective organizations, 55.5% had worked in the organizations for over 1 year but not exceeding 5 years, 26.0% had not worked with the respective organizations for a year, while only 18.5% claimed to had worked within the respective organizations for more than 5 years. The statistics imply that the majority of the employees among the selected SMEs had worked in their respective organizations for over 1 year but not exceeding 5 years, perhaps because the rate of labour turnover in Uganda is very high and sometimes people change work place seeking better pay and others due to mistreatment.

The number of employees among the SMEs investigated indicates that 59.6% belonged to SMEs that employed about 250 employees. These are firms dealing in milling, processing and agriculture. Most of the participants came from such organizations because they were easy to locate and coordinate, since the researcher would find many of them in just a single organization.

**4.4 Analysis of the research problem**

The researcher structured the analysis of the research problem based on the method or techniques of analysis.

**4.4.1   Descriptive statistics: Human resource management practices**

The researcher used descriptive statistics to understand participants' opinions on the claims raised by the researcher on human resource management practices in small-scale enterprises in Ntungamo district. The researcher used mean and standard deviation to describe data. Mean was used to show concentration and clustering of opinions. While analysing human resource management practices, mean scores above 3.50 were interpreted to mean high presence of the practice, mean scores below 2.50 were interpreted as low presence of the practice, while mean scores ranging between 2.50 and 3.50 were interpreted as moderate presence of the practice. On the other hand, standard deviation was used to show how participants' opinions differed from each other on different issues raised by the researcher. In view of the standard deviation, values closer to zero indicate consistent opinions than those far away from zero.

**Table 4: Employee Resourcing**

| Variable List | N | Mean | Std. Deviation |
|---|---|---|---|
| 1. Manpower planning | 146 | 4.29 | .847 |
| 2. Deployment | 146 | 4.20 | .884 |
| 3. Attraction | 146 | 4.18 | .767 |
| 4. Retention | 146 | 3.94 | .857 |

**Source: Field data, 2020**

Among the employee resourcing practices, the mean scores, all of which are above 3.50 show that most of the small scale businesses in Ntungamo engage in manpower planning, deployment, attraction and retention. This means that they inject a lot of resources to train and retain the workers so they do not want to lose any of them. And while the mean scores do not show significant deviations in participants' opinions on employee resourcing, a comparison of standard deviation shows that participants had consistent opinions on attraction (Std. = .769) than the other practices. This suggests that most of the small-scale businesses engage in practices that aim at attracting new employees to their businesses.

**Table 5: Reward management**

| Variable list | N | Mean | Std. Deviation |
|---|---|---|---|
| 1. Participate in setting goals | 146 | 4.40 | .835 |
| 2. My work is interesting and challenging | 146 | 4.29 | .761 |
| 3. Comprehensive package | 146 | 4.16 | .779 |
| 4. My job is secure | 146 | 4.13 | .977 |
| 5. Recognition of good work | 146 | 3.97 | .909 |
| 6. Opportunities for advancement | 146 | 3.93 | .922 |
| 7. I have the freedom to work alone | 146 | 3.86 | .973 |
| 8. Recognition of extra effort | 146 | 3.66 | 1.091 |

**Source: Field data, 2020**

Among the reward management practices, the mean scores, all of which are above 3.50 show that most of the small-scale businesses in Ntungamo practice a number of reward systems. This means that they work towards retention of employees SMEs in Ntungamo involve their employees in setting goals (mean = 4.40), and give their employees interesting and challenging assignments (mean = 4.29). Agreeably, employees seem to take the different assignments given to them as rewarding and not inconveniencing. The statistics also suggest that these SMEs use these practices as rewards to their employees. The statistics further indicate that SMEs in Ntungamo offer comprehensive packages (mean = 4.16), and guarantee employees job security (mean = 4.13). These practices have a strong bearing on how employees reciprocate their efforts and energies towards company goals and objectives.

As already observed, the mean scores indicate that all the claims the researcher raised on reward management are highly practiced. However, a comparison of standard deviations indicates that employees consider the interesting and challenging assignments given to them (Std. =.761) and the comprehensive package (Std. =.779) as more rewarding practices compared to the different reward management practices because success is achieved. Similarly, the statistics indicate that employees seem not to take recognition of extra effort (Std. = 1.091) as rewarding practice

**Table 6: Employee Training**

| Variable list | Mean | Std. Deviation |
|---|---|---|
| 1.  Arranging training seminars | 4.18 | .861 |
| 2.  Orienting employees | 3.99 | .958 |
| 3.  Walking subordinates through tasks | 3.92 | .823 |
| 4.  Clarifying roles | 3.90 | .777 |
| 5.  Helping subordinates with personal development plans | 3.89 | .806 |

**Source: Field data, 2020**

The researcher raised a number of employee training practices to participants. The mean scores, all of which are (mean > 3.50) generally indicate that employees acknowledge that employee training practices are present in their organizations since they have been engaged in them several times. But most importantly, employees seem to consider the training seminars (mean = 4.18) which the companies organize as most employee training practice. And while the mean scores do not reveal any unique pattern in participants' view on employee training, the low standard deviation on clarifying roles (Std. = .777) shows that whenever employees are shown their clear roles and job descriptions,

they are more likely to learn than maybe in the seminars. They seemingly believe in learning on job than learning theoretically.

### 4.4.2 Descriptive statistics: Performance

The researcher used descriptive statistics to understand participants' opinions on the claims raised by the researcher on performance of small-scale enterprises in Ntungamo district. The researcher used mean and standard deviation to describe data. Mean scores above 3.50 were interpreted to mean high performance indicators, mean scores below 2.50 were interpreted as low performance indicators, while mean scores ranging between 2.50 and 3.50 were interpreted as moderate performance indicators. On the other hand, standard deviation was used to show how participants' opinions differed from each other on different issues raised by the researcher. In view of the standard deviation, values closer to zero indicate consistent opinions than those far away from zero.

**Table 7: Performance**

| Variable list | Mean | Std. Deviation |
|---|---|---|
| 1. Expanding collaboration with other firms | 4.07 | .811 |
| 2. Open up outlets across the country | 4.05 | .927 |
| 3. Investing in customer acquisition | 4.00 | .961 |
| 4. Expand product lines | 3.97 | .898 |
| 5. Use modern and advanced technologies | 3.88 | .875 |
| 6. diversify product line | 3.87 | .772 |
| 7. Penetrate new markets | 3.76 | 1.059 |
| 8. Establishing R&D department | 3.58 | 1.168 |
| 9. Increase production | 3.36 | 1.015 |
| 10. Sell products on line | 2.53 | 1.345 |

**Source: Field data, 2020**

The researcher raised a number of performance indicators to participants. The statistics categorize performance indicators into two. Collaborating with other firms (mean = 4.07), opening up upcountry outlets (mean = 4.05), and investing in customer acquisition (mean = 4.00) are high performance indicators. Employees view these indicators as pointing to high performance of SMEs.

Increasing production (mean = 3.36), and selling products on line (mean = 2.53) appear to be moderate indicators of performance.

Basing on the standard deviations, increasing production (std. = 1.015), penetrating new markets (std. = 1.059), establishing R&D (std. = 1.168), and selling products on line (std. = 1.345) appear not to indicate performance of SMEs consistently. On the other hand, collaboration with firms, opening up upcountry outlets, investing in customer acquisition, expanding outlines, using modern technologies, and diversifying product lines appear to indicate performance of SMEs consistently.

### 4.4.3 Inferential statistical techniques

These techniques help in establishing relational effects between the cause and effect variables, and to offer a basis for inferring the study results to the study population. The researcher used regression to show the different human resource management practices affect performance of SMEs in Ntungamo municipality. Regression is a mathematical function that relates the independent variable to the dependent variables. The current study used multiple regression to measure the amount of effect of human resource practices (employee resourcing, reward management, and employee training) on performance of SMEs. The researcher used ANOVA (Analysis of Variation) to test for the acceptability of the model, and used R-square to measure the overall effect of human resource management practices on performance of SMEs in Ntungamo municipality.

**Table 8: ANOVA**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 21.243 | 3 | 7.081 | 47.290 | .000(a) |
| | Residual | 21.262 | 142 | .150 | | |
| | Total | 42.504 | 145 | | | |

a Predictors: (Constant), Employee training, Employee resourcing, Reward Management

b Dependent Variable: Performance

ANOVA attempts to test the acceptability of the independent variable in predicting variations in the dependent variable. In this study, the researcher wanted to understand whether human resource management practices are adequate to explain variations in performance of SMEs in Ntungamo municipality. The regression sum of squares indicates the amount of variation in dependent variable accounted for by the independent variable. Residual sum of squares indicates the amount of the

dependent variable accounted for by the independent variable. In the current study, the regression and residual sum of square are almost equal. This means that human resource management practices account for about 50% of the amount of variation in employee performance. The F-statistic, which is significant (sig. <.05), indicates that the prediction of human resource management practices on performance of SMEs in Ntungamo is not due to chance.

**Table 9: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .707(a) | .500 | .489 | .38695 |

a Predictors: (Constant), Employee training, Employee resourcing, Reward Management

The relationship between human resource management practices and performance (r =.707) is positive, significant and strong. This implies that a variation in human resource management practices among SMEs in Ntungamo district is strongly associated to a positive variation in performance of SMEs. In other words, SMEs that struggle to improve their human resource management practices are likely to realize improvements in their performance outcomes. Since the sample selection was a true representation of all the SMEs in Ntungamo, it can be concluded that improving human resource management practices can result in tremendous improvements in performance of SMEs. The (R Square = .500) indicates that human resource management practices account for about 50% of the variations in performance of SMEs. The statistics suggest that much as human resource management practices account for over a half of the variations in the performance of SMEs in Ntungamo district, there are other factors responsible for performance variations among the SMEs.

**Table 10: Regression coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .648 | .260 | | 2.487 | .014 |
| | Employee resourcing | .332 | .066 | .380 | 5.051 | .000 |
| | Reward Management | .189 | .084 | .197 | 2.241 | .027 |

| | Employee training | .230 | .072 | .255 | 3.188 | .002 |
|---|---|---|---|---|---|---|

a Dependent Variable: Performance

To understand the contribution of individual human resource management practices, the researcher used standardized beta coefficients. The researcher used standardized beta coefficients because they are easily comparable. For every unit-change in employee resourcing, performance of SMEs varies by 38.0%, according to (Beta = .380). For every unit-change in reward management, performance of SMEs varies by 19.7%, according to (Beta = .197). Similarly, for every unit-change in employee training, performance of SMEs varies by 25.5% according to (Beta = .255). These statistics suggest that employee resourcing is likely to have the greatest effect on performance of SMEs in Ntungamo district. This is because sourcing for the rightful employee is hard and retention is also hard; sometimes when you source the salary requested is too high for the company. Importantly, the levels of significance suggest that employee resourcing, employee training, reward management have significant effects on the performance of SMEs in Ntungamo district. This is because when this is done in the rightful way, improvement in quality products will be seen, performance will increase, customer care will be visible, not forgetting company reputation.

## 4.5 Discussion of results
### 4.5.1 Objective one

The study examined the influence of employee resourcing on the performance of small-scale enterprises in Ntungamo Municipality. It was established that employee resourcing has a significant influence on performance of SMEs in Ntungamo district. Employee resourcing, which revolves around attracting, deployment, and retention of employees has significantly predicted the level of performance of business organizations. The findings agree with Brown et al. (2010) who found that a skillful application of employee attraction can improve business performance. The processes, which the human resource offices undertake, may result in selecting the most suitable employees to the business. However, the current study does not offer evidence of how the recruitment process is conducted to spot the best candidates for the jobs in Ntungamo.

The findings seem to disagree with Walsh and Carrison (2002) who observed that small-scale businesses are likely to incur unbearable costs due to a single wrong hire. Due to the fact that decisions on who and when to hire are made by a single person (owner/director), he/she can easily make wrong employee selection, which may cost the business in terms of profits. The results of the current study disagree with Kamoche (2007) who points out that many business organizations neglect the knowhow and expertise HRM contributes to the performance of businesses. This relates

to the fact that many small-scale businesses survive under harsh environments that make them hesitant to focus on the internal functioning and performance of the business, as indicated by Kidwell and Fish (2007) in their writings.

Employee resourcing was on average indicated by attracting new employees to the business. It is very possible for SME firms to ignore attracting employees to their businesses just because they need few employees. However, this study shows that regardless of the size and number of employees that can be employed, small-scales need to attract new employees to their businesses. Obviously, new employees come with a blend of skills, experiences, and knowledge that are needed for effective performance. The findings agree with Blackwell and Storey (2005) who observed that large organizations may attract new employees through extensive advertisements in newspapers, media sources and magazines. While this study does not provide any evidence of attracting new employees through advertising, the size of some of the organizations suggests so. Anthony, Perrrewe and Kacmar (2006), companies look at the cost of advertising as too much, hence outsourcing and referrals are the most used methods of recruitment.

### 4.5.2 Objective two

The study explored the influence of employee rewards management practices on the performance of small-scale enterprises in Ntungamo Municipality. This study found a significant influence of reward management systems on the performance of SMEs in Ntungamo district. Since the research based on a representative sample, this study confirms that reward management systems are important in influencing the performance of SMEs Such a process may involve lengthy hiring procedures due to the number of individuals and departments who may be involved in the final hiring decision that may influence the performance of such businesses (Bruystegem et al, 2007). This literature concurs with the situation in Ntungamo, among small-scale enterprises, where majority of them do not engage in resourcing strategies that are seen by many as costly and not meant for them but big organizations. The particular reward management practices observed in this study were those that allow employees to take part in setting business goals. This particular observation disagrees with Brown, Hamilton, and Medoff (2000) who posited that large businesses portray less decision making, an impersonal and formal atmosphere. While this might be true of large-scale businesses, the firms in Ntungamo are SMEs, and are still engaging their employees in making decisions about the future of their businesses. Perhaps, this practice might fade with the growth and expansion of these businesses. However, the findings agree with Dundon et al. (2009) who observe that small firms offer a relaxed employee-employer relationship where employees have an opportunity to take part in decisions and personal responsibility. Such involvement influences performance of businesses.

The study in Ntungamo demonstrates that SMEs offer a comprehensive package. While the study could not ascertain what constitutes a comprehensive package, employees' opinions were very consistent on the comprehensive package this is because it makes them fulfilled when their targets are met. The findings disagree with Sack (2001) who asserted that comprehensive packages are characteristic of large firms. Large firms offer non-financial benefits to employees in form of health insurance, paid vacations, holidays, funeral, and sick leave, retirement and saving plans, overtime, and personal days off. This study found out that a few companies offered sick leave and commissions on local merchants and company products. For example, one key informant observed: "…*the environment in which we operate is too subtle for us to offer extensive reward systems. But in our possessions, our company gives commission to sales executives, lunch, and a break-off in case of funeral and sickness…*" This suggests that such companies are considered to offer comprehensive packages, since some payments beyond wages and salaries are made to their employees.

### 4.5.3 Objective three

The study established the influence of employee training practices on performance of small-scale enterprises in Ntungamo Municipality. The study found a significant influence of employee training on performance of SMEs in Ntungamo district. The findings of this study are consistent with authors like Arthur (2007) who posited that training employees improves their skills but also benefits the company by improving performance. The performance of a trained and skilled employee is far above the performance of untrained or unskilled employee. This study, however, could not ascertain the extent to which employees benefit from the training conducted and or organized by the companies. For example, one key informant observed:

"…*most of the work in this company does not need university degrees or diplomas. Provided one can easily learn from observing what others do, he she is in a position to improve their performance. On the basis of this we do not find it default to employ any one, and that is credit to the unemployable youths of this country…*"

The observation above may not be characteristic of all SMEs in Ntungamo district, but suggests the nature of jobs in some of the businesses investigated. Examples of such companies include milk processing companies, milling and agricultural farms.

The study findings on the significant influence of employee training on performance of SMEs in Ntungamo is in line with Gundry (2001) who concluded that entrepreneurs who invest in training their employees strengthen their firms' technical excellence and innovative capabilities. This strengthens the companies and increases production with quality of products becoming visible and

going international. The findings, however, cited scholars like Cohen (2008) who observed that small-scale businesses may not have large budgets for training. These firms suffer from such challenges like time, money, space, and staff. This position also concurs with one key informant, who observed:

"…*but our jobs are given on very small contracts. The wages that we give cannot sustain permanent workers here. Therefore, it becomes illogical for us to provide scaled training to someone who is on his/her way to another job*…" This verbatim suggests that some of these companies are not willing to invest in the training of their employees because of their temporary tenure. Not to disregard employee training completely, small-scale firms offer training to their employees but in informal and often on voluntary basis. Such trainings may not be considered as so influential in improving performance. This observation, however, is not representative of all the companies. For example, Ntungamo Dairy Farmer's Cooperative, Soft drink producing company, Gremo Company Ltd, Socy Ltd and Ruhama Sacco have many employees, some of whom operate on full-time basis. Such companies are likely to offer training to their employees.

This study confirmed that the seminars organized and conducted by the companies offer much in improving performance of both employees and the companies as a whole. The findings agree with Brown, Hamilton, and Medoff (2010) who reiterate that small-scale businesses use lectures, seminars, videos, and on-job training to improve performance. However, authors such as Batt (2002) observe that training on the job is conducted by mainly seniors and monitored by owners and directors. In this regard, employees may not see them as significant forms of employee training.

# CHAPTER FIVE:

# SUMMARY AND CONCLUSION

## 5.1 Introduction

This chapter presents the summary of findings, conclusion, recommendations and the areas for further research. Both the findings and conclusions are based on the research objectives while recommendations are based on gaps identified in the findings.

## 5.2 Summary of findings

Human resource practices significantly influence about 50% (R Square = .500; sig. <.05) of the variations in performance of SMEs in Ntungamo Municipality. The first objective of the study sought to examine the influence of employee resourcing on the performance of small-scale enterprises in Ntungamo Municipality. The findings indicate that employee resourcing significantly influences 38.0% (beta = .380; sig. <.05) of the variation in performance of SMEs.

The second objective of the study sought to explore the influence of employee rewards management practices on the performance of small-scale enterprises in Ntungamo Municipality. The findings indicate that reward management significantly influences about 19.7% (beta = .197) of the variation of performance of SMEs.

The third objective of the study sought to establish the influence of employee training practices on performance of small-scale enterprises in Ntungamo Municipality. The findings indicate that employee training significantly influences about 25.5% (beta = .255) of the variation in performance of SMEs in Ntungamo district. Importantly, employee resourcing does the best job in influencing performance in Ntungamo district.

## 5.3 Conclusion

The purpose of this study was to examine how human resource management practices influence the performance of small-scale enterprises in Ntungamo Municipality among the service and manufacturing industries. Human resource management practices significantly influence performance of SMEs. Actually, SMEs that engage in improving their human resource management practices are likely to observe an average change in the performance of their businesses. This was, however, evident among those firms that are well established with human resource management

departments. SMEs whose human resource control is under owner did not show much influence of human resource management practices on performance.

The first objective of the study sought to examine the influence of employee resourcing on the performance of small scale enterprises in Ntungamo Municipality. Employee resourcing influences performance of SMEs significantly in Ntungamo district. Firms which progressively engage in attracting new employees are likely to record high performance levels. Evidence shows that many of the firms investigated in Ntungamo attract employees to their businesses but due to their small size, they attract employees informally. However, some of the SMEs in Ntungamo may not attract the best employees because of their small size and inability to advertise vacancies in popular media sources, magazines and newspapers.

The second objective of the study sought to explore the influence of employee rewards management practices on the performance of small-scale enterprises in Ntungamo Municipality. Reward management system has been shown to influence performance of SMEs in Ntungamo district significantly. While the study confirmed the existence of many rewards in the businesses investigated, it is the compensation package that seems to mostly explain the performance of SMEs in Ntungamo district. This study did not obtain data on the precise contents of the compensation package but key informants pointed to sick leave, funeral days-off and commissions on local merchant products. This study further found that some of the SMEs are unable to offer such compensation packages due to the informal environment in which they operate.

The third objective of the study sought to establish the influence of employee training practices on performance of small-scale enterprises in Ntungamo Municipality. Employee training significantly influences performance of SMEs in Ntungamo. SMEs that offer employee training packages to their employees are likely to realize an average change in their performance. In particular, SMEs that give reverence to organizing and conducting seminars stand a chance of taking their performance to higher levels. However, employee training is very evident among well established firms and those with defined human resource offices. SMEs with few employees lack budgets to conduct seminars and training. They rely on on-the-job trainings through their senior supervisors, most of which employees might not recognize.

This study has established significant influences of human resource management practices on the performance of SMEs based on samples taken from Ntungamo district. The significant findings make the theories of Attraction Selection Theory and resource-based view theory applicable to solving performance challenges of small-scale businesses that are related to human resource management practices. Finally, this study has provided testable relationships between employee

resourcing, reward management, and employee training and performance of SMEs. Thus the study contributes to the existing literature on human resource practices and performance of business firms.

## 5.4 Recommendations

The first objective of the study sought to examine the influence of employee resourcing on the performance of small-scale enterprises in Ntungamo Municipality. Owners or directors of small-scale businesses take charge of employee resourcing, a practice which does not allow selection of persons with the best skills and talent. This study recommends that directors of small-scale businesses with few employees should consider setting up human resource departments to handle human resources aspects such as resourcing, rewards and training. Additionally, business enterprises should include recruitment procedures in their human resource policies to define who acts where and when.

The second objective of the study sought to explore the influence of employee rewards management practices on the performance of small-scale enterprises in Ntungamo Municipality. This study established that employees do not consider recognition of extra effort as a rewarding practice. This study recommended that owners or board directors should develop employee rewarding policies that make meaning to employees. For example, business owners should consider other Fringe benefits

The third objective of the study sought to establish the influence of employee training practices on performance of small scale enterprises in Ntungamo Municipality. It was established that small-scale enterprises do not conduct employee training or give comprehessive packages for lack of sizeable budgetary allocations for human resource management practices. This study therefore recommended that small-scale owners should venture into potential projects and sources to obtain funds that can be directed into employee training and rewards to boost their performance.

## 5.5 Areas for future research

There is need for further study on the influence of human resource management practices on the performance of business organizations in relation to business expansion, comparing selected small and large-scale enterprises in Uganda.

There is need for an examination of employee retention practices among small-scale businesses in Western Uganda on their expansion to manufacturing and large-scale.

There should be a study on the role of online marketing on the financial performance of small-scale businesses vis a vis the traditional methods of doing business in Ntungamo district.

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## Appendix I: Interview Guide the owner managers of SMEs

The aim of this research is to gain a better understanding of the human resource management practices in relation to the performance of SMEs in your firm. In order to meet this objective, I will be asking you a few questions relating to how the process is carried out in your firm. The interview, which will last approximately 15 Minutes, will be recorded in order to accurately capture the responses during the analysis phase of the research and the information shall be used purposely for academic purposes.

### Background on company and respondent

The following information is sourced from each respondent at the beginning of the interview.

1. Please describe for me the history of your company and its performance overtime?

2. Please describe the current organizational structure of your company.

3. What products do you offer to your customers?

4. What are your companys goals and objectives?

5. Briefly describe your role in the firm. How long have you been with the company?

6. Please describe your target market.

7. Has your target market changed over the years?

8. Who participates in the strategy formulation process? Whats their role in the process?

9. How would you describe your business environment?

10. Do employees abide by the policies?

11. From your companys opinion, what are the key human resource factors that influence SMEs performance?

12. How do you recruit the workers for the company?

13. Do you carry out trainings for workers in your firm?

14. Do you involve your lower employees in decision making process of the company?

15. Does your company reward its workers? How is the process carried out?

Dear Respondent,

I am a Student at Kabale University who is undertaking a Masters program. My research is based on a study of the Human Resource management practices and their effect on the performance of SMEs in Ntungamo Municipality. I am writing to invite you to participate in this research through the completion of the questionnaire. The questionnaire should take approximately 20 minutes to complete. Please be assured that all information collected will be treated as strictly confidential. No Individual identities will be revealed and only aggregate results will be presented.

Should you be interested in the findings of the study, I can share with you on request.

The success of this study depends upon your responses; accordingly, your participation is much appreciated.

**Section I: Background information**

1. **What is your gender?**
   Male [ ]                              Female [ ]

2. **How old are you?**
   18 to 34 years [ ]          35 to 49 years [ ]                    50 years and above [ ]

3. **What is your education level?**
   Secondary and below [ ]      Diploma [ ]                  Degree and above [ ]

4. **How many years have you worked in this organization?**
   Less than 1 year [ ]                 1 to 5 years [ ]                above5 years [ ]

5. **Please estimate the number of employees in the firm**
   1 to 5 [ ]                                   6 to 20 [ ]

   21 to 100 [ ]                             101 to 250 [ ]

   More than 250 [ ]

**Section II: Human resource management practices**

*Please rate how much you agree/ disagree with each statement below, by ticking in an*

*Appropriate box using this scale*: "Strongly agree (**5**)"; "Agree (**4**)"; "Undecided (**3**)";

"Disagree (**2**)"; and "Strongly Disagree (**1**)".

| a) **Employee resourcing** | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| 6. I am aware that my company involves itself in serious manpower planning | | | | | |
| 7. I am aware that my company is careful on where to deploy her staff | | | | | |
| 8. I am aware that my company does all it can to attract potential employees | | | | | |
| 9. I am aware that my company does all it can to retain her employees | | | | | |
| b) **Reward management** | 5 | 4 | 3 | 2 | 1 |
| 10. I always participate in setting goals | | | | | |
| 11. My work is interesting and challenging | | | | | |
| 12. Our company has a comprehensive package | | | | | |
| 13. I feel secure at my job | | | | | |
| 14. I feel am always recognized for the good work I do | | | | | |
| 15. This company gives employees opportunities for advancement | | | | | |
| 16. I feel have the freedom to work alone | | | | | |
| 17. I feel am recognized for the extra effort in put in my work effort | | | | | |
| c) **Employee training** | 5 | 4 | 3 | 2 | 1 |
| 18. My company is ever arranging training seminars for workers | | | | | |
| 19. My company is ever orienting new employees | | | | | |
| 20. My boss is ever walking subordinates through tasks | | | | | |
| 21. My supervisor is ever clarifying roles roles to us | | | | | |
| 22. My supervisor is ever helping subordinates with personal development plans | | | | | |

**Section III: Performance of SMEs**

*Please rate how much you agree/ disagree with each statement below, by ticking in an*

*Appropriate box using this scale*: "Strongly agree (**5**)"; "Agree (**4**)"; "Undecided (**3**)";

"Disagree (**2**)"; and "Strongly Disagree (**1**)".

| Variable claims | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| 23. My company is expanding collaboration with other firms | | | | | |
| 24. My company is opening up outlets across the country | | | | | |
| 25. My company is investing in customer acquisition. | | | | | |
| 26. My company is expanding her product lines | | | | | |
| 27. My company is using modern and advanced technologies | | | | | |
| 28. My company is diversifying her product line | | | | | |
| 29. My company is penetrating new markets | | | | | |
| 30. My company is establishing R&D department | | | | | |
| 31. My company is increasing her production | | | | | |
| 32. My company sells her products on line | | | | | |

**Thank you very much for your participation.**