

A REVIEW OF SMEs RECRUITMENT AND SELECTION DILEMMA: FINDING A 'FIT'.

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Abstract

Intellectual capital has emerged as a key component in a firms' future success in innovation and knowledge building. This review paper investigates whether the recruitment and selection process is regarded as a strategic function in SMEs. The current debate is on the extent of Strategic Human Resource Management (SHRM) effectiveness on management practices. It is to ascertain which of the HR architecture influences firm performance. The HR architecture is the process that facilitates HR functional activities. Research in HR has moved towards issues that seek answers on how HRM practices can contribute towards organisational performance. In Malaysian SMEs the priority functions tend to be marketing, finance, accounting and production, whereas HRM practices are seen as less important, weak and unsophisticated. The review of literature on recruitment and selection processes may provide insights on the concept of 'fit', viewed as the compatibility between the individual and environment. Although there are models of recruitment but its 'fit' as a SHRM process in firms is unclear. In SMEs the assumption is the probability of disconnect between the recruitment process and SHRM initiatives. Although most HR managers in Malaysia may be familiar with the philosophy of SHRM but the understanding of recruitment and selection process as a HR architecture linking the firm and HR strategy may be vague. The objectives of this review paper is to investigate theoretical approaches that may determine whether the recruitment and selection process in SMEs shows evidence of strategic 'fit' and second, examining the extent of a structured recruitment and selection process in SMEs which is innovative and flexible.

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INTRODUCTION

The effort to attract, compensate, motivate and retain employees is becoming a daunting task for Small and Medium Enterprises (SMEs) as the war for talent becomes highly competitive. The Human Resource Management (HRM) challenges are greater now due to the complexities in which organisations operate and function. The human factor or intellectual capital has emerged as key component in a firms' future success. People are now considered as the most important talent or asset in a firms' progress towards creativity, innovation and knowledge building (Boudreau & Ramstad, 1997). Therefore establishing and giving prominence on the importance of fit between; person and the job; person and the organisation would determine the firms' future competitiveness and success.

Research in HRM has moved towards issues that seek answers on how HRM practices can contribute towards organisational performance. In this context the manner in which employees are managed affects not only 'quality, profitability and productivity' but also shareholder returns (Pfeffer, 2007, p. 119). Based on resource based view competitive advantage is when organisations exploit their internal strengths (Barney, 1991; Barney & Wright, 1998; Saá-Pérez & García-Falcón, 2002). HR is now perceived as a business partner and its architecture in this instance are the functions, process, practices and systems. Do these influence the business in terms of attracting the most talented worker with right competencies? It is argued that the relationship between the HR architecture and firm performance is rather unclear (Becker & Huselid, 2010). Recruiting and selecting the right candidate is not just based on competencies but also the value, uniqueness, motivation and commitment portrayed by the candidate within the HR architecture (Guest, 2011; Lepak & Snell, 1999).

According to Williamson, *et al.* (2002) there are three issues indicating the dearth of research in recruitment and selection in SMEs, first, there is a lack of study on issues faced by SMEs when recruiting employees, second, previous research tends to be descriptions of recruitment practices rather than any theoretical basis on the viability of these practices and lastly, majority of research focuses entirely on large firms therefore the findings do not represent the barriers faced by SMEs. Huselid argues "we know very little about the science and practice of HR in these organisations" (2003, p. 237). The evidence suggests human resource in SMEs leans towards activities which are more of ad-hoc and informal (Mayson & Barrett, 2006).

Drawing on this background and the limited "models or framework" (Heneman & Tansky, 2002, p. 55) on SHRM practices it would be useful to examine the strategic nature of recruitment and selection practices that are adopted in SMEs. The need to exploit the internal strength as proposed by Barney (1991) can only be achieved if a strategic recruitment and selection practice is developed. Arguments put forward by Huselid (2003) on the lack of sufficient understanding of HR practices in SMEs further supports the need to investigate and examine the recruitment and selection practices in SMEs.

THE HUMAN RESOURCE ARCHITECTURE, STRATEGY AND COMPETIVENESS

The HRM turf has increasingly been focusing on the strategic role of HR by drawing on the resource centred view of strategy as a source for competitive advantage (Barney, 1991). The HR architecture is now designed to affect the organisational environment which then has an effect on customer indicators (Rogg, *et al.*, 2001). The term HR architecture refers to multiple HR systems within an organisation (Lengnick-Hall *et al.*, 2009). The HR system exists in a climate that emphasises goals and means, reward orientation with task and social support. Therefore the firms' competitive advantage is now dependent on the talent recruited to achieve all of these elements.

The HR domain can be categorised into three major sub-domains; Micro Human Resource Management (HRM), Strategic HRM (SHRM) and International HRM (IHRM) (Boxall *et al.*, 2007). The micro HRM sub domain covers elements that relate to HR policy and practice. The following theme, "...HR system components and structure (Lengnick-Hall *et al.*, 2009, p. 65), identified as one of the themes in the evolution of strategic human resource management, is of particular importance as it examines the structure of HR systems. Schuler (1992, as cited in Lengnick-Hall *et al.*, 2009) separates the structure of HR systems into specific components comprising of philosophy, policies, programmes, practices and processes. Therefore in the context of this paper which focuses on HR processes the fit would be recruitment and selection, training and development, compensation, performance management and other micro related HR practices that are broadly categorised in this sub domain.

The HR architecture is seen as the processes, systems, procedures, practices, competencies and behaviour that are put in place in firms, to facilitate HR functional activities. Thus reviewing those recruitment processes and activities put in place by the firm for the main purpose of recognising and enticing prospective talents would indicate if there is a link with the SHRM initiative of achieving firms' competitive advantage.

In an effort to broaden the role of SHRM, Schuler & MacMillan, (1984) discussed HR functions being in the forefront of achieving competitive advantage not only internally but also in the value chain. Porter (1998) was instrumental in proposing the value chain concept which describes the relationship between upstream and downstream activities that a firm develops with other firms. The value chain as emphasized by Schuler & MacMillan, (1984) provides potential opportunities (“strategic thrusts”) for using HR practices in gaining competitive advantage. However it depends on which HR activity the firm excels in.

In achieving a firms’ competitive advantage it would be sensible to find a fit between firms’ business and HR strategies. The HR strategy as a SHRM initiative encompasses HR practices that would assist firms to achieve competitive advantage. The SHRM literature is strongly influenced by the Resource Based View (RBV) which argues that firms that capitalise on its internal strengths, while take advantage of opportunities and diffuse external threats have the competitive edge (Barney, 1991). In this instance the internal strengths can be associated to the importance of investing in human resource that gives good returns to the firm (Wright, McMahan, & McWilliams, 1994). Therefore Lepak & Snell (1999) justify the necessity for high investment in core workers who are treasured, limited, inimitable and not easily substituted. Within the HR architecture, “this could be viewed as a selection issue, leading to selection on the basis of values, motivation and commitment as much as competencies” (Guest, 2011, p. 8).

Therefore the following questions seem relevant in this instance, 1. Does the SHRM concept encompassing strategic recruitment and selection process be able to achieve and contribute to the SMEs competitive advantage? 2. Do SMEs have actual success in recruiting talents who are likely to be successful in their jobs (Breugh & Starke, 2000)?

Although there are models on recruitment and selection but its fit as a strategic element with the SHRM concept in SMEs may be still unclear. Breugh & Starke (2000) argue that although there is a mix of pessimism and optimism in the recruitment literature, there is still frustration over the lack of progress in understanding the recruitment process.

A REVIEW OF RECRUITMENT AND SELECTION CONCEPTS

The recruitment and selection dimension is viewed as an integral component of Human Resource Management function. There are several reviews highlighting recruitment, independent of selection, as an important aspect of HRM (Breugh & Starke, 2000; Taylor & Collins, 2000; Rynes & Cable, 2003). However it is interesting to note that Breugh (2013) laments that the various research on recruitment is disjointed and without a clear connection between variables that interlink the recruitment process.

In the past the recruitment and selection function has been categorised and perceived as a traditional HR function without much significant role or function (Storey & Wright, 2001, as cited in Millmore, 2003). The recruitment and selection dimension is now strategically driven with significant development in its “focus and sophistication” (Millmore, 2003). The strategic recruitment and selection focus is based on the development of strategic management and human resource management thought. This following section will provide an overview of the theoretical contributions towards the literature on recruitment and selection.

What Constitutes Recruitment?

In order to have a distinct understanding of recruitment and selection, a review of the various definitions would be useful. Even though both the recruitment and selection functions are closely inter-related, but for the purpose of critical understanding it would be useful to differentiate both individually. The below definitions on recruitment give an indication of the focus and purpose of this process in the organisation.

Definition by Rynes,

“encompass all organisational practices and decisions that affect either the number, or types, of individuals that are willing to apply for, or to accept, a given vacancy” (1991, p. 429).

Definition by Breugh,

“employee recruitment involves those organisational activities that (1) influence the number and/or types of applicants who apply for a position and/or (2) affect whether a job is accepted” (1991, p. 4).

Definition by Barber,

“recruitment includes those practices and activities carried on by the organisation for the primary purpose of identifying and attracting potential employees” (1985, p. 5).

Drawing on Barber’s (1998) definition, Taylor & Collins defined recruitment as, “...the set of activities undertaken by the organisation for the primary purpose of identifying a desirable group of applicants, attracting them into its employee ranks and retaining them at least for the short term” (2000, p. 4).

The definitions above “emphasise the organisation’s collective efforts to identify, attract and influence the job choices of competent applicants” (Mayson & Barrett, 2006: p. 869).

Definition of Selection

Selection is defined as an organisation activity “aimed at choosing people for the fulfilment of jobs” (Roe, 1998, p. 5). The process involves selecting an applicant whom the recruiter predicts will contribute the maximum to the organisation. Ideally selection is finding a seamless fit between the applicant and the employer criteria. However in conditions of tight labour market what employers desire especially when they try hard to search and what they get may possibly be in contrast (Keep & James, 2010). The recruitment of competent and right talent is rather difficult in a tight labour market particularly in professional, information/knowledge based, technical and service occupation (Mayson & Barrett, 2006).

The Strategic Recruitment and Selection Models

The significance of recruitment and selection in HRM and its progression into a strategic role is strongly influenced by the development HRM as a strategic business partner. The strategic positioning of HRM, on equal footing with organisational strategic initiatives at top levels is seen as a catalyst towards putting HRM policies as integral components in sustaining competitiveness. Over the past 20 years the significance of knowledge, skills and abilities (KSAs) towards organization performance has become more recognized (Breaugh & Starke, 2000). Recruitment and selection has been labelled as traditional with its fundamentals embedded in psychometric model (Storey & Wright, 2001; Newell & Rice, 1999; as cited in Millmore, 2003). The essence of recruitment and selection has changed by becoming more strategic (Millmore, 2003) where the emphasis is not merely the fit with job specific criteria but rather organisation characteristics (Bowen *et al.*, 1991).

The Strategic HRM definition by Wright & McMahan as “the planned human resource deployments and activities intended to enable the firm to achieve its goals” (1992, as cited in Wright & McMahan, 2011, p. 93), is consistent with the arguments put forward earlier. The definition emphasises the impact of HR practices on human capital and Combs *et al.*, (2006) argues the consistent relationship between firm performance and HR practices. Organisations competitiveness is dependent on the staffing process whereby the right talent which is valuable, rare, hard to imitate and have no substitutes becomes its source of advantage (Barney, 1991).

In Breaugh’s (2008) model of recruitment four phases are described as the key process in attracting the right talent. First the recruitment objectives need to be established which may include several aspects i.e. determining what type of employees are required in terms of knowledge, skills, experience and attitude, the vacant positions that are to be filled, how to attract the right candidates. Once the employer establishes a clear recruitment objective, the second phase is developing a strategy that can fill the vacant position whereby various questions such as, when and where to recruit, who should be the recruiters etc. The third phase involves the specific recruitment activities such as job postings on various print and electronic mediums or outsourcing these activities to recruitment agencies or executive search consultants. In principle it is to determine what ways can be used to attract the right candidates. The fourth phase is to evaluate the outcomes of the first three phases of the recruitment exercise. Between the third and fourth phase of the recruitment process the intervening job applicant variable emphasises how important it is for organisations to consider the applicant’s fit with the job and the organisation.

Drawing on research focusing on SHRM (Barney & Wright, 1998; Lengnick-Hall *et al.*, 2009; Boudreau, 1998; Lepak & Liao, 2006), the relevance and importance of the fit between recruitment and the resource based view of firm is aptly reviewed based on five criteria by Taylor & Collins, (2000). First, recruitment adds value when the process contributes to higher labour efficiencies and/or it translates into what customers perceive about the product or service. Beyond this it may also create indirect value by the attraction of talented applicants who have the calibre to enhance differentiation of organisation products or services. Second, strategic recruitment practices may facilitate to identify, attract or tap and retain the right talent. They would possess rare and valuable skill sets or attributes which are not available to the competitors. Third, is the recruitment processes utilised in acquiring talent and complemented by various unique HR “bundles” that may be difficult to be imitated or replicated by competitors. Fourth, the recruitment strategy is “non-substitutable”. In this instance it is innovative, cutting-edge, unique and specific in the context of the organisation. Fifth, the recruitment strategy must horizontally integrate with other HR practices. HR practices cannot function as silos rather there must be a strategic alignment of all HR practices to attain high levels of performance. Employees in a firm are regarded as valuable and in combination with the processes employed in managing them, the human resource can be regarded as a source of competitive advantage (Mayson & Barrett, 2006).

In an exhaustive review of recruitment theories by Chapman, *et al.*, six broad factors were identified and construed as “predictors of applicant attraction” (2005, p. 929). These factors among others focused on the characteristics of the job and organisation, the recruiter characteristics, perceptions associated with the

recruitment process, the perceived fit between person and job, and the person and organisation, the perceived substitutes and the hiring expectations. The 'perceived fit' element as compared to the other factors points to the fact organisations would need to examine their Recruitment and Selection processes to determine whether it ascertains the relevant fit between the applicant (the person) and the organization or job, i.e. P-O fit and P-J Fit. Bretz Jr & Judge, (1994) categorises four different conceptualisations of fit, 1) the congruence between job requirements and individual knowledge, skill, and abilities, 2) the degree of fit between individual requirements and organisation structures, 3) the congruence between individual's value systems and organisational culture or value systems and 4) individual personality and the organisations' perceived image.

According to Millmore (2003) the positioning of Recruitment and Selection as a strategic practice can be based on three integrated and interdependent factors.

1. Strategic integration which is the alignment between corporate strategy and employee behaviour. In this instance it "involves the translation of mission statements and/or strategic plans into those employee attributes which are seen to be critical to their successful attainment" (2003, p. 91).
2. Long term focus is the development of recruitment and selection practice into a critical HR function with portrays qualities that can identify the right talent who is able to manage the firm effectively in the long run.
3. "Translating strategic demands into an appropriate recruitment and selection specification" (2003, p. 90) basically means how corporate plans are translated into HR practices and implemented organisation wide. The central element here would be a formalised HR planning function that is able to bridge these two factors when managing the staffing process.

The framework of the recruitment process as proposed by Dineen & Soltis (2010) integrates recruitment models by Barber, (1998); Breaugh *et al*, (2008, cited in Breaugh, 2008); and Rynes & Cable, (2003). As the integrated model suggests there are three stages in the recruitment process.

Stage 1

It indicates that prospective job applicants make decisions to apply for a job when organisations put effort in generating viable candidates. Two strategies are used at this stage that emphasise targets and messages. Targeting strategies focus on timing and types of prospective candidates sourced whereas the messaging strategy looks at the various sources used to recruit, in this instance the web, social media etc.

Stage 2

It requires maintaining the status of the potential applicants. The important consideration at this stage is now the perception towards fairness and the timeliness of the selection process. Interaction between job applicants and recruiters become an important element of the recruitment process. The effect recruiters have on the job applicant prior and post application is a notable component of the overall process. Enquiries, site visits and information disseminated to job applicant could influence the applicant decision choice.

Stage 3

The post offer closure when the applicant is now offered a job and the decision to accept is dependent on the timing of the offer and the competing offers by other competitors. It indicates the process variables that are significant at each stage as it involves several aspects that would assist in identifying potential applicants. Recruiters who are able to establish strong social networking, communication and signalling, negotiations and influence of applicants in job choice decision making would be able to hire talent at the right time. The broad overarching consideration over the recruitment process is the environmental and contextual elements. What this means is at any stage of the recruitment process firm-level characteristics, vacancy and labor market aspects need to be taken into account.

REVIEWING THE CONCEPT OF FIT IN THE SELECTION PROCESS

The Person-Environment (P-E) Fit

What would constitute the fundamental aspect of staffing in organisation? The growing interest and importance of 'fit' in selection research is based on the fascination among practitioners and scholars on the Person Environment (P-E) fit. The range of PE research encompasses fields such as vocational psychology, personality theory, social psychology and personnel selection (Schneider, 2001). The concept of P-E fit is derived from the interactionist theory of behaviour (Chatman, 1989; Muchinsky & Monahan, 1987), which has its roots in Lewin's (1951) research that proposes "behaviour is the function of the person and the environment" (Sekiguchi, 2004, p. 180). The theory "asserts that neither the personal characteristics nor the situation itself can determine the differences in attitudinal and behavioural variables. In contrast it is the interaction of personal and situational variables that accounts for greatest variance" (Sekiguchi, 2004, p. 268; Muchinsky & Monahan, 1987, p. 180).

The influence of the P-E fit construct is evident based on the various investigations specifically focusing on the various P-E fit. The notion of P-E fit is basically an individuals' compatibility with various

systems in the work place (Kristof-Brown, Zimmerman & Johnson, 2005). In simple terms it is taking into account the combined characteristics of the person and the environment. This combination of characteristics is defined as the fit between applicant and the job. In the P-E fit construct, the 'P' element is the cognitive abilities, knowledge, skills, personality traits, characteristics, experience, education, values and goals (Vianen, 2000; Morley, 2007; Edwards, 1991; Carless, 2005). The E element can include organisational climate, work conditions, culture, values, systems, goals, job demands, reward systems and collective attributes (Kristoff-Brown & Guay, 2010). The dimensions of research on P-E fit developed further into relationship between person and behaviour, and Kristof (1996) looked at different forms of these fit e.g., person-job; person organisation; person-vocation; person-group; supplementary; complementary and etc. Schneider (2001) argues that the P-E concept is pervasive as it requires the need to think about the person and situation when you reflect on the cause of a particular set of behaviours. This is "a syndrome with many manifestations" (Schneider, 2001, p. 142). With the concept of fit evolving into many forms, it is pertinent to look at the operationalization of this fit although there have been various debates on this (Edwards, 1994).

The concept of P-E according to Schneider (2001) is made of two traditions which is the individual differences and organisational psychology traditions. The individual differences tradition consists of three approaches, personnel selection, vocational interests and personality. In the context of personnel selection the important model is the implicit theory of fit. This model identifies a job based on knowledge, skills, abilities and other attributes (Schneider, 2001). The focus is on the requirements of the job, meaning the job attributes would remain constant and organisations would need to identify people who have knowledge, skills and abilities that can fit into this job attributes. The second approach is associated with Holland's (1997) work on vocation where it states that people experience job fulfilment and adjustment when their interests fit the environment where they work in. The third approach is on assessment of personality Mischel, (1968, as cited in Schneider, 2001) argued that it is the situation that produces the behaviour and not the personality. The organisational psychology tradition focuses on the environment variable and research in this area views the individual attribute as the moderator (Schneider, 2001).

Even though there is considerable amount of literature on the P-E compatibility, it is still unclear on what actually represents the characteristics of a good fit (Muchinsky & Monahan, 1987). Most would explain it as probably a good match between two elements or they complement each other. Basically there are two types of fit, which are the supplementary model of P-E fit and complementary model of P-E fit. The context of supplementary fit is when a person perceives that he or she portrays features that are similar to others who also possess these similar characteristics in the environment; a model of person to person fit (Muchinsky & Monahan, 1987; Sekiguchi, 2004). Complementary fit is the persons making whole or adding to the environment, characteristics that are missing (Muchinsky & Monahan, 1987). The complementary fit forms the fundamental basis in most hiring practices. One example would be the requirement in a job analysis for an accountant would be the emphasis on numerical or quantitative skills. The selection of a most suitable applicant therefore is based on this numerical or quantitative ability. The variance between the complementary and supplementary types of fit is explained in the definition of environment. Muchinsky & Monahan explains that the environment in "the supplementary model is described according to the people who inhabit it" whereas "in the complementary model, the environment is defined apart from its inhabitants" (1987, p. 272). Among all these various forms of research on P-E fit the widely researched is in the area of P-J fit and P-O fit (Sekiguchi, 2007; 2004; Kristof, 1996; Morley, 2007).

The Person - Organisation (P-O) Fit and Person – Job (P-J) Fit

How does the P-O and P-J fit complement the recruitment and selection practices? The P-O fit is defined as the compatibility or the alignment between the characteristics of the person and the organisation or environment (Kristof, 1996; Sekiguchi, 2004). The origins of the P-O concept can be traced back to the Attraction-Selection-Attrition (ASA) framework (Schneider, 1987) which establishes that there is a tendency for organisations to attract and select people who portray similarities with those who are employed in the organisation, and those who are unable to fit in will eventually leave.

The ASA framework is derived from what Schneider proposed, "environments and people are not separable and that the people in an environment make it what it is" (1987, p. 440). The "attraction" component illustrates a prospective job applicant's attraction towards a particular career is based on the personality and interests. This is consistent with conclusions in vocational psychology (Holland, 1985, as cited in Schneider, 1987). "Attrition" on the other hand describes that people who cannot adapt or fit in with an organisation will be likely to leave. This demonstrates that a good fit is when there is compatibility between "individual expectations and the reality of organisational life, the higher the job satisfaction and the longer tenure" (Premack & Wanous, 1985, as cited in Schneider, 1987, p. 442). The third component "selection" centres on competencies, goals and similarities. Organisations source for people who possess different sets of competencies to not only fulfil their

organisational goals but who also portray homogenous characteristics with current organisation members (Schneider, 1987; Schneider, Goldstein & Smith, 1995; Slaughter, Stanton, Mohr, & Schoel, 2005).

According to Bretz Jr & Judge, (1994) there are four different conceptualisations of fit,

- 1) the fit between job requirements and individual knowledge, skill, and abilities,
- 2) the degree of fit between individual requirements and organisation structures,
- 3) the fit between individual's value systems and organisational culture or value systems and
- 4) the fit between individual personality and the organisations' perceived image.

P-O fit is greatly desirable not only because of the encouraging work based outcomes but also its effect in "job seeking intentions, job and career satisfaction, psychological strain, organisational citizenship behaviours, knowledge acquisition and sharing, ethical conduct, organisation identification, job performance and turnover" (Morley, 2007, p. 111).

There are numerous positive organisational outcomes that relates to high degree P-O fit. Research indicates the significance of P-O fit and the strong correlations towards work related outcomes especially job satisfaction, organisation commitment and satisfaction (Hoffman & Woehr, 2006; Kristof-Brown et al., 2005). A vital dispute in the P-O fit literature is the approach to operationalise this construct. Kristof-Brown *et al.*, (2005) emphasises congruence between individual and values as the crucial approach in operationalising the P-O fit. Another approach used is the congruence of goals.

The fundamental basis of determining the P-J fit is the job analysis. The job analysis as a HR tool is significant as it has influence in all aspects of the HRM functions among others recruitment and selection, performance appraisals, compensation schemes and as feedback mechanisms. A detailed job analysis clearly outlines the specific job responsibilities, tasks, duties and expectations required in a job. In relation to this the P-J fit has strong correlations to job satisfaction, organisation commitment and satisfaction similar to the P-O fit dimension. The research area of P-J fit is based on common themes apparent in industrial/organisational psychology and organisation behaviour research. The prominence is the congruence of person and job in predicting individual and organisational outcomes (Edwards, 1991).

Traditionally managers assume the important outcome of the selection process and job performance is the link between KSAs and critical requirements of the tasks (Bowen et al., 1991). This is referred to as the Person- Job Fit. Therefore drawing on the selection model that establishes a P-O fit i.e. the personality and culture/climate relationship the proposed framework by Bowen *et al.*, (1991) may assist managers to rigorously rethink the traditional approach.

Step 1: Assess the overall work environment using job analysis and organisation analysis

This step involves finding a fit between the successful employee and organisation in terms of both the context and content of the job using instruments such as job analysis, position analysis, critical incidents, task inventories and organisational analysis (a diagnosis of subsystems, example; individuals, tasks, organisational arrangements, informalities).

Step 2: Infer the type of person required. This is based on technical knowledge, skills and abilities, social skills, personal needs, values and interests, personality traits. This step is more than the conventional KSA assessments. It is examining the employees' personality (values, needs, interests) and social skill. The selection challenge is to find a balance between technical skill and personality to ensure appropriate fit.

Step 3: Design rites of passage for organisation entry that allow both the organisation and the applicant to assess their fit. This would be tests of cognitive, motor and interpersonal abilities, interviews by potential co-workers and others, personality tests, realistic job previews, including work samples

This step uses multiple tests to ascertain the applicant suitability in this instance P-J fit and P-O fit. The positive effect would be the better informed job acceptance decision choice for applicants.

Step 4: Reinforce person-organisation fit at work. It is reinforcing skills and knowledge through task design and training, and reinforcing personal orientations through organisational design. This step is an integration with various other HR practises that invokes effective team function and involvement. It is a reinforcement of characteristics and behaviours identified when hiring and expected to represent in the workplace.

The applicants' 'perception of recruitment –selection process' is a factor in determining their decision to accept a job and join the organisation (Ryan & Ployhart, 2000). Chapman *et al* (2005) in their meta-analytic research on "Applicant Attraction to Organization and Job Choice", identifies four variables that are useful to measure recruiting outcomes:-

1. 'Job pursuit intentions' reviews the intention of applicants to pursue a job, the desire to apply and attend interviews.
2. 'Job organization attraction' whereby applicants overall evaluation of the attractiveness of the job and the organization. The second point is further reflected based on three aspects;
 - a. is the job attractive to the applicant
 - b. is there a desire to work in the organisation and
 - c. the perceived view of the company as the best place to work.

3. 'Acceptance intentions' is the likelihood of applicant accepting the job offer. An example illustrating this point is "how likely are you to accept a job offer from the company".
4. 'Job choice' where the applicant making a decision whether to accept an offer or decline an offer, when or if, the job offer is made. In their findings the fourth variable explains the issue "proved to be the strongest predictors of the attitudinal attraction outcomes" (Chapman *et al.*, 2005, p. 938). In other words how applicants view the fit between their KSA's and organizational needs is not only significant but an important consideration.

HRM PRACTICES IN SMEs: THE METHODOLOGY

Definition of SMEs

There has not been any common or universal definition for SMEs. Countries across the globe have specific criteria used to define SMEs primarily due to the different nature of these SMEs. Most countries use number of employees as they main criteria whereas others use firm's assets and revenue as the additional criteria. Small and Medium Enterprises (SMEs) have been recognised as a key catalyst in directing a nation's economic and technological growth in various countries across the globe. In Asia, in countries such as Japan, Korea, China and Philippines over 90 per cent of firms in these countries comprise of SMEs. In the United States, 99.9 per cent of enterprises are SMEs and roughly half of the 120 million non-farm private sector employees are employed in SMEs and they contribute significantly towards employment and innovation (Hammer *et al.*, 2010).

SMEs in Malaysia are defined based on two criteria which are annual sales turnover or number of full-time employees in the respective sectors as seen in Table 1.0. The SME Corporation Malaysia announced that new guidelines defining SMEs would come into effect from 1st January 2014 and the following factors reflected the changes; inflation, structural changes and change in business trends, in the Malaysian economy since 2005.

TABLE 1. DEFINITION OF SMEs BY FULL-TIME EMPLOYEES AND ANNUAL SALES TURNOVER

Category of SMEs	By Full-time Employees Sector	
	Manufacturing, Manufacturing-Related Services and Agro-based industries	Services, Primary Agriculture and Information & Communication Technology (ICT)
Small	5 – 75	5 – 30
Medium	75 - 200	30 – 75
	By Annual Turnover (RM)	
Small	300,000 – 15,000,000	300,000 – 3,000,000
Medium	15,000,000 – 50,000,000	3,000,000 – 20,000,000

Source: SME Corporation Malaysia.

Notes: SME Development Council., (2012c, p. 179).

The profile of SMEs in Malaysia as reported in the 2011 Economic Census indicates a total of 645,136 SMEs which is 97.3 per cent of the total enterprises in the country. With the new guidelines issued by SME Corporation Malaysia (2014), the total SMEs now stand at 653,000 which represent 98.5% of all establishments. The statistics also indicate that majority of the SMEs are in the services, manufacturing and construction sectors. The Economic Census 2011, Profile of SMEs report also indicates that 40.1 per cent or almost 1.5 million workers were employed by small business enterprises, which means on average a small enterprise employs 11 workers. A medium sized enterprise employed 859,000 workers or 23.4 per cent, which means on average 43 workers per enterprise. This is illustrated in Table 2.0

TABLE 2. NUMBER OF WORKERS BY TYPE OF ENTERPRISE (DOES NOT INCLUDE MICRO ENTERPRISES)

Category of SMEs	No of Workers	Per cent	Average Workers Per Enterprise
Small enterprises	1,500,000	40.1	11 persons
Medium enterprises	859,000	23.4	43 persons

Source: Adapted from Economic Census 2011.

Notes: Profile of SMEs, Department of Statistics Malaysia (2011).

Sampling Methods

Five educational databases were used to identify and determine the relevant articles. These are “Business Source Premier (EBSCO)”, Emerald Insight, ABI/Inform Global (ProQuest), Scopus, and SAGE. In addition more general academic database such as “Google Scholar” was also used to widen the scope of literature search. There were no specific time frames set purely due to the scarcity of research in the context of Malaysian SMEs. The commitment to develop SMEs in Malaysia has been at the forefront since 1970s and is evident in the Industrial Master Plan (IMP2, ending in 2005), followed by the Third Industrial Master Plan (IMP3) 2006–2020, which coincides with the country’s vision for 2020 (Saleh & Ndubisi, 2006). The initial search parameters using words such as “Recruitment and Selection in Malaysian SMEs” did not yield any specific articles. However redefining it into “Human resource management practices; Malaysian SMEs” and “Establishing fit in Malaysian SMEs” produced a few more articles however the search was not very encouraging. It typically indicates that research in human resource management, in particular recruitment and selection, is inadequate and more enriching output is needed. Only 11 articles that had some relation to HRM practices in Malaysian SMEs were available. Using the term “SMEs in Malaysia” generated hundreds of articles however many were non-HR related research. There were some conference proceedings papers but were not included as they were mainly preliminary studies.

ANALYSIS AND RESULTS

Review of HRM Practices in Malaysian SMEs

There are several studies that focus on HRM practices in Malaysian SMEs but they are limited (see Table 3.0). The studies indicate the inadequate range of research on HRM practices. The extent of HRM research in Malaysian SMEs is at an embryonic stage. The limited range of studies in itself points to the need to develop HRM research more extensively in the local SMEs in particular specific HR practices that may have significant impact in the overall functions of the firms such as recruitment and selection, compensation and training and development.

TABLE 3.0: REVIEW OF HRM PRACTICES IN MALAYSIAN SMEs

No	Authors/Year	Dimension of HR Research	Methodology	Findings
1	Hooi, L.W. (2006)	Extent of E-HRM practices in SMEs	Quantitative research, using mainly primary and some secondary data survey. Sample size received 90 (of 400 questionnaires) from SMEs.	Conventional HR practices are more prevalent due to lack of financial resources and expert know-how. However most are receptive to E-HRM.
2	Ismail, R. (2006)	The impact of human capital attainments on SM industries output or labor productivity	Quantitative research using field survey and regression analysis Sample size 138	Small and medium industries require workers with education for value added growth. Investment in human capital through training and development is important.
3	Hassan, A. (2010)	The link between quality assurance and HRM in SMEs	Quantitative research - using Rao's (2007) audit questionnaire. Sample size of 230 respondents from 10 SMEs.	The emphasis and focus was more on getting quality assurance processes right. HR aspects and role of department were marginal.
4	Osman, I., Ho, T.C.F., Galang, M.C. (2011)	The importance and relevance of HR departments in SMEs Its effect on employee job satisfaction The significance of HR practices in SMEs	Quantitative research, using mainly primary data survey. Sample size of 43 (of 200 questionnaires) from SMEs.	Having HR departments enhance employee satisfaction HR departments' role in providing training and development is crucial as it encourages growth and development.
5	Subramaniam, C., Mohd Shamsudin, F., Ibrahim, H. (2011)	Link between HR practices and organisational performance	Quantitative research, regression analysis. Sample size of 84 (of 200 questionnaires) from SMEs.	Compensation, information sharing and training and development were considered as affecting organisation performance.
6	Zakaria, N., Mohamed Zainal, S.R., Mohd Nasurdin, A. (2011)	Importance of HRM practices towards organisation performance	Conceptual paper	Malaysian SMEs lacks effective HR practices.
7	Poorangi, Wong, Khin, & Rahmani (2011)	The effectiveness, practicality and managerial implications of	Empirical paper. Random sampling of 60 participants	SME recruitment policies are determined by CEO (owner). If the e-recruitment

		e-recruitment practices		practices are implemented it is to speed up traditional processes and improve communication among multicultural workforce.
8	Mat Zin <i>et al.</i> (2012)	The utilisation of a motivation model as HR practice towards employee retention	Conceptual paper	Firms adopting strong employee attachment initiatives through specific cultural, motivation and benefits strategies.
9	Rosli, M.M., Mahmood, R. (2013)	The effect of HRM practices, entrepreneur training on innovation and firm performance	Quantitative research, multiple regression analysis. Sample size of 284 SMEs.	Training of employees and entrepreneurs are crucial in sustaining firm performance. Cultivating innovation in SMEs is dependent on training and development programmes.
10	June, Kheng, & Mahmood (2013)	The relationship that may exist between three variables comprising of competency, person-job fit and the employees' job performance in the context of service SMEs.	Quantitative method, a sample of 324 responses was collected using a mail survey from 1500 distributed questionnaires	The findings indicate that both competency and person-job fit is significantly related to the job performance of employees in the service SMEs. Employees perform better and enjoy their work when the person-job fit dimension is realised.
11	Abd Razak, N., Wan Rashid, W.E., et al (2013)	Establishing a link between the knowledge and HRM processes in SMEs	Conceptual paper	Paper proposes a knowledge transfer model consisting of three dimensions knowledge creator, knowledge dissemination and knowledge taker which becomes the determinant of HRM processes (e.g. R&S).

The mentioned studies focus on general HRM practices in SMEs in areas that have effect on job satisfaction, organisation performance, labour productivity, quality assurance and e-HRM. However in terms of specific HRM practices research, in this instance recruitment and selection, there were none identified on Malaysian SMEs. Two research papers on e-recruitment and the relationship between competency, person job fit and job performance are the closest associated with recruitment and selection.

DISCUSSION

The Paucity of HRM Practices in SMEs

Research on HRM practices in SMEs is fragmented, scant and feeble. Between 1990 – 1997 only 17 empirical articles were written and in an analysis of 37 articles on management needs of SME's, there is no clear distinction between small and large enterprises therefore these articles fail to clarify the various HR challenges and how they are overcome (Heneman, *et al*, 2000; Cardon & Stevens, 2004). In SMEs the priority functions are marketing, finance, accounting and production whereas HRM functions are less important, managed by the SME owners who lack the competence in managing or implementing HR practices such as recruitment, selection, training, appraisals and incentive or compensations schemes (Hornsby & Kuratko, 2003). The HRM practices most common tend to be operational and very informal. The informal nature with no specific formal HR work practices forms the substance in managing the firm. Informal relations can be defined as “a process of workforce engagement, collective and/or individual, based mainly on unwritten customs and the tacit understanding...” (Ram *et al*. 2001, p. 846).

The relationship between the owner and employee, as described by Marlow, “is influenced and shaped by the spatial and personal proximity between owner-managers and their employees with an emphasis therefore on the social relations of production.” (2006, p. 472). The lack of formal processes in SMEs has its advantages with faster decisions, clear instructions and communication (Dundon & Wilkinson, 2009). Bacon *et al.*, (1996) underscores the relevance and importance of this informality as it indicates the competitive advantage in the development of HRM in SMEs primarily due the organic nature of the enterprise, the flat hierarchy and the need to respond fast to the demands of customers and the market. There are concerns raised especially the traditional universal HRM approach that is seen as departing from the norm and leaning towards the contingency perspective which aligns HR policies according to themes, employees and time (Andersen, 2003). Despite the concerns that SMEs lack the appropriate HRM expertise it is suggested that networking and collaboration with other enterprises would generate knowledge transfer of HRM practices (Bacon & Hoque, 2005).

Furthermore when Hornsby & Kuratko re-examined their original 1990 studies, they were quite surprised that HRM practices in SMEs had stagnated and faded over the period of 10 years, in fact it was “puzzling and a cause for concern” (2003, p. 88). A principal proposal is to employ HR experts in SMEs to ensure effective HRM practices are established.

The Shortcomings of Recruitment and Selection in SMEs

The extent of research specifically on strategic recruitment and selection is very limited in SMEs. Although there is some focus on recruitment and selection literature but several authors believe that growing firms lack three important factors. The first factor is the poor strategic planning and focus, secondly the competition with large firms for human resource and lastly, growing firms are not the first choice of applicants (Mayson & Barrett, 2006; Heneman & Tansky, 2002).

In small organisations the process may be managed by one person who determines the relevant factors and requirements for the job. Therefore the recruitment and selection stages and processes may not be systematic and highly sophisticated rather the approach would be at best, rudimentary and modest. This may lead to several hiring blunders such as not following proper selection process, scarce information of candidates, disregarding information, falling for candidates' overpromises and trusting completely the hiring staff's assessment (Boatman & Eker, 2012). In SMEs the strategic recruitment and selection perspective is to determine the appropriate strategy. According to Windolf (1986), the choice of a recruitment strategy is dependent on two variables which are environmental constraints and the “internal resources of the organisation” (p. 238):

The choice of recruitment strategies based on these variables is demonstrated in Windolf's typology of recruitment strategies. Out of the four dimensions, three are considered as useful strategies for SMEs. First, the innovative recruitment strategy uses various recruitment sources to attract a diverse and as many innovative and creative candidates possible (Windolf, 1986). Second the autonomous recruitment strategy uses specific recruitment channels and the ideal candidate is defined based on age, sex and skills (Orlitzky, 2007; Windolf, 1986). Third, the flexible recruitment strategy is normally used when the firms' market position is weak, therefore it needs to adapt and respond to the changing environment (Orlitzky, 2007). The other strategies typically demonstrates weak strategic thinking and professional expertise, unsophisticated recruitment and selection practices (Orlitzky, 2007; Windolf, 1986), which is typical in many SMEs The status quo recruitment strategy is conservative, traditional and attracts only similar pool of applicants by using referrals and networking.

A Recruitment & Selection Process Proposition for SMEs

It is apparent that SMEs in general have informal, unstructured, unsophisticated and weak HRM practices

without any strategic element (Dundon & Wilkinson, 2009; Orlitzky, 2007; Windolf, 1986). Even though SMEs exhibit or face these shortcomings it is also essential to review SMEs perception of an ideal candidate in the recruitment and selection process. In a qualitative research report published by Department of Work and Pensions, UK on recruitment decisions in SMEs, the factors considered as key elements for recruitment include flexibility, competence, reliability, stability, proximity to work (location), attitude towards work, personality and honesty (Davidson, 2011, p. 2-3). In the context of recruitment and selection these range of eight factors are seen as vital, as it relates to the necessities and business requirements of the SMEs. These identified range of factors in employers recruitment decision is derived from two components, the recruitment stages and the employer considerations.

Employers considered the vacant positions as important and crucial for their business therefore their concern is to ensure candidates who are successful can perform their jobs effectively. Effective hiring decisions mean that a systematic and detailed examination of knowledge, skills and experiences required for job success, having an accurate mix of pre-employment tests, effective behavioural interviewing and realistic job previews (Boatman & Eker, 2012). Recruitment in general consists of four stages: a review on the necessity to hire and fill a vacant post, a job analysis, the creation of a person specification and job description (Carroll *et al.*, 1999). In the context of Malaysian SMEs an effective recruitment and selection process ideally should be structured and strategic in nature.

The recruitment and selection process incorporates several theoretical models (Breaugh & Starke, 2000; Breaugh, 2008; Dineen & Soltis, 2010; Davidson, 2011; Bowen *et al.*, 1991). In SMEs the recruitment process can be strategic if the stated recruitment objectives, strategy, activities and applicant factors are considered carefully. The use of innovative, flexible and autonomous strategies in attracting talent in SMEs is very crucial taking into account there are 645,136 SMEs in Malaysia

In the context of the proposed strategic recruitment and selection process for SMEs, the person-job and person-organisation fit (Muchinsky & Monahan, 1987; Scheider *et al.*, 1995; Schneider, 2001; Sekiguchi, 2004; Kristoff-Brown & Guay, 2010; Lauver & Kristof-Brown, 2001; Morley, 2007), is the determinant towards talent retention and SME competitiveness. Even though literature shows evidence of discrete research in recruitment and selection but in the context of application of this process it is deemed and treated as a crucially complementary function. The outcome of an integrated and strategic recruitment and selection process moderated by the person –job/organisation fit is primarily based on employer and environmental consideration (Dineen & Soltis, 2010; Davidson, 2011), comparing strategic recruitment and selection outcomes against the initial recruitment objectives (Breaugh, 2008; Breaugh & Starke, 2000; Dineen & Soltis, 2010; Davidson, 2011) and actions prescribed to reinforce the person-job/organisation fit (Bowen *et al.*, 1991; Edwards, 1991).

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