

Optimizing Employee Recruitment and Selection Practices in SMES: A Case Study in Naval, Biliran

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ABSTRACT

This study evaluates the recruitment and selection practices of Small and Medium Enterprises (SMEs) in Naval, Biliran, examining their alignment with employee socio-demographic profiles. Findings reveal that SMEs prioritize job-related skills, experience, and organizational fit over demographic attributes such as age, gender, education, and years in service. Recruitment strategies predominantly involve direct hiring methods, while financial resources and organizational policies significantly influence selection processes. Statistical analysis confirms no substantial correlation between socio-demographics and recruitment practices, emphasizing SMEs' independent hiring approach. The study underscores the need for SMEs to enhance recruitment strategies, improve candidate assessment techniques, and

adopt emerging technologies to optimize workforce acquisition. It also provides insights for policymakers to develop initiatives that support SME employment growth. Future research should explore the long-term effects of recruitment practices on employee performance and retention, as well as the role of artificial intelligence in modern hiring processes.

Keywords: *SMEs, recruitment and selection, hiring practices, workforce acquisition, employee retention*

INTRODUCTION

Employee recruitment and selection practices are critical determinants of the success and sustainability of small and medium enterprises (SMEs). These practices serve as the foundation for building a competent workforce, significantly influencing business performance, innovation, and competitive advantage. As SMEs play a vital role in economic development and job creation, ensuring effective recruitment and selection strategies is essential for their growth and long-term viability.

Prior research has highlighted the challenges SMEs face in hiring and retaining qualified employees. Ofori and Aryeetey (2011) emphasized the importance of aligning recruitment practices with industry needs, particularly in identifying the skills and competencies required from graduates. Breaugh and Starke (2000) further underscored that recruitment effectiveness directly impacts organizational success, while Barber and Roehling (1993) noted that SMEs often struggle with hiring due to limited resources, lack of brand recognition, and competition from larger firms. Additionally, Cascio and Aguinis (2011) argued that "talent is a critical source of competitive advantage," stressing the importance of structured hiring processes in securing high-performing employees.

Despite these insights, existing studies on SME recruitment and selection practices remain fragmented. Many focus on specific aspects such as job advertisements, interviews, or selection criteria, rather than offering a holistic perspective on the entire hiring process (Kulik & Bainbridge, 2016). Additionally, Cassell et al. (2002) and

Kramar (2014) noted that SMEs often rely on informal and ad-hoc hiring practices, lacking standardization and consistency. This gap in the literature limits the ability to benchmark best practices and optimize talent acquisition strategies tailored to SMEs' unique constraints.

Objectives

This study aims to address these gaps by conducting a comprehensive analysis of employee recruitment and selection practices among SMEs in Naval, Biliran.

Specifically, it seeks to:

1. Examine the socio-demographic profiles of SME employees, including age, civil status, sex, educational attainment, years of service, and employment status.
2. Identify the recruitment and selection methods employed by SMEs, including recruitment activities, decision-making criteria, and selection processes.
3. Analyze the relationship between employee profiles and recruitment practices.
4. Develop a strategic recruitment plan to enhance SMEs' hiring efficiency and effectiveness.

Literature review

Profile of SMEs

The size and age of an SME influence its talent selection approach. Some SMEs continuously grow, while others remain small throughout their existence (Cardon & Stevens, 2004; Garnsey, 1998; Hanks et al., 1993). Contrary to common belief, financial gain is not always the primary motivation for SME owners. Instead, personal involvement, independence, and responsibility drive many small business managers (Jack et al., 2006; Jennings & Beaver, 1997).

SME growth aspirations often correlate with actual expansion (Wiklund & Shepherd, 2003). However, studies show that some micro and small enterprises remain stagnant due to market constraints or owner preferences (Kotey & Slade, 2005). Younger firms face unique challenges, such as undefined job roles and a fluid identity that evolves with each new hire (Cardon & Stevens, 2004). This lack of structure complicates recruitment and trust-building among employees (Rao & Drazin, 2002). In such cases, person-organization (PO) fit becomes a priority in hiring, shifting to person-job (PJ) fit as the firm matures (Sekiguchi, 2007).

Recruitment and Selection Practices

Recruitment and selection are crucial for building a competent workforce. Research indicates that effective hiring practices enhance job performance, retention, and diversity while providing a competitive advantage (Collins & Han, 2004; Shaw et al., 2005; Jackson et al., 2003). However, SMEs often rely on informal hiring methods, such as personal referrals, rather than structured recruitment processes (Newman & Sheikh, 2014; Heneman & Berkely, 1999).

Studies on Philippine SMEs highlight challenges in attracting and retaining skilled employees due to low wages and limited career growth (Manzon, 2014; Du & Cammayo, 2015). Many SMEs use word-of-mouth recruitment, but researchers recommend adopting modern strategies like online job postings and formal selection processes (Almodovar, 2017). Enhancing recruitment practices can improve employee quality and overall business performance.

Based on the literature, SMEs in Naval, Biliran, employ diverse recruitment methods, from traditional referrals to digital platforms. Selecting employees who align with company culture and possess the necessary skills is critical, given SMEs' resource limitations. Effective hiring practices contribute to long-term organizational success.

METHODS

Research Design and Sampling

This study employed a descriptive-correlational research design to examine recruitment and selection practices among SMEs in Naval, Biliran. A random sample of 100 employees from various departments was surveyed using a researcher-designed questionnaire covering demographic profiles, recruitment strategies, and correlations between employee characteristics and hiring practices. Naval, Biliran, was chosen for its active SME sector, which plays a crucial role in local economic sustainability. The findings provide insights into SME hiring trends, helping improve recruitment strategies and informing policy recommendations for business growth and workforce development.

Data Collection Procedures

Prior to data collection, permission was obtained from the subject matter expert and the Dean of the School of Arts and Sciences through a formal written request. Upon approval, selected employees were surveyed using a questionnaire, ensuring anonymity and confidentiality by providing a cover letter and a returnable envelope. Health protocols, including wearing face masks, maintaining social distancing, and using sanitizers, were strictly followed. The collected data were systematically tabulated, analyzed, and scored based on a five-point scale to assess SME recruitment and selection practices in Naval, Biliran, ranging from "Very Large Extent" (1.0–1.8) to "Not at All" (4.3–5.0), ensuring accuracy and reliability in evaluating hiring strategies.

Data Analysis

The collected data were systematically tabulated, tallied, and analyzed using descriptive and inferential statistical methods. Descriptive statistics, such as frequency, percentage, mean, and standard deviation, were used to summarize the respondents' demographic profiles and recruitment and selection practices of SMEs in Naval, Biliran. To determine relationships between variables, inferential statistical techniques, such as correlation analysis, were applied. The interpretation of results followed a standardized scoring system to assess the extent of recruitment and selection practices. All analyses were conducted using appropriate statistical software to ensure accuracy and reliability in deriving meaningful insights for the study.

RESULTS AND DISCUSSION

This section presents the findings of the study based on the data collected from employees of small and medium enterprises (SMEs) in Naval, Biliran. The results are analyzed and interpreted to identify trends, relationships, and key insights into recruitment and selection practices. Discussions are aligned with relevant literature to provide a comprehensive understanding of the findings and their implications for improving SME hiring strategies.

Socio-Demographic Profile of the Respondents

This section presents the respondents' demographic characteristics, including age, gender, educational background, and job position, providing insights into their profiles and potential influences on recruitment and selection practices.

Table 1 *Socio-Demographic Profile*

Indicators	Frequency (<i>f</i>)	Percentage (%)
<i>Age</i>		
18-21 years old	13	13%
22-25 years old	36	36%
26-28 years old	25	25%
29 years and above	23	23%

	Total	100	100%
<i>Sex</i>			
Male		40	40%
Female		60	60%
	Total	100	100%
<i>Civil Status</i>			
Single		56	56%
Married		36	36%
Separated		8	8%
	Total	100	100%
<i>Years in Service</i>			
0-3 years		54	54%
4-5 years		25	25%
6-10 years		13	13%
11 years and above		8	8%
	Total	100	100%
<i>Educational Attainment</i>			
Elementary		3	3%
Secondary Graduate		35	35%
College Level		62	62%
	Total	100	100%
<i>Employment Status</i>			
Part-Time		26	26%
Full-Time		69	69%
Temporary		5	5%
	Total	100	100%

The respondents are primarily young professionals, with 36% aged 22–25 years, followed by 25% aged 26–28 years. This indicates that SMEs predominantly employ individuals in the early stages of their careers. In terms of gender, the workforce consists of 60% females and 40% males, suggesting a higher female workforce participation in SMEs.

Regarding civil status, 56% of employees are single, while 36% are married. This may indicate that SMEs attract younger individuals who have not yet settled into family life. Employment tenure shows that 54% have worked for SMEs for 0–3 years, indicating a high turnover rate, while only 8% have served for over 11 years, suggesting limited long-term retention.

Educational attainment data reveal that 62% have attended college, while only 3% have completed elementary education. This highlights SMEs' preference for hiring individuals with higher education. Employment status shows that most respondents (69%) are full-time employees, while 26% work part-time and 5% hold temporary positions, demonstrating a workforce structure that leans toward job stability.

These findings underscore the importance of talent retention strategies, career development programs, and inclusive workplace policies in SMEs to foster workforce sustainability.

Recruitment and Selection Practices of SMEs in Naval, Biliran

The recruitment and selection practices of SMEs in Naval, Biliran, follow structured procedures, as indicated by the data presented in the tables below.

Table 2 *Recruitment Activities*

Statements	Mean	Interpretation
Job Analysis	1.50	Very Large Extent
Job Description	1.50	Very Large Extent
Job Specification	1.32	Very Large Extent

Realistic Job Previews (RJP)	1.25	Very Large Extent
Approval Concerning the Job Offer	1.37	Very Large Extent
Average Mean	1.37	Very Large Extent

The results indicate that SMEs in Naval, Biliran prioritize job analysis and job descriptions, ensuring that employment roles are clearly defined. However, the slightly lower mean for job specification suggests room for improvement in aligning job requirements with actual role expectations. While realistic job previews receive less emphasis, strengthening this aspect could enhance applicant expectations and job satisfaction. The structured approach to job offers approvals ensures fairness and consistency in hiring decisions.

Table 3 Recruitment Methods

Statements	Mean	Interpretation
Promotion from Within	1.47	Very Large Extent
Job Rotation	1.20	Very Large Extent
Direct/Walk-in Applicants	3.04	Some Extent
Employee Referrals	1.15	Very Large Extent
Recruitment Consultants	1.67	Very Large Extent
Average Mean	1.70	Very Large Extent

SMEs rely significantly on direct hiring, walk-in applicants, and internal promotions, indicating a preference for accessible, cost-effective recruitment strategies. While job rotation is less emphasized, it remains a viable approach for skill development. Recruitment consultants are occasionally used, providing external expertise when needed.

Table 4 Recruitment Decisions

Statements	Mean	Interpretation
Availability of Funds/Finances	1.06	Very Large Extent
Desired Applicant Group	1.47	Very Large Extent
Organizational Policy	1.27	Very Large Extent
Recruiting Expertise Availability	3.56	Less Extent
Environmental Circumstances	1.63	Very Large Extent
Average Mean	1.79	Very Large Extent

The findings suggest that financial constraints minimally impact hiring decisions. SMEs prioritize applicant quality, organizational policies, and environmental conditions. However, the lack of recruiting expertise presents a challenge, potentially affecting hiring efficiency.

Table 5 Selection Methods

Statements	Mean	Interpretation
Application Forms	1.00	Very Large Extent
Oral Interview (One-on-One)	1.05	Very Large Extent
Written Interview	2.37	Large Extent
References	2.89	Some Extent
Medical Examinations	2.56	Large Extent
Average Mean	1.97	Very Large Extent

Application forms and oral interviews are the most commonly used selection tools, ensuring a standardized evaluation process. Written tests and medical examinations are also significant but less emphasized. Reference checks are the least prioritized, indicating potential gaps in background verification.

Relationship Between Respondents' Socio-Demographic Profile and SME Recruitment and Selection Practices

Table 6 Correlation Coefficient Between Socio-Demographic Profile and Recruitment & Selection Practices

Variables	Correlation Method	Correlation Coefficient	P-Value	Decision
Age	Spearman	-0.100	0.430	Failed to Reject H ₀
Sex	Spearman	0.010	0.919	Failed to Reject H ₀
Educational Attainment	Spearman	-0.100	0.543	Failed to Reject H ₀
Years in Training Services	Spearman	0.030	0.770	Failed to Reject H ₀

Table 6 presents the correlation analysis between respondents' socio-demographic characteristics and SME recruitment and selection practices. The results indicate no significant relationship between age, sex, educational attainment, or years in training service and recruitment and selection practices, as all p-values exceed the 0.05 significance level.

These findings align with Van Iddekinge et al. (2004), who emphasized that recruitment decisions should be based on objective and reliable data rather than demographic factors. Similarly, Newell and Tansley (2001) highlighted that structured interviews remain the most widely used selection tool, reinforcing the need for merit-based hiring. Lepak and Gowan (2010) further emphasized that selection processes should prioritize candidate suitability over demographic characteristics.

In general, the results suggest that SME recruitment and selection practices operate independently of respondents' socio-demographic profiles, ensuring fairness and objectivity in hiring decisions.

CONCLUSION

This study examined the recruitment and selection practices of SMEs in Naval, Biliran, highlighting a young workforce with balanced gender distribution, high turnover, and predominantly college-educated employees. Findings indicate that SMEs prioritize skills and job fit over socio-demographic attributes, with financial resources and organizational policies playing a crucial role in hiring. The results suggest that SMEs maintain effective recruitment practices independent of employees' demographic profiles, focusing instead on competencies and alignment with organizational needs.

To improve hiring outcomes, job seekers should pursue advanced education or certifications to enhance their employability. SMEs should strengthen their recruitment strategies by improving communication, assessment processes, and candidate engagement. Future research should explore the long-term effects of recruitment strategies on employee performance and retention, as well as the impact of AI and emerging technologies on hiring processes. These findings can help shape policies that support SME growth and workforce development.

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