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## **Employment relations in small- and medium-sized enterprises: insights from Ghana**

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This study examines employment relations in small- and medium-sized enterprises (SMEs) in Ghana. This is done through in-depth case studies of three private firms in the service sector. A review of the extant literature on SMEs revealed a dearth of knowledge on employment relations in SMEs in Africa. Previous research into SMEs in developing countries – and Africa in particular – has focused on economic policy initiatives, problems in raising capital and obstacles to the development of SMEs. In an attempt to fill the gap in the literature, this study uses recruitment, selection and retention, remuneration, discipline and welfare practices to explore the nature of employment relations, the factors that influence and shape them, and the extent of informality involved. The findings cast doubt on the stereotype: small implies/equals informal employment relations in SMEs in Ghana. The study also identifies the factors that influence employment relations and, in addition, reveals that under competitive pressures, SMEs have developed employment relations systems that enable them to have a competitive advantage in their product market/service delivery.

**Keywords:** economic development; employment relations; Ghana; human resource management; informality; Small- and medium-sized enterprises; sub-Saharan Africa; trade unions and labour law

### **Introduction**

The importance of small- and medium-sized enterprises (SMEs) to employment creation has received considerable attention in the literature in recent years (Hornsby and Kurato 1990; Ivy 1997; Katz, Aldrich, Welbourn and Williams 2000; Tanskey and Heneman 2004; Harney and Dundon 2006). In addition to employment creation, SMEs are essential to economic development in developing countries (Nguyen and Bryant 2004). In fact, in many developing countries, SMEs are seen as the engines through which economic growth objectives can be achieved (Lee and Rondinelli 1993; Kayanula and Quartey 2000). This is particularly true in Africa where governments have been providing technical, institutional and financial support to SMEs since the inception of Structural Adjustment Programmes (SAPs) in the mid 1980s.

While research on SMEs in Africa has focused on policy issues such as the promotion of SMEs, how SMEs have responded to economic policy initiatives, constraints that SMEs face in raising capital, obstacles to developing SMEs, etc (Helmsing and Kolstee 1993; Miller and Levin 1993; Aryeetey, Baah-Nuakoh, Duggleby, Hettige and Steel 1994; Opoku-Afryie 1997; Steel 1992, 1994; Parker, Riopelle and Steel 1995; Mambula 2002),

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there is a dearth of research on employment relations in SMEs (Kamoche 1992, 2002; Kamoche, Mukka, Horwitz and Debrah 2004). In fact, much of the research on people management in Africa has focused on human resource management (HRM) issues in large local organisations and multinational enterprises (Kamoche 1992, 2002, 2004).

Given the relative lack of attention from industrial relations (IR) and HRM researchers to SMEs in Africa, it is important to redress this imbalance by examining employment relations in SMEs in Ghana. Hence, the objective of this study is to address the gap in our knowledge by using three case studies to explore the nature of employment relations in SMEs in Ghana.<sup>1</sup> Essentially, it attempts to answer the following research questions: in an environment of near legislative vacuum as it is in Ghana (a) what are the essential characteristics and nature of employment relations in SMEs? (b) why do SME managers attempt to develop formal employment relations practices? and (c) to what extent do SME managers formalise employment relations practices? The examination focuses on key practices pertaining to the employment relationship, namely: recruitment, selection and retention; the management of remuneration; the manner in which employees are supervised; and welfare and disciplinary issues. Although, employment relations is much broader than these we believe that these are the issues that can most clearly and concisely capture the essential features of employment relations in organisations. In a sense, we use the case studies to examine the processes and nature of employment relations in each case, draw comparisons and hence assess the applicability of theory and concepts to employment issues in a developing country context.

We start with a discussion of the theoretical/conceptual background of the paper. This is followed by a brief overview of the SMEs in Ghana. The next section deals with the research method used to collect the empirical evidence. We then move on to provide background information on the case studies and to explore the pertinent employment relations issues. The penultimate section provides the analysis and discussion of the evidence. The final section considers the conclusions of the study.

### **Conceptual background**

In their seminal work on employee relations, Blyton and Turnbull (2004) trace the recent increase in the use of the term 'employee relations' to the 'disintegration' of industrial relations systems and the need to recast the field more broadly to include the formal and informal processes of people management in the workplace. The disintegration of industrial relations is attributed to among other things the changes in organisational environment in recent years as well as the critiques of the theoretical underpinning of the discipline (Edwards 1995; Wajcman 2000; Ackers and Wilkinson 2003). In line with the critique of the discipline it is pointed out that the term 'employee relations' is a more popular term in the literature and it is often used interchangeably with HRM but perhaps employment relations might be a better label (Edwards 2003).

In the view of Blyton and Turnbull (2004) then, the term 'employment relations' describes the distinctive characteristics of all employment relationships both individual and collective. They contend that to understand employment relations we need to locate it within the broader nature of economic activity and take into consideration the structural basis of conflict and accommodation between employer and employee. The influence of the wider society on employment relations is also emphasised. In effect, the nature of employment relations in any organisation should be seen in relation to wider socio-economic, political and legal structures.

Thus, employment relations are not just about the utilisation of human resources but the experience and expectations of labour in the workplace and wider society. It is about the formulation and implementation of policies and managing people. This includes activities aimed at enhancing the working lives of people in organisations. It is also about strategies to improve the competitiveness of firms (Blyton and Turnbull 2004). In this respect, employment relations aim at ensuring the efficient utilisation of human resources. Essentially, this involves the strategic management of people to achieve organisational success (Harney and Dundon 2006). Achieving such an objective is not an easy task not least because of the multiplicity of factors impacting on the nature and characteristics of employment relations. Having explained the concept of employee relations, we now turn our attention to an exploration of the factors that determine employment relations in small firms.

One factor that is purported to influence the nature of employment relations in small firms is size. But it is now well acknowledged that different types of SMEs have varying forms of employment relationship and that the nature of the relationship varies considerably between industries (Curran 1991; Scase 1995). The acceptance of this perspective has in fact put to rest the deterministic view that employment relations in SMEs are simply a function of size (Wilkinson 1999). It is now well known that employment relations in SMEs are characterised by complexity and heterogeneity and that, while size is an important variable, it is size together with sectoral and other influences that are important factors in shaping employment relations in SMEs (Ram, Edwards, Gillman and Arrowsmith 2001a). Hence, Barrett and Rannie (2002) argue forcefully that in assessing the nature and characteristics of employment relations in SMEs it is necessary to consider the effects of a range of factors, not simply size.

Alongside size is the issue of management style and its impact on employment relations in SMEs. It is argued that in spite of the advanced stage of development of research on employment relations in SMEs and the extensive debate on generic models of harmony and autocracy, there is still room for more research on management styles/control strategies in SMEs (Bacon and Hoque 2005). Adding a new dimension to this issue, Barrett and Rannie (2002) insist that in assessing what accounts for the different management styles used in SMEs, there is the need to go beyond simply looking inside the small firm and describing the management styles, such as paternalism, which are used to control the labour process.

This view is consistent with that of Scase (1995) who identified a diverse range of firm characteristics that account for the variation in employment relations styles in SMEs. These characteristics include patterns of ownership, levels of employee skills, access to professional management advice and relationships with other firms. Building on this work, Bacon and Hoque (2005) discuss a number of influences, both internal and external to firms that are important in explaining the variation in employment relations approaches in SMEs. These factors include the SME's internal capabilities (e.g. workforce mix and levels of management expertise) and external influences from the wider business community; relationships with larger customers; and the impact of trade unions. Any of these factors might explain the variations in employment relations styles within the SME sector.

This brings to focus the role of informality in employment relations in small firms. This is because there is ongoing debate about the issue of informal regulation in the workplace. In recent years research evidence has cast doubts on the 'long standing stereotype of "informal" small firms and "formal" large ones' (Ram et al. 2001b). We do know that in some situations large firms resort to informal regulation while small firms also do make use of formal regulation (Cully, Woodland, O'Reilly and Dix 1999).

In light of such vague evidence it would be worthwhile to examine what accounts for the use of formal and informal regulation in SMEs and how these affect employment relations in SMEs.

These issues are explored in the case studies and the discussion section but first we present a brief overview of the environment of SMEs in Ghana.

### **The context of SMEs in Ghana**

It is widely acknowledged that in Africa SMEs do not only stimulate development but are also major players in employment creation and, in this respect, poverty reduction. Governments in Africa have actively promoted SMEs since the implementation of Structural Adjustment Programmes (SAPs) in the mid-1980s resulted in the high retrenchment in the number of public sector employees and the privatisation of state-owned enterprises (Boafo-Arthur 1999; Mbaku 1999; Debrah 2000; Boateng 2001).

Ghana is now reaping the benefits of these macroeconomic and structural reforms as its SAP has been hailed a success in sub-Saharan Africa (SSA) with an average growth rate of around 4% in the 1990s. This is significant in view of the economic decline in the early 1980s. For instance the average economic growth rate in 1980 was 0.5% (World Bank 2006b). In fact, there has been a recent upsurge in economic growth with real GDP growth reaching 5.9% in 2005 (ABD-OECD 2006) and 5% in 2006 (World Bank 2006a). Despite the positive economic growth occasioned by SAP, it is generally agreed that the economy is not yet at a stage where it is capable of creating more productive and sustainable employment opportunities for all sections of the population (ISSER 2004). This is understandable in light of the persistent economic decline in the 1970s and 1980s.

Thus, while public-sector employment has declined sharply as a direct result of the SAPs, it is the private sector and, for that matter, mainly the informal sector that absorbed the retrenched workers and offers employment opportunities for new entrants to the labour market. The Ghanaian government now sees the private sector as the primary source of employment to reduce the current unemployment rate of 11.2% (or approximately 1 million people) (GSS 2002). The high level of unemployment is a consequence of insufficient economic growth, coupled with an expanding labour force. In short, annual economic growth averaging 4.7% since 1984 had been insufficient to absorb a 5% expansion of the labour force over the same period (i.e. up to 2000). It is estimated that around 230,000 new job seekers are entering the labour market every year but just 2% of them can be absorbed by the public-sector and large private-sector organisations (ISSER 2004). In Ghana, only 8.8% of the active workforce is employed in the public sector while the private sector provides employment for the remaining 91.2% of the working population. Hence, in recent years many new job seekers turn to the SMEs and the informal sector. In Ghana, SMEs employ about 15.5% of the labour force (Kayanula and Quartey 2000).

It is worth noting that in recent years the growth in employment in the services sector has come principally in the trade & commerce, finance, health and education sub-sectors which are dominated by SMEs (ISSER 2004). It is against this background that we discuss employment relations in the three case study organisations. But before that, we provide an outline of the research method adopted for the study.

### **Method**

The study was based on three case studies in finance, education and commerce and trade sectors in Ghana. The case studies were carried out in the three largest cities in Ghana.

The cases comprise a leading insurance firm (AssureCo), a top private educational firm (EduCo), and a top-of-the-range supermarket (TadiMart). AssureCo is based in Accra. EduCo is in Kumasi and provides educational services at four levels, namely: kindergarten, nursery and primary school; junior secondary school (JSS); senior secondary school (SSS); and teacher training college levels. TadiMart supermarket is based in Sekondi-Takoradi.

Following Ram et al. (2001a), a qualitative case study approach was adopted to study employment relations in the three firms. This 'multiple case logic' is in line with the long and accepted history of the use of a qualitative-oriented approach in SMEs, entrepreneurial, and management research (Ram 1999; Chetty 1996; Ram et al. 2001a; Parren and Ram 2004). It was felt that a case study would be the most effective way to carry out this research because it provides opportunities to interview owners, managers and employees on the same issues, and to determine whether there are any variations of opinion. Moreover, the case study approach makes it possible to study employment relations in a changing socio-cultural context by exploring issues pertaining to the impact of the environment on organisations. Also, as indicated by Chetty (1996), a qualitative approach makes it possible to study the factors as to why employment relations take a particular form in a firm, and the decision-making processes that produce the particular employment relations climate in that firm. Moreover, in view of the paucity of literature on employment relations in SMEs in sub-Saharan Africa, we felt that this study should take on some of the forms of an explanatory study, a traditional strength of the case study approach (Yin 1994).

This study mainly used a series of interviews to collect the data required. It involved three fieldwork trips to Ghana. The first was in January–February 2005; the second was in November–December 2005 and the third was in June–July 2006. To cope with the local knowledge/experience and challenges of conducting empirical research in developing countries, the firms were selected with the help of a consultant who is knowledgeable about the business practices of SMEs in Ghana. The consultant used his personal networks to help the principal investigator to gain research access to the firms.

In all the case study organisations the principal investigator was given the freedom to choose the staff members to interview (interviewees). A series of interviews were conducted with owners, managers and employees. None of the interviewees displayed any over-reluctance to discuss/share their views. Some of the interviews were on a one-to-one basis, while others were group interviews. Just as in Greening et al.'s (1996) research, the interviews were used to capture the interviewees' rich array of subjective experiences in employment relations in their respective firms. All the interviewees were assured of anonymity and of the confidentiality of their responses, and were further assured that only themes or patterns across the responses would be reported.

Open-ended questions were prepared and used as an interview guide. Depending on the interviewees' responses and the probing of those responses, the duration of the interviews ranged from 1 to 2 hours. The interview responses were recorded in a hand-written format. In total, 92 people were interviewed. The total number of employees in AssureCo was 62 and the interviewees were made up of 1 owner, 6 management staff and 15 non-managerial staff. TadiMart had 64 employees and the interviewees comprised 1 owner, 5 management staff and 17 non-management staff. EduCo had 87 employees and the following were interviewed: 1 owner; 7 management staff; and 33 non-management staff. The remaining interviewees were a Ghana Labour Officer, 3 trade union officials 1 Ghana Employers' Association official and 2 officials of the Ghana Association of Industries.

Following Greening, Barringer and Macey (1996), Berg (1989), and Miles and Huberman (1994), content analysis technique was used to analyse the interviews so as to identify patterns in the information provided by the interviews, and in turn to facilitate comparison in the similarities and differences in the patterns of employment relations in the SMEs. The interviewees were asked to share their views on a range of issues including approaches to recruitment, selection and retention, performance management, the management of remuneration, the manner in which employees are supervised, welfare issues, and disciplinary and dismissal issues. In the section below, we turn our attention to the case studies.

## **Case studies**

### ***EduCo***

This firm started life as a building construction company in the mid-1960s but when it acquired a preparatory school in 1972 it turned itself into an educational services firm. The school that it acquired was originally set up in 1968 by an entrepreneur but he had difficulties in recruiting pupils so it was sold to the present owner. The preparatory school was set up to prepare pupils to sit the Common Entrance Examination (the equivalent to the 11 + grammar-school entrance examination in the UK) for entry to government-assisted secondary schools. It operated as a day- and boarding-school for both boys and girls in Kumasi, the capital of Ashanti Region in Ghana. In the 1990s, the owner took advantage of the changes in the structure of the educational system in Ghana to set up tertiary educational institutions. Currently, it operates a nursery, kindergarten, junior secondary school (JSS), senior secondary school (SSS) and a teacher training institution. There is one (centralised) management at the company level responsible for recruitment and selection of staff. That is, the owner and other senior management staff are responsible for the management of staff in all the schools/institutions. In July 2006, the total student/pupil enrolment was 2,107. The units/institutions under the management of EduCo are among the leading and most outstanding private educational establishments in Ghana. Their examination results have been consistently excellent, putting these institutions in high demand by parents who are seeking high-quality education for their children. In the sub-sections below we explore thematically the employment relations issues in the organisation.

### ***Recruitment, selection and retention***

Like most SMEs there is no human resource management department (HRM) in this firm. The HRM duties are carried out by the heads of the various units but most decisions need the approval of the owner.

Again, in common with practices in most SMEs, recruitment and selection practices vacillates between formality and informality. There is an informal approach to the recruitment, selection and retention of almost all the non-academic supporting roles. Here recruitment is mainly by word of mouth or recommendation from an existing employee. The candidates are often given a short interview to determine their suitability and there is no contract of employment. For the academic (teaching) and administrative roles, staff recruitment is formal and is by means of advertisement or introduction. In either case, the person has to complete an application form and be interviewed by a panel of four or five people. All employees (academic/teaching) have a contract of employment but those who fail to achieve the required performance standard receive letters at the end of the year terminating their appointment with EduCo.

When asked to comment on the recruitment, retention and selection practices of the firm, the majority of the academic staff, as well as the support staff interviewed, indicated that they felt the recruitment system was appropriate and fair in the Ghanaian context. They indicated that the recruitment and selection system yields like-minded people and that makes the environment conducive to work. They also described employment relations as generally harmonious/cordial. It was mentioned several times that, although there is no overt conflict between the owner/management and remaining employees, there is sometimes underlying tension on issues such as welfare. However, the majority of the interviewees pointed out that the absence of overt conflict may be partly due to the fact that there is no employees' association at EduCo and that this is a deliberate employment strategy. It was pointed out that EduCo's recruitment strategy tends to reinforce the union-free environment. Apart from the academic staff at the teacher training level (here teaching qualifications are stipulated/regulated by the government), the firm tends to recruit non-government-certified teachers. Under the Ghana Education Service regulations, both qualified (those with a certified teaching qualification) and non-qualified teachers (those without PGCE (Postgraduate Certificate of Education)/or teaching certificates) are allowed to teach at primary, nursery and kindergarten, JSS and SSS levels, in both the state and private sectors. (institutions are regulated by means of periodic inspections). The firm takes advantage of this situation to hire unqualified staff. Another recruitment strategy is the hiring of retired people. The firm hires people who have retired from the state sector who are not interested in trade union representation/voice issues but rather on enhancing their retirement income. EduCo also focuses its recruitment on those who, for one reason or another, are not able to get into the state sector; for example, people who prefer to be in the urban areas and consequently have refused government posting to schools in the rural areas but who are unable to secure positions in the state sector in the urban areas. This hiring of 'safe people' strategy helps the firm to maintain a union-free environment.

When asked to comment on this strategy, the owner and managers commented that the strategy does not imply exploitation of vulnerable groups, but rather they are people who are somewhat easier to motivate and the strategy minimises labour turnover ensuring the smooth delivery of programmes. The owner of EduCo forcefully defended this strategy by focusing on the positive attributes of both groups. For older employees, the owner commented that:

At age 60 (compulsory retirement age in Ghana) most are capable and willing to work for another 5 to 10 years, if they are fit to do so. They have invaluable experience, can act as mentors to the younger employees, have a wide range of contacts which benefits pupils/students and the firm, but above all else, they are easier to manage than the younger employees... The younger employees are also very good, very bright but we can only retain them for 1 or 2 years. They usually use teaching in a private school as a stepping stone to something better, for example as a gap year to improve their grades to enter higher education locally or abroad.'

Although not indicated by the owner, these recruitment strategies are linked to the pay. It makes it possible for the firm to recruit good teachers at a relatively lower cost as such employees often moderate their pay demands. This firm derives considerable advantage in terms of cost savings in employing such people and these issues are explored below.

#### *The management of remuneration*

EduCo eschews high remuneration as a strategy to attract or retain employees. The employees mentioned that:

Salary/pay and conditions are not competitive. Relative to the state sector, the pay is not all that competitive. It is about half that of the public/state sector but compared to other private schools it is very good and we have social security so it is not too bad overall.

This was confirmed by the owner and managers. As a manager put it:

Admittedly salaries are not competitive, we cannot compete with the government but we provide other incentives to retain employees.

On this issue, the employees interviewed indicated that EduCo motivates employees with a variety of forms of financial reward such as gifts at Christmas, parties at the end of term, food items in times of food shortages, school fees' remission for employees' children, etc. The longest-serving member of staff interviewed had worked for the firm for 31 years. Another interviewee had worked for 26 years and yet another for 15 years. Most of the employees in the nursery, kindergarten and JSS levels have worked for EduCo for more than 10 years. When asked why they have stayed that long, one group of interviewees asserted that the environment fosters retention:

We derive a lot of financial benefits as a result of our association with the school. For instance, we capitalise on the reputation of the school to teach privately in the city. Also, we are allowed to use the school's premises to organise private lessons and we get to keep the proceeds... Furthermore many parents show their appreciation by giving gifts to the employees.

But perhaps more telling was the response of a group of JSS teachers:

Most of the employees not do have professional qualifications in their fields so if they leave this institution they are most likely to go to another private institution. So why not stay here?'

In such an environment employees rely on informal arrangements to improve their income but the determination of remuneration is very formal. Salary is determined according to qualifications, experience and performance (in the form of bonus based on students' examination results). Medical bills are paid and female employees get 3 months' maternity leave with pay.

### *Welfare and disciplinary issues*

It is in the area of welfare that there is some form of informality. For instance, while some retired employees are still on the payroll and are paid every month, others are not. When the owner was asked about this discrepancy, he commented that it is a 'private pension' that he gives to loyal and committed employees who have devoted many years' meritorious service to the firm. He pointed out that all employees receive their state-regulated pension from the Social Security and National Insurance Trust (SSNIT). So this 'private pension' is only at his discretion to reward those who have gone more than the proverbial extra mile. Although some of the employees perceived this as unequal treatment of employees, it was acknowledge that it is within the owner's legal right to do so.

Similarly, some employees have free accommodation provided by EduCo but others do not. On this issue, the owner commented he would have liked to provide free accommodation to all staff but it is impossible to do so currently because the employees live in his own houses but he does not have enough houses to accommodate everyone as the firm has grown in recent years. He, however, indicated that he has some buildings under construction and when they are completed he hoped to provide free accommodation to more employees. It must be noted that providing accommodation to staff is common practice in the public sector in Ghana. Again, on this issue the owner commented that the policy, although implemented informally, is fair because those who have free

accommodation are usually the old-timers who joined the firm when there were still vacancies in his houses. He mentioned that with a very low annual labour turnover it has been almost impossible for the recent employees to enjoy the free accommodation scheme. He did, however, concede that on the odd occasional where a vacancy arose in one of his houses, he uses discretion to allocate it to an employee. On the whole, while the employees interviewed did not vehemently oppose or complain about these policies, the rationale behind the discretionary aspects of the policy was not lost on them. They were perceived as perks to solicit commitment and loyalty from the employees.

### *Supervision of employees*

The interviews also explored the management style prevailing in the firm. In the area of supervision, the employees observed that the owner and the managers have an open-door policy. Of the owner, in particular, the employees commented:

If you have a problem you can go and talk to him. He knows how to deal with people. He is strict but very good. He does not play with his work, he has no favourites.

In terms of work culture, the employees talked about a general sense of informality. The employees participate in decisions regarding the performance of their roles. One group of interviewees commented that:

You can discuss issues with your supervisor in an informal but informed way. We have good relations with the managers and supervisors involve us in problem solving; a process that boosts our morale.

Such views were echoed throughout the interviews with other groups. This was consistent with views expressed by the owner. In particular, he stated that such informality does not compromise the strict enforcement of disciplinary rules. The owner stressed that:

Discipline is strictly enforced here. You must abide by the rules. This is our 'country', these are the rules. If you want to stay in our 'country', you have to abide by our rules.

The employees indicated that there is a clear schedule for all activities in the institutions. For example, there is strict quality control in the form of supervision and inspection. In view of the strict supervision by the owner and senior management, there is no opportunity for employees to waste time as perhaps there is in the state schools. The managers and owner justified the need for strict enforcement of discipline because of alleged employee indiscipline in the state sector and its adverse consequences on quality and standard of education. They cited, as an instance, the lack of respect for punctuality and attendance in the state sector and the reluctance of the authorities to dismiss employees. In EduCo, absences must be explained; otherwise they deduct salary and persistent offenders are dismissed. There is also strict quality control in the form of supervision, inspection of teaching materials, notes, etc. Market forces, supposedly, made such strict supervision imperative. But more importantly such controls and restrictions are necessary to ensure effective management of the schools/institutions and to enhance productivity.

### *AssureCo*

In 1987, AssureCo, a privately-owned enterprise was formed. It is an insurance firm and sells life insurance policies, personal accident insurance, permanent health insurance and employee benefit schemes. Its customer base includes individuals, and large public- and private-sector organisations. The issues pertaining to the research themes are investigated below.

*Recruitment, selection and retention*

In AssureCo, a small degree of informality sits side by side with formality. Recruitment is very formal. At the senior management (executive) level, head hunters (Executive Search Firms) look for candidates. This is because senior management (executive) staff have to be very well qualified. The Chief Financial Officer and the Chief Executive Officer (CEO) must be approved by the Ghana Insurance Commission – the industry's regulatory body. Lower-level job vacancies (non-management) are advertised in the popular Ghanaian newspapers. In both cases the shortlisted candidates are interviewed by a panel of senior managers in AssureCo. Any employee engaged is supplied with a copy of the service conditions and a letter of contract of appointment stating the probationary period.

Both the employees and managers interviewed indicated that the recruitment process often yields competent employees, but sometimes employment relations problems arise when a person hired may not be competent enough. A group of managers interviewed mentioned that such a problem arises where there is a critical shortage of a particular skill in the labour market making it difficult to attract highly qualified candidates. In such cases the procedures for determining the pay of newly hired employees are not quite so rigidly followed. This group of managers interviewed cited a case where the salary entry point was arbitrarily determined by the CEO of AssureCo. According to the managers:

In appointing an IT executive, the CEO asked 3 managers to interview the candidate referred by an IT Executive Search Consultant. The interview was conducted and the candidate was deemed barely suitable for the post. The following day the CEO also said he also wanted to interview the candidate personally. Following the second interview, he offered her double the salary offered the previous day.

This was because of the ongoing difficulty of attracting suitably qualified staff for such posts. The managers said the higher salary created both internal and external inequity and resulted in considerable disquiet among the existing employees. The problem was solved by a two-year freeze on salary increment for the employee. This in turn created motivational problems on the part of the employee. The example highlights the problems inherent in relying on informal arrangements and the necessity in moving away from informal employment relations practices in SMEs.

*The management of remuneration*

Remuneration in AssureCo is also to a great extent influenced by informality issues. As one manager put it:

There is a perpetual struggle between formal and informal means of determining compensation.

The struggle referred to here is the attempt to formalise the remuneration system. That is, to rid the system of any form of informality. This, in particular, relates to the allocation of bonuses. The managers interviewed talked about the introduction of an end-of-year bonus – a thirteenth month's salary. In their view it was instituted as a means of retaining employees and to foster commitment and loyalty. When asked whether this approach was achieving its objectives, the interviewees commented that it achieved the former but not the latter. As they explained, it was not helping with loyalty and commitment because:

The employees considered it as a certainty, more like a ritual – something which will be given by all means at the end of December, regardless of the individual's contribution.

The managers realised that some people were working harder than others and therefore proposed in 2001 that bonuses should be based on formal performance appraisals.

So for fairness/equity reasons, employees were appraised and categorised into three groups, namely: high performers; average performers; and low/below average performers. The system worked very well for 2 years but there were a lot of complaints from the low performers who were mainly long-service staff (old-timers). In 2004 the performance-related bonus was suspended because the CEO did not want the 'old-timers' to suffer. Therefore personal/particularistic interest created problems in standardising an effective remuneration system. Thus, a performance appraisal is conducted every year but it is not linked to pay and the developmental aspect is also not always meaningfully carried out. This creates problems for internal employee management issues such as promotion and demotion. As succinctly put by one manager:

You cannot promote people if they are not evaluated.

The informality in remuneration has negative effects on career planning and career management in the firm. Without the proper implementation of development plans it is difficult for the firm to tackle skill deficiencies identified by performance appraisal. The non-managerial employees commented that this affects their job performance and satisfaction.

#### *Welfare and disciplinary issues*

The employees interviewed also expressed some displeasure with the unilateral determination of the conditions of service, such as health-care benefits; transport and travel allowances; and funeral grants (in case of bereavement) by the management. It was mentioned that every year there is a salary increment/adjustment but the other benefits are not renewed yearly and hence are overtaken by inflation. In the view of the employees such practices are to the benefit of the employer, but they do not negatively affect employee turnover because now, with high unemployment rates, it is an employer's market in Ghana. The managers interviewed were of the unanimous view that the lack of consistency in the determination of travel allowance was affecting the willingness of employees to go out of station to work. They mentioned that in some cities, hotel rates are high and they are never sure that the firm will fully reimburse them if they incur the expense. To avoid the potential of 'being out of pocket' for work-related travel, some employees try to make day trips instead of staying overnight. This, they indicated, can lead to short-cuts in work practices.

On a related issue, the employees interviewed stressed the need for employees to impress the management of the firm because of the scarcity of jobs in the country. They pointed out that the CEO demands quality work and values employee commitment, loyalty and flexibility. Thus, sometimes employees stay on until 8pm and also come to work on Saturday if some urgent work needs to be done. In a way, responding positively to emergencies is always appreciated by the firm although people who work on Saturday are paid for that work.

The intensity of work was not lost on employees as they compared work in a private SME to that of a public-sector organisation in the following terms:

Working in a private firm is tough. It is different from working in the public sector. It is tougher in an SME because the owner will make sure that you actually work for your salary. The owners' mind is 'work', 'work' and 'work'.

They also mentioned that work is designed in such a way that if you do not work fast enough you break the sequence of work and the work flow is disrupted. It was pointed out by a group of interviewees that:

In a private-sector firm, it is normal that you justify why your name should be on the payroll. This pressure makes you creative and productive but that does not mean that you cut corners as quality is valued.

In spite of these observations, the employees interviewed asserted that overall AssureCo is a good place to work and, although there can be tensions, employment relations are generally cordial.

In terms of discipline, the firm has a disciplinary code which clearly states major and minor offences and their corresponding sanctions. For instance, recalcitrant latecomers are suspended without pay. The managers interviewed asserted that rigid enforcement of the disciplinary rules enables the firm to achieve its objectives and to avoid indiscipline and insubordination. In the view of the managers:

*We are able to instil discipline because the rules are there and if you infringe you are brought to order.*

### *Supervision of employees*

The employees interviewed commented on the generally good-natured supervision in the firm. The managers mentioned that they try to promote respect and cooperation between management and employees. The managers pointed out that generally African firms exhibit high power distance but they believe that is not in the interest of their firm. They explained that the nature of insurance business is such that employees can detect potential fraudulent claims and applications so it is essential for the firm to build an environment that would encourage employees to easily approach managers to discuss such issues. In this regard, managers talked about their efforts to build trust between the parties in the workplace. This implies including employees in decisions affecting them in the workplace and implementing some of the decisions to show management commitment to building a trusting and cordial relationship at the workplace.

Similarly, the employees confirmed that in many instances management consults them on issues regarding work processes. They also maintained that, although there are no formal means of employees participating in decision making, they are able to do so through informal means. They mostly expressed satisfaction with the general nature of employee relations in the firm. In particular, they praised the open-door policy and the ease of interaction with managers/owners on issues relating to their work/duties or roles.

### ***TadiMart***

The company was initially set up as a trading enterprise at Sekondi-Takoradi in the 1980s. In the initial years, it operated mainly as a retailer, buying its products from wholesalers and selling to consumers in a market at Takoradi. In the early 1990s, the success of the enterprise brought it to the attention of Unilever Ghana Ltd. Unilever wanted a distributor for its products in Sekondi-Takoradi and approached this enterprise. As a condition of becoming a distributor for Unilever, the enterprise was required to register and trade as a company. Hence a trading company was formed in 1996 as an exclusive distributor for Unilever Ghana Ltd in the Western Region of Ghana. The company is also an agent for Nestle, Cadbury, Johnson Wax and PZ Cussons, among others. It operates supermarkets (retailing) in addition to a general trade wholesale business. TadiMart is perhaps the most formally organised of the three companies in the case studies. The owner/CEO of the firm indicated that his philosophy in life is that: 'transparency brings trust'. Arising from this philosophy, he has made efforts to formalise activities in the firm. Below is a thematic discussion of employment relations issues in TadiMart.

*Recruitment, selection and retention*

TadiMart is quite unusual in Ghana in its extensive use of formal practices in recruitment, selection and retention of employees. In recent years, it has relied on poaching, referrals, introductions and advertising as means of recruiting all employees. For instance, when the trading company decided to set up the supermarket or to go into the supermarket sector, it poached staff from United Trading Company (UTC), a foreign company which had been in Ghana for nearly 100 years but was in serious decline in the 1990s. A former UTC member of staff was poached (by the owner) and appointed as General Manager at TadiMart. He was given a two-year renewable contract (from 1998–2000) with the remit/target of developing a retail supermarket in the Sekondi–Takoradi metropolis. He, in turn, was able to poach some of his former colleagues at UTC to work at TadiMart. These were people who possessed the skills required to work in the supermarket industry so they, in turn, helped to develop the recruitment and retention system for the company. According to the owner/CEO of TadiMart:

The expertise that the UTC ex-staff brought to the company helped us to recruit more specialist supermarket staff and enabled us to set up and operate four shops in 2000.'

Although the former UTC employees were introduced and recommended by their ex-colleagues, they all went through a formal recruitment process of applying and being interviewed by a panel.

In general, the recruitment and selection process is initiated when strategic planning has identified a clear need in a particular area or when a vacancy arises. The company uses an internal recruitment system as a means of motivating staff, so whenever there is the need to hire for a position, internal candidates are considered first. External recruitment is initiated only when there is no suitable candidate available within the company. In that case, an advert is placed in the national newspapers. Applicants are short-listed and go through a formal selection process. The senior managers interviewed commented that:

We have developed formal procedures for recruitment because we are in a very competitive market and we want to recruit the best possible people who share our passion for excellence and can contribute significantly to the achievement of our objectives.

They also check references and conduct background investigations on all job candidates. It was argued that these are necessary to avoid the hiring of dishonest people as the supermarket business is vulnerable to the stealing of both cash and goods. In the view of the managers, the formal recruitment processes have fostered good employment relations because they have resulted in the employment of competent people with good customer and interpersonal skills who are easy to get along with.

The managers mentioned that they have various means of retaining good employees. One such means is the use of training and career development practices. This is done through periodic appraisals to identify any possible weaknesses or skill deficiencies of employees. All employees with skill deficiencies are given the appropriate training. Those who undergo the training, and hence exhibit improvement in their performance, are promoted but those who refuse to undergo training or fail to respond to it are asked to leave the firm. Training is given on customer service; selling in supermarkets; in-store advertising and purchasing; cashier duties (such as how to detect counterfeit currency); telephone manner; quality control; financial management for non-managers; and leadership training. In addition, senior managers are given entrepreneurial skills training. TadiMart has a training room for in-house training but some training is off-the-job and is conducted by the Management Development and Productivity Institute (MDPI), local

consultancy firms such as Empretec and private consultants from the local universities, etc. The employees interviewed commented that:

The training has helped them to acquire new skills, perform better and hence improve their job satisfaction.

The employees are acutely aware of the benefits of the training to their careers and to the efficient running of the company.

#### *The management of remuneration*

This company is performance oriented so it relies on performance-related pay. The remuneration is slightly above market rate and is determined by a pay determination strategy which is part of the performance appraisal. Employees are appraised each year for a pay increment which is based on the achievement of targets set on a monthly basis. The managers mentioned that:

If an employee is not achieving, he/she has to explain why . . . The objective here is to identify whether it is a problem relating to the organisation or with the individual employee.

Those who are able to meet their agreed performance targets are given a salary increment while those who fail to achieve their agreed performance targets are denied an increment. If an employee is classified as non-performing for three consecutive years, and if the problem has been identified and the person has been helped through training or managerial support and is still not performing, then that employee would have to leave the company. In administering its remuneration system, the company conducts its own market surveys. As the manager in charge of remuneration put it:

We go to the field to find out what other companies in the retail sector are paying.

It must be noted that such conscientious efforts to develop and implement a remuneration policy are rare, even in large local firms in Ghana.

#### *Welfare and disciplinary issues*

The company has formalised welfare and disciplinary policies and, in this respect, it provides free medical care for employees. All employees also get social security benefits, free transportation (staff bus) to work and a free lunch. In addition, managerial employees enjoy free accommodation (housing), and a consolidated salary and allowances. All employees who have been with TadiMart for at least 5 years are entitled to apply for a car loan and TadiMart gives a fuel allowance to those who do not take the company bus to work. There is also a welfare fund which employees contribute towards every month which is used to help employees in cases of emergency such as bereavement.

Even with these benefits, some employees were concerned about job security. A group of employees interviewed complained that:

Because there is no union, issues about job security and redundancy conditions are not voiced . . . as such one cannot feel 100% secure. In some companies, unless you steal or are involved in gross insubordination, you can be sure that you will continue to work for the company for as long as possible. The same cannot be said here.

The majority of the non-managerial employees interviewed complained about the fact that there is no mechanism for appeal if you are dismissed or disciplined, and other employees complained that they feel that sometimes there is unfair treatment of some employees or partiality in the treatment of some employees, particularly in relation to the administration

of sick leave. In general, however, the employees expressed satisfaction with both their work and the company. They particularly expressed their appreciation of the provision of food items (such as rice, cooking oil, etc) which management distributes to them on a monthly basis. Although the majority of employees interviewed felt that there was an imbalance between their contributions and the pay they receive, they did not accuse the company of exploiting them. Rather they attribute their low pay to their lack of appropriate education (lower educational background). A group of warehouse employees remarked that:

In Ghana virtually every employment requires some form of academic or vocational qualification. If you are not well educated, the salary is not good all over.

They did, however, all comment that they would continue to work hard to advance their careers in the organisation so that management could pay them more. They exhibited a good understanding of the need for the organisation to grow and be profitable in order for them to maintain their jobs. Hence they seem to understand the clear relationship between job security and the prosperity of the business.

At another level, employees talked about strict discipline in the form of monitoring and control. Employees are disciplined for lateness and absenteeism, and any complaints by a customer against an employee are investigated and disciplinary action is taken if the employee is found to be at fault. On a related issue, the managers insisted that there is a need to enforce TadiMart's disciplinary code to ensure that employees do not steal the products and will not hesitate to prosecute employees for theft. When an employee is caught stealing, the company does not allow elders or chiefs in the community to beg or appeal for forgiveness; the accused/culprit is handed over to the police for prosecution. The managers gave an example of a case where products were persistently going missing from the warehouse:

A surveillance operation was mounted one night at the warehouse and the security officers at the warehouse were found removing boxes from the warehouse at about 2 o'clock. They were immediately arrested by the police surveillance team, were prosecuted and jailed.

According to the managers, the prison term imposed on the security officers served as a deterrent to the company's employees. The employees interviewed confirmed the firm's unflinching determination to prosecute employees involved in the stealing of the company's products. All the employees interviewed were in support of the firm's stance on prosecution of employees involved in stealing and felt that the threat of dismissal in an atmosphere/environment of high unemployment was enough to deter employees from violating/flouting the company's rules. Violations of company rules are documented and letters are sent warning employees about possible dismissal.

### *Supervision of employees*

The owners and managers of TadiMart stressed the importance of building a cooperative work environment and make every effort to treat employees with respect and courtesy, giving employees responsibilities commensurate with their experience and training. The owner emphasised that retailing is a fast environment hence it can be stressful for employees if there is any ambiguity in their roles. To avoid this, employees' tasks and responsibilities are clearly explained to them by the managers.

In most cases, management also allows employees to express their views on some aspects of the operation in the belief that employees' participation in decision making will make them committed to the implementation of the decisions. In the view of the owner,

employee participation in decision making seems to yield positive employee outcomes. In particular, the employees seem to like the idea that management organises an open meeting (forum) on how to improve the performance of the organisation, improve customer care/service, employee–employer relations and build a customer-first culture. On this, a group of employees interviewed observed that the:

Open forum provides us with an excellent opportunity to make an input into the management of the company and we are always delighted when managers are willing to listen to our ideas and implement our suggestions.

At another level, the employees emphasised the cordial/friendly atmosphere in the organisation. They asserted that:

If an outsider comes here, it is difficult to know who is who as the managers help in the shops.

In view of these positive employee perceptions, employment relations in TadiMart were described by both the managers and the employees interviewed as harmonious.

## **Discussion**

This study has provided insights into employment relations in SMEs in the service sector in Ghana. In accordance with Barrett and Rainnie's (2002) perspective, in this section we attempt to go beyond simply looking inside the small firm to explain the nature of employment relations in SMEs in Ghana. Evidence from the case studies is consistent with Ram et al. (2001), Bacon and Hoque (2005), Barrett and Rainnie (2002) and Scase (1995) on the multiple factors/pressures that influence employment relations in SMEs but we intend in this section to discuss how these factors/pressures interact to shape employment relations in the case studies.

The study reveals that there are similarities and differences in terms of the pressures on each case: educational standards and professional teaching practice on EduCo; customers and competition on all three cases; and supply chain pressures on TadiMart. These pressures affect the scope for management discretion in deviating from employment relations' processes systems/rules. For example, one of the reasons for the deviation is to meet customers' requirements particularly in the insurance sector (AssureCo). In addition to variation caused by economic market pressures, deviation also occurs as a result of management style (AssureCo and EduCo).

Arguably the most prominent influence on employment relations in the firms was competition, as they all operate in extremely competitive environments. In the case of EduCo, the competition is from the recent proliferation of private educational institutions where parents pay high fees. This should be seen against a context of free tuition (non-payment of fees) in the state sector. This means that parents who choose to send their children to fee paying schools expect superior education and value the greater observance of the principles of accountability, participation and strict monitoring (ISSER 1999). In Ghana the high quality of education of the private-for-profit schools is acknowledged. Pupils in private schools are more likely to gain admission to good secondary schools, and thus improve their future opportunities, than their counterparts in the state system. It is similarly acknowledged that a critical factor in all this is the morale of the employees, boosted not just through remuneration but also the existence of a conducive learning environment (ISSER 1999).

AssureCo also faces stiff competition from a dominant State Insurance Corporation (SIC) and from the recent proliferation of private insurance firms in Ghana. Similarly, TadiMart faces severe competition from other supermarkets; some multinational as well as

local traders and informal sector hawkers, many of whom are not registered, have no shops and hence do not pay taxes. In order for these registered SMEs to survive in their respective competitive markets, they need to have an edge over their competitors. One way of doing so is to build harmonious employment relations to ensure that employees can deliver high-quality, value-for-money services. This cannot be done without adequate supervision and, as such, all three firms have strict formal disciplinary procedures in place.

This must not be seen as deliberate efforts by employers to create a coercive environment to ensure absolute control over employees but rather as an attempt to avoid the culture of lateness, absenteeism, indiscipline and insubordination that bedevils the civil service, public enterprises and other large local organisations in Ghana (Aryee 2004; Debrah 2004). Such counter-productive work behaviour impacts negatively on performance hence the registered SMEs clamp down on these practices to ensure efficient delivery of their services in order to have a competitive edge in their product market.

We argue that while competition was an important influence on formalisation, it was probably not the main cause. In other words, we argue that all three cases used formal employment relations practices but intense competition was not necessarily the main cause. As such we point to the influence of the other factors indicated earlier. It is worth noting that all three firms operated in regulated markets – education, insurance and an MNC supply chain – where the regulations made high-quality standards imperative in each case. This probably explains the high degree of formalisation across all three cases. Formalisation, then, puts the firms in good stead to compete in their respective markets. In other words, the move from informal practices reflects fairly logical business performance needs. We contend that this finding is important and should be seen in the context of SMEs (in general) globally. Most SMEs exist in less regulated (although equally if not more competitive) sectors but exhibit less formalisation so we surmise that the SMEs in the regulated sector such as these cases are more likely to formalise employment relations practices because of the regulatory imperative.

At another level, it must be pointed out that, in general, high SME mortality rates indicate all SMEs face high levels of competition but not all adopt formal practices or perish; many SMEs survive paying low wages and providing little training. Formalisation does not occur across all employment relations issues in SMEs but only on specific business concerns; other HR issues may be appropriately managed informally. Specific business concerns may require formal employment relations practices and these can differ according to SME business context, as was the case with our case study firms. For example pay was not a critical issue for EduCo but it was for the other two organisations. So while the other two attempted to formalise the remuneration system, EduCo did not make a serious attempt to do so.

Due to the regulatory need to maintain standards, the case study organisation had to pay at least something close to the market rate. Although EduCo was not the market leader in its sector, it nevertheless had to pay a decent wage to sustain motivation of staff and supplement pay with other benefits. TadiMart also paid good wages to enable the firm to maintain the motivation and productivity of staff, and employees also enjoyed some benefits. This was also the case with AssureCo where the managers were acutely aware of the need to select and retain honest employees by providing decent pay and benefits.

Furthermore, recruitment was not a critical issue for EduCo as this was resolved through its location and use of untrained teachers. However, the latter required strict performance management and extensive training, hence the implementation of a formal performance management system essential for the firm's survival and growth.

Performance management was not seen as critical in AssureCo but was important at TadiMart; recruitment was not a problem for EduCo, but it was for both AssureCo and TadiMart, and it was more important to get it right; and retention was a big issue at AssureCo and TadiMart, hence the differences in the extent of formalisation of performance practices in the firms.

The case study firms also throw light on the extent to which SME managers follow formal employment relations practices. The study shows that some formal practices may exist but managers may not implement them or follow the rules because they are not essential for business survival. SME managers face competing priorities including time constraints and, as such, it is quite rational for them to adhere only to the rules on certain employment relations practices whereas other formal practices exist on paper but are rarely used (e.g. performance appraisal and the links to remuneration in AssureCo).

Existing literature assumes that encouraging SMEs to adopt formal employment relations practices will resolve employment grievances, improve terms and conditions, and delimit arbitrary management (Harney and Dundon 2006). In reality, all employment relations practices suffer from a potential implementation gap. As the case study firms show, the policy–practice gap in SMEs is sometimes greater because managers will only focus on issues essential for the business. In particular, when business needs conflict with formal employment relations process (e.g. remuneration practices at AssureCo), then SME managers, perhaps more than others, ignore the formal employment relations practices. For example, in setting pay rates for new recruits the manager at AssureCo followed business need rather than formal pay policies. This was also the case with the link between the assessment of the performance and remuneration of the old-timers in AssureCo; as ever, prioritising business need over fair procedure had consequences for employment relations in the firm.

Thus, an interesting dynamic in the cases is the trade-off between formal practice and business need in SMEs. Critical issues require formal practices and management attention but business need encourages management deviation from the rules; managing the consequences of such deviations is not easy. SME managers in regulated sectors both require formal employment relations policies on critical issues and the need to prioritise business need over and above these policies leading to occasional lapses back into unrestrained management prerogative.

The case studies have also shown how lack of state regulation can influence employment relations. This issue is highlighted by Blyton and Turnbull (2004) who stress that employment relations do not take place in a vacuum. In fact, it is now well known that what occurs in the workplace is to a great extent influenced by the wider society. This involves a consideration of the values and norms of the wider society and the institutional arrangements regulating the work and the workplace (Brown 1988). But in developing countries two issues stand out. These are: the role of the state; and the socio-economic environment. It is now widely acknowledged that these contextual issues are crucial in shaping the characteristics, nature and conduct of employment relations. As indicated by Fox (1966), the state can use legislation to promote divergent equilibrium between divergent interests so, where there is legislative vacuum or legislation is not enforced, that can have detrimental effects on employees. This is because employees' interests are not necessarily synonymous with that of the employer and conformity and consent cannot be assumed to exist. As Blyton and Turnbull (2004) put it, the authority and compliance inherent in employer–employee relationships often result in tension between the two parties. However, in a developing country the power asymmetry is tilted more towards the employers. Evidence from the case studies shows that there is a high degree of power

imbalance and social control in the management of human resources in the SMEs in Ghana. In particular, the power imbalance and social control are implicit in the management of the 'private pension' and 'housing/free accommodation' in EduCO as well as in welfare and disciplinary practices in all the three cases. In such an environment, it is the duty of the state to be the impartial arbiter in employment relations.

In the case of Ghana, the absence of trade unions in most SMEs and the lack of enforcement of labour legislation, influence employment relations in SMEs. Essentially, in Ghana the state (government) does not seriously enforce labour legislation and as such firms can flout it with impunity. A trade union official interviewed lamented about the sorry state of industrial/employment relations in Ghana in general. He indicated that most SMEs do not have collective bargaining (a system of resolving disputes and grievances) and that owners are hostile to unionisation – even when employees have indicated their desire to form a union. He summarised the attitudes of owners of firms in the private sector in the following terms:

It is my company; I have invested a lot of money in this enterprise. These people want jobs and I have helped them, and now they want to repay my help with the formation of a union.

These views were confirmed by a government official at the Labour Department who added that in recent years:

Labour inspection has been on the decline... lack of resources makes it practically impossible for the Labour Department to undertake its function of checking abuses in employment relations and at the workplace.

In an environment where there is no serious enforcement of labour laws, the employers have all the power to set the employment agenda and there can be very little resistance on the part of employees (Panford 1994). But in the SMEs, the situation is not that simplistic as the owners and managers of successful SMEs recognise the importance of employees' skills, loyalty and commitment in service delivery. Hence, such employers tend to find means of satisfying the employees while at the same time not losing their power or control.

As the case studies reveal, such owners attempt to do so by refraining from – or at least minimising – particularistic relationships with specific employees (EduCo). Thus, with regard to recruitment and selection, as well as remuneration and discipline, although the employers are aware of the benefits of informal and individualised practices in SMEs (Holliday 1995), the tendency is to attempt to formalise practices. The employers see formalisation as a competitive advantage in their product/service market and a way of dealing even-handedly with all staff in order to gain their loyalty and commitment. This finding cast doubt, certainly in Ghana, on the view that employment relations in SMEs are largely informal, individualistic and ad hoc.

In general, the findings indicate that, by and large, employment relations in the case study organisations are cordial and harmonious although employees were not always happy with all aspects of management practices. The cases revealed that there was very little overt conflict between employees and management, and following Blyton and Turnbull (2004) this can be taken as some evidence of a pattern of minor conflict and accommodation in the case study firms (e.g. employees unhappy with their pay, lack of job security and lack of disciplinary appeal policies in TadiMart) but the ongoing relationship prevents the minor conflict from spilling over into overt conflict. The evidence, then, is consistent with Blyton and Turnbull's (2004) view that the nature of employment relations is not only management control versus resistance, but a more problematic mix of dissent and accommodation, conflict and co-operation. In the case study firms, while some employees were dissatisfied with some aspects of employment relations, the majority are

loyal and committed to their firms. It could be argued that this loyalty and commitment are employees' survival strategies in view of the fact that they are constrained by labour market conditions. The unfavourable labour market and economic conditions, i.e. high unemployment rate and general lack of jobs in the state sector/large firms, means that the employees in SMEs have little bargaining power compared with that of their employers and hence have little autonomy or influence on their terms of employment. Arguably, the employees survival strategies are appropriate not least because of the high power distance in organisations in Ghana.

## **Conclusion**

The study has discussed the importance of SMEs in developing countries and argued that research on SMEs in Africa has focused on policy issues but there is paucity of research on employment relations issues in SMEs in SSA countries. Hence, this study has attempted to illuminate our understanding of employment relations in SMEs in SSA using three firms in Ghana as case studies. The study has explored: the essential characteristics and nature of SMEs in Ghana; why SME managers attempt to develop formal employment relations practices; and the extent to which SME managers formalise employment relations practices.

Evidence emerging from the case studies has implications for the more general debate on employment relations in indigenous firms in Africa. In particular, the findings of this study indicate that the case study SMEs see the benefits of formalised systems of employment relations over informal, ad hoc, particularistic and paternalistic systems, and are moving more towards them than the extant literature might have led one to expect. Overall it could be argued that, in this study, the SMEs' regulation; economic and labour market conditions; competition; and the lack of enforcement of labour regulation all interact to shape employment relations.

Finally, in terms of methodological contribution, the study has demonstrated: the value of qualitative inquiry in assessing why some formal employment relations practices are adopted but not others; why managers implement and follow certain practices; and the variable effects of management discretion in SMEs. For future research, it would be interesting to investigate the role of culture (societal) in the management of employees in SMEs in Ghana.

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## **Note**

1. Following Kayanula and Quartey's (2000) review of the characteristics of SMEs, we define SMEs in terms of number of employees; in this case, 10 to 99 employees.

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