

# Human Resource Planning: A Core Element in SME's Performance? A study in the Tema Metropolis of Ghana

by

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## Abstract

There is a growing recognition of the importance of Small and Medium-sized Enterprise (SMEs) in most economies in the world. In Ghana, SMEs are said to be a major feature of the production landscape contributing to employment creation, income generation and poverty reduction. The notion that human resource management practices augment the performance dynamics of SMEs is not in dispute, because there have been significant empirical findings indicating the role of these practices in the performance of SMEs. This study aimed to determine the extent to which human resource planning contributes to SMEs performance dynamics in the Tema Metropolis of Ghana. Using a descriptive research survey design, the study purposively selected 40 SMEs in the Tema Metropolis of Ghana. Data collection was done through a survey questionnaire administered to 200 employees of SMEs. The study adopted the quantitative approach in analysing the variables. The main analytical tools employed included descriptive statistics, Pearson product moment correlation and a simple linear regression. Results of the study indicate that human resource planning significantly contributes to the performance dynamics of SMEs. The study concludes that, owners and managers of SMEs must link human resource planning policies with the strategic plans of their enterprises to ensure a regular supply of human resources to avoid uncertainty and cost and to increase the performance of these enterprises.

## Keywords:

Human resource planning, SMEs Performance, Tema Metropolis, Ghana.

## Introduction

There is growing recognition of the important role Small and Medium Enterprises (SMEs) play in the economic development of nations (Abor & Quartey, 2010; Opoku-Mensah, 2012). SMEs are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Globally, Small and Medium-sized Enterprises (SMEs) contribute significantly to nation building. They are an integral part of every nation's economic activity. SMEs create employment and serve as a major tool for poverty alleviation. According to Preuss and Perschke (2010) SMEs are the engine of the European economy. They are an essential source of job creation, entrepreneurial spirit and innovation and are thus crucial for fostering competitiveness and employment. SME definition, which entered into force in 2005, represents a major step towards an improved business environment for

SMEs and promoting entrepreneurship, investments and growth (OECD, 2005). SMEs are often said to be responsible for driving innovation and competition in many economic sectors.

In Ghana, SMEs are said to be a major feature of the production landscape and have been noted to provide about 85% of manufacturing employment and are also believed to contribute about 70% to Ghana's GDP and account for about 92% of all businesses (Katua, 2014). These enterprises contribute immensely to the macroeconomic development of the economy by providing employment for poverty reduction, training entrepreneurs, generating income and improving the living standard of most of the low income households in the country and thus stimulating general growth. Yeboah (2015) found that the bulk of SMEs in Ghana are within the services sector, particularly hotels, restaurants, transport and storage, business and real estate. The services sector

contributed 49.3% to GDP in 2012, having grown at an annual rate of 8.8% over its 2011 contribution. This makes SMEs the most important sector in the Ghanaian economy for policy makers, development practitioners and community leaders to continue to initiate, develop and direct pragmatic strategies to improve the sector. Akugri, Bagah and Wulifan (2015) posit that an improvement in the SME sector in Ghana will help to improve the unemployment conditions and the well-being of the people in the country. In Ghana, Small and Medium-sized Enterprises have been defined based on several classifications. The Regional Project on Enterprise Development (RPED) classifies firms into micro enterprise (less than 5 employees), small enterprise (5 - 29 employees), medium enterprise (30 – 99 employees) and large enterprise (100 and more employees) (Opoku-Mensah, 2012).

According to Aryeetey (2011), many of these Ghanaian SMEs do not have the necessary structures for growth and development. Wall and Wood (2013) observed that one important area in achieving organizational sustainability is through effective planning and management of human resources. SMEs are facing looming challenges in attracting and retaining skilled and valuable employees to meet changing service delivery needs (Thompson, 2013). Together with rapid advances in communication technology, these factors are already having a profound effect on what, and how services are provided, to whom, and at what cost. This condition calls for the need to effectively plan for the most valuable asset, (human resources). The issue of HR planning has been a growing area for SMEs and management research especially among large and listed firms (Hafeez & Aburawi). Studies have suggested that most SMEs do not have an HR department, probably because of their small sizes, and as such nothing like HR planning takes place in these enterprises (Opoku-Mensah, 2012; Souksayanh, 2017; Wang, Thornhill & Zhao, 2016). Therefore, Souksayanh, (2017) suggests the need for an HR department in every organization (if they can afford it), be it large, medium or small to ensure the efficient mix (the right quality and quantity) of human resources at all times.

The notion that human resource management practices augment the performance of any organization is not in dispute, because there have been significant empirical findings indicating the role of these practices (effective recruitment and selection, training and development, performance management, succession planning and compensation management)

on the performance of organizations. Such studies as Omolo, Oginda and Otengah (2013), Nzonzo and Matashu, (2014), Aruna and Gamage (2015) and Shafeek (2016) have alluded to the role that human resource management practices play in diverse organizations. However, none of the existing studies revealed or were specific on the exact contribution of human resource planning to organizational performance. With an aging workforce and shortage of critical talent being among the biggest challenges facing today's businesses, strategic workforce planning - the discipline of forecasting future gaps between demand and supply of critical talent to ensure the appropriate workforce mix - has become one of human resource management's most important responsibilities. Teal (2012) affirms that human resource planning can ensure proper career planning for employees and help them in achieving their goals.

This study is therefore, specifically designed to examine the extent to which human resource planning impacts performance dynamics among SMEs in the Tema Metropolis of Ghana. The rationale for the approach adapted here is to be able to empirically quantify the impact of human resource planning on SMEs' performance. The uniqueness of this paper, compared to what exists in the present literature, thus, revolves around its focus on identifying the degree or scope to which human resource planning impacts SMEs' performance in the Tema Metropolis of Ghana.

## **Overview of SMEs in Ghana**

Data from the Registrars' General Department indicate that about 90% of companies registered fall under the umbrella of micro, small and medium enterprises. These firms have been identified as the medium for the economic growth of the country as they are a major source of income and employment. As cited by Abor and Quartey (2010) the Ministry of Trade and Industry (MOTI), in 1998 estimated that the Ghanaian private sector consisted of approximately 80,000 registered limited companies and 220,000 registered partnerships. Several forms of definitions for Small and Medium scale enterprises have been churned out for academic purposes. However, the varying degrees of definitions across the world primarily take into consideration headcount (number of people employed) as well as the asset base of businesses in classifying them into either small or medium enterprises. Different research papers have on the other hand sought to establish a

standard definition with the use of varying approaches, but the most commonly used, is the number of employees approach. Accordingly, the Ghana Statistical Service (GSS) classifies firms with less than 10 employees as Small Scale Enterprises whereas those with more than 10 employees are considered as Medium and Large-Sized Enterprises. This brings to fore a level of distinction between the two. Government agencies such as the National Board for Small Scale Industries (NBSSI) in Ghana apply both the fixed asset and number of employees' criteria in defining which firm is micro, small or medium sized (Fuseni, 2015).

SMEs in Ghana are mostly identified in the informal sector of the economy with their products and services for the local market. Abor and Quartey (2010) observed that very few of these firms have international capacity to market their product abroad. This phenomenon according to Fuseni (2015) is largely as a result of the huge capital commitment for engaging in export trade and the level of education, training and awareness of some business owners. Another characteristic of the SMEs is that, they rely heavily on labor and have low technological know-how. These firms are normally owned by one person who makes all decisions and whose resources are usually limited. Ackah and Vuvor (2011) opined that owners of SMEs in Ghana often have limited formal education, weak management skills and lack information in the use of technology and the credit market.

The contributions of these enterprises to the economic growth and development of Ghana cannot be overlooked. For instance, Yeboah (2015) illustrated some of the major contributions of SMEs to the Ghanaian economy. According to Yeboah (2015), the bulk of SMEs in Ghana are within the services sector, particularly hotels, restaurants, transport and storage, business and real estate. The service sector contributes 49.3% to GDP. The SMEs sector in Ghana also employed 85% of the manufacturing labor force who are sparsely distributed across the regions including the rural and urban settlements in the country (Katua, 2014). This makes the SMEs sector the most important sector in the Ghanaian economy for policy makers, development practitioners and community leaders to continue to initiate, develop and direct pragmatic strategies to improve the sector (Yeboah, 2015). It is observed that, an improvement in the SME sector in Ghana will help to improve the unemployment conditions and the general well-being of the people in the country.

## Literature Review

Human resource planning (HRP) is one of the critical aspects of Human Resource Management practice but is often taken for granted (Teal, 2012). This is a rational approach to the effective recruitment, retention, and deployment of people within the organization including, when necessary, arrangements for dismissing staff (Fencing, 2012). It is concerned with the flow of people through and sometimes out of the organization. It includes the optimum deployment of people's knowledge, skill and creative abilities. It can therefore be viewed as the process of forecasting the supply and demand for human resources within an organization and developing action plans for aligning the two. HR planning is a part of the larger gamut of Human Resources, and it is defined as the systematic analysis of human resource needs that ensures that the correct number of employees with the necessary skills are available when they are required (Armstrong, 2006). Executing talent management activities before they're needed is an earmark of a successful business (Aryeetey, 2011).

According to Armstrong (2006) HR planning must be linked to the overall strategy of the organization. It evaluates HR requirements in advance, keeping the organizational objectives, operation schedules, and demand fluctuation in the background. Thus, HR planning should be future-oriented, system-oriented, and goal directed. According to Armstrong (2006) it reduces uncertainty, develops HR, improves labor relations, utilizes HR and controls human resource. Forecasting human resource requirements, effective management of change, realizing organizational goals, promoting employees and effective utilization of human resources are the main objectives of HR planning. Souksayanh (2017) asserts that, HR planning consists of various activities, which are: (1) forecasting human resource requirements, either in terms of mathematical projections of trends in the economic environment and development in industry or in terms of judgment estimates based upon the specific future plans of an organization; (2) making an inventory of present human resources and assessing the extent to which these resources are employed optimally; (3) anticipating human resource problems by projecting present resources into the future and comparing them with the forecasts of requirements to determine their adequacy, both quantitatively and qualitatively; and (4) planning the necessary programs of requirements, selection, training and development, utilization,

transfer, promotion, motivation, and compensation to ensure that future human resource requirements are properly met.

HR planning also involves planning to achieve competitive advantage by developing intellectual capital; employing more capable people than rivals; ensuring that they develop organization specific knowledge and skills; and taking steps to become an employer of choice (resource strategy). In the planning, it is important to assess in broad terms where the organization is going in its environment and the implications for human resource requirements (scenario planning). HR planning involves estimating the future demand for people (number and skills), and assessing the number of people likely to be available from within and outside the organization (demand/supply forecasting). Finally, it is important to conduct labor turnover analysis. This involves analyzing actual labor turnover figures and trends as an input to supply forecasts. HR planning also helps the organization to develop a succession plan for all its employees. In this way, it creates a way for internal promotions. It compels the organization to evaluate the weaknesses and strengths of personnel thereby assisting management in taking remedial actions. The organization benefits when it comes to increases in productivity, profit, skills and more, thus giving it an edge over its competitors (Hafeez & Aburawi, 2013)

According to Huselid (2011), organizational performance constructs include such variables as competitive advantage, market share, profit, costs, sales revenue and customer satisfaction. Evidence from a study by Havenga and Linde (2012) suggests that large organizations use both financial and nonfinancial measures to assess organizational performance but favor financial measures. Chadwick, Way, Kerr and Thacker (2013) noted that SMEs also use both financial and nonfinancial variables to measure performance. Laitinen and Chong (2012) found, in a cross-country survey, that SMEs in developing countries focused on profitability, product margins, customer satisfaction and liquidity, whereas SMEs in the developed countries were similar in the use of both financial and non-financial indicators, giving less emphasis to overall profitability but also giving debt levels more attention.

Laitinen and Chong (2012) found that with the availability of the right human resources, with the requisite skills at all times and management ability to predict an organization's human resource needs,

employees would always be in the position to deliver their best as they would be doing what they know how to do best. This would ensure employee job satisfaction, and increase employees' morale to perform. Chadwick et al. (2013) argued that effective HR planning ensures effective planning and allocation of staff. Thus effective HR planning ensures that people with the right skills, knowledge and experience are placed in the right positions with the right responsibilities. Mursi (2003) confirmed a significant and positive relationship between human resource planning and organizational performance.

HR planning contributes to organizational success because it ensures that organizations always have a concept of the job market and how it relates to failure. A company that refuses to engage in HR planning in order to be proactive may find itself with a number of unfilled positions. A study conducted by Pamela, Umoh, and Worlu (2017) to analyse the effect of human resource planning on organizational performance in oil and gas firms in Port Harcourt, found a positive correlation between human resource planning and organizational performance. They emphasized that, having the required numbers and qualified personnel in the organization help to achieve the firm's success. They recommended that managers should continually carry out manpower audits and planning, and collaborate with training institutions to develop tailored programs to suit their HR needs in order to promote good performance of individuals that work.

SMEs performance measures the degree to which these firms are able to achieve their goals. It measures transactional efficiency as well as input-output efficiency (productivity). Productivity is the measure of how well resources are brought together in an organization and utilized for the accomplishment of a set result. Productivity measurement therefore, serves as a scorecard of an effective use of resources. It is the driving force behind an organization's growth and profitability. The higher the numerical value of the ratio, the greater the productivity, according to Anyadike (2013). Efficiency in production can be assessed by; increase in the size of the production, less time in the production of a unit of output, less wastage in resources including defective output and the use of same or less factor inputs per more output than before. Daft (2000) described organizational performance as an effective and efficient manner for firms to achieve their goals, using available resources. SMEs performance is also measured through how satisfied their customers are. Customer

satisfaction is one of the most important issues concerning business organizations of all types which is justified by the customer oriented philosophy and the principles of continuous improvement in modern organizations (Arokiasamy, 2013). It deals with how customers are satisfied with the product or service of a firm. Customer satisfaction is the individual's perception of the performance of the product or service in relation to his or her expectations.

### Research Methodology

This is a cross-sectional study which makes use of descriptive survey design. The sampled population comprised forty (40) SMEs, which were purposively selected from a hundred and fifty (150) SMEs identified in the Tema Metropolis of Ghana. The criteria for the selection was based on the number of years in operation as well as the number of employees and the structure of the firm, particularly, the existence of a human resource department in the firm. SMEs with less than ten (10) years of operation and staff strength of less than fifty (50) employees were excluded. SMEs with no human resource department were also excluded in the analysis. Five respondents; comprising general managers, operations managers, human resource managers and two senior employees were selected from each of the forty (40) SMEs, giving a total of 200 respondents. A semi-structured questionnaire was used for the data collection. A five-point scale, ranging from strongly disagree to strongly agree was used to measure the variables (1: Strongly Disagree; 2: Disagree; 3: Undecided; 4: Agree; 5: Strongly Agree). The response rate was 87%, of 200 questionnaire distributed, 175 were valid responses and as such were used for the analysis. Data was analyzed using descriptive and inferential statistics. The effect size of human resource planning on SMEs performance was calculated with a simple linear regression coefficient. The SPSS version 21 was utilized for the analysis.

### Discussion of Findings

#### *SMEs Perception about Human Resource Planning*

The study sought to find out the perception of staff on human resource planning. This was necessary because human resource planning and employees' awareness, participation and involvement are critical in meeting the goals of firms. On the basis of this, respondents were asked to rate their levels of agreement or disagreement with some items in the questionnaire pertaining to their perception of hu-

man resource planning on a scale of 1 to 5. Table 1 indicates the descriptive statistics of the respondents.

Table 1. *Employees of SMEs Perception about HR Planning*

Statement	5	4	3	2	1	$\bar{x}$	$\sigma$
HRP is the process forecasting the supply and demand for HRs	49	53	37	27	9	3.6	0.69
HRP ensures effective utilization of human resources	54	55	37	24	5	3.7	0.66
HRP enhances competitive advantage	48	65	32	22	8	3.7	0.68
HRP ensures the attainment of firm's goal	44	67	33	23	8	3.7	0.69
HRP ensures quality of human resources	48	69	38	15	5	3.8	0.64
HRP ensures adequate supply of human resources	48	59	37	27	4	3.7	0.69
HRP enables the operationalization of firm's objectives	48	59	37	27	4	3.7	0.65

Source: Field survey, (2019)

The result from Table 1 represents the responses from the study, with mean and standard deviation. The result suggests that, there was a general awareness of human resource planning and its benefits among respondents. For instance, respondents generally agreed that human resource planning is a process of forecasting the supply and demand for human resources, ( $\bar{x}=3.6$ ;  $\sigma=0.69$ ), and that HR planning ensures effective utilization of human resources in the organization ( $\bar{x}=3.7$ ;  $\sigma=0.66$ ), thereby enhancing the creation of competitive advantage in production of goods and market share ( $\bar{x}=3.7$ ;  $\sigma=0.68$ ). Respondents also agreed that human resource planning ensures an adequate supply of manpower at all levels at all times ( $\bar{x}=3.6$ ;  $\sigma=0.69$ ). Respondents thus have a positive perception about human resource planning.

Table 2. Whether or not SMEs have HR Planning Policies

Statement	5	4	3	2	1	$\bar{x}$	$\sigma$
There are laid down procedures .....							
For filling up of vacancies in my company	49	53	37	27	9	3.6	0.86
To assess the surplus or shortage of human resources	20	40	62	48	5	3.1	0.97
To minimize imbalances due to non-availability of human resources	30	40	52	38	15	3.2	0.68
To make the best use of human resources	49	53	37	27	9	3.6	0.59
To estimate the cost of human resources	48	65	32	22	8	3.7	0.41

Source: Field Survey, (2019)

### Human Resource Planning Policies in SMEs

The study further verified if SMEs have human resources policies. Items were given to respondents in the questionnaire to solicit their views on the existence of human resource planning policies in their organizations, considering the fact that respondents were aware of the relevance of human resource planning to an organization. Table 2 represents the results of the descriptive statistics.

Further, respondents generally agreed that their companies have laid down procedures to make the best use of human resources, a critical role of HR planning ( $\bar{x}=3.6$ ;  $\sigma=0.86$ ). Respondents also agreed ( $\bar{x}=3.7$ ;  $\sigma=0.41$ ) that structures were in place to estimate the cost of human resources in their company, which is an important feature of HR planning (Souksayanh, 2017). However, respondents could not establish whether there were any procedures or structures in place to minimize imbalances caused due to non-availability of human resources in the company ( $\bar{x}=3.2$ ;  $\sigma=0.68$ ) or assess the surplus or shortage of human resources and take measures accordingly ( $\bar{x}=3.1$ ;  $\sigma=0.97$ ). This could be explained by the fact that most SMEs do not use complex calculations in the labor market to determine the qualifications and availability of labor in the economic environment, unlike large and multi-million companies. SMEs must therefore take the necessary steps to be able to anticipate future HR needs in order to take advantage of the availability of these resources.

### Challenges SMEs Encounter in the Implementation of HR Planning Policies

Armstrong (2006) observed that most organizations with well-established human resource departments have problems with effective implementation of human resource planning policies. It was on the basis of this, the study explored the challenges associated with the implementation of HR Planning policies in the selected SMEs. The responses are represented in a descriptive table, in Table 3.

Table 3. Challenges SMEs Encounter in Implementing HR Planning Policies

Statement	5	4	3	2	1	$\bar{x}$	$\sigma$
Inadequate budget and funding	38	49	62	21	5	3.5	0.58
Lack of support by both management and staff	48	65	32	22	8	3.7	0.55
Absence of employees' involvement in the HRP	49	53	37	27	9	3.6	0.69
Lack of commitment from top management	38	49	62	21	5	3.5	0.58
Inadequate personnel to staff the HR department	54	55	37	24	5	3.7	0.58
There are no vivid efforts from top management to find permanent solutions for HRP problems	30	40	52	38	15	3.3	0.53
HRP not linked to organizational goals	49	53	37	27	9	3.6	0.58

Source: Field survey, (2019)

From the results, respondents generally agreed that their SMEs lacked qualified personnel to staff the HR departments ( $\bar{x}=3.7$ ;  $\sigma=0.58$ ) which was identified as one of the challenges. It was also discovered that SMEs in the Tema Metropolis were characterized by inadequate budget and funding of HR planning activities ( $\bar{x}=3.5$ ;  $\sigma=0.5$ ). The results also indicate that both managers and staff of SMEs in the Tema Metropolis have no appreciation of HR planning activities ( $\bar{x}=3.7$ ;  $\sigma=0.55$ ). Respondents generally agreed that employees were not involved in the human resource planning process on the SMEs studied ( $\bar{x}=3.6$ ;  $\sigma=0.69$ ) which is considered a challenge to the implementation of the HR planning policy. Above all, lack of commitment from top management ( $\bar{x}=3.5$ ;  $\sigma=0.58$ ) was also regarded as a challenge to the implementation of human resource planning policy. It is believed that if management

was committed, all the other challenges could have been taken care of. Respondents also believe that the HR planning activities were not linked to SME goals ( $\bar{x}=3.6$ ;  $\sigma=0.58$ ). They also agreed that there are no vivid efforts from top management to find a permanent solution for HR planning problems ( $\bar{x}=3.3$ ;  $\sigma=0.53$ ). This could be explained by lack of commitment on the part of management to HR planning activities.

### Effects of HR planning on SMEs performance

In spite of the challenges identified, respondents generally agreed that HR planning has a positive effect on their performance.

Table 4. *Effects of HR Planning on SMEs Performance*

Statement	5	4	3	2	1	$\bar{x}$	$\sigma$
HRP leads to high employee motivation and satisfaction	49	53	37	27	9	3.6	0.44
HRP reduces turnover and absenteeism	54	55	37	24	5	3.7	0.13
HRP enables the organization to overcome employee deficit, thus increasing performance	38	49	62	21	5	3.5	0.51
HRP ensures the right people at the right places in the organization	54	55	37	24	5	3.7	0.18
HRP brings about skill development among employees.	48	69	38	15	5	3.8	0.25
HRP enhances staff promotion	48	59	37	27	4	3.7	0.48
HRP encourages high performance	49	53	37	27	9	3.6	0.98

Source: Field survey, (2019)

From Table 4, respondents agreed that effective HR planning was a source of motivation to them and also gave them some form of job satisfaction ( $\bar{x}=3.6$ ;  $\sigma=0.44$ ). The results also showed that HR planning activities reduced turnover and absenteeism ( $\bar{x}=3.7$ ;  $\sigma=0.13$ ). This could be explained by the fact that employees are properly placed and challenged with tasks that give them the opportunity to prove their competence for rewards or for promotion. Respondents also agreed that HR planning enables the organization to overcome the deficit of employees, thus increasing performance ( $\bar{x}=3.5$ ;  $\sigma=0.51$ ). With the right people available for the right jobs, SMEs ensure that there is no vacuum created when an employee falls sick, retires or suddenly quits the job. Well articulated HR planning comes with a well thought out succession plan, so employees are adequately prepared to assume higher

responsibilities anytime. With regards to the effects of HR planning to their performance and the general performance of the SMEs analyzed, respondents noted that if only the planning were effective, it would help in assigning people to tasks they are comfortable with, and enjoy performing.

To determine the strength of relationships between human resource planning and SMEs performance, the Pearson product-moment coefficient was computed, with an alpha level of 0.05. Table 5 illustrates the result of the correlation analysis.

Table 5. *Correlation Analysis: HR Planning and SMEs Performance*

		SMEs Performance	Human Resource Planning
SMEs Performance	Pearson Correlation	1	
	Sig.		
	N	175	
Human Resource Planning	Pearson Correlation	.572	1
	Sig.	.001	
	N	175	175

Source: Field survey, (2019) (Sig. 2-tailed, .05 alpha level)

The result from Table 5 indicates a strong positive correlation between SMEs performance and human resource planning ( $r = .57$ ,  $n = 175$ ,  $p < .001$ ). This means that as SMEs effectively embark on human resource planning activities, their performance will increase since there is a strong positive relationship between SMEs performance and human resource planning.

To determine the extent to which human resource planning affects or impacts the performance dynamics of SMEs in the Tema Metropolis of Ghana, the study also employed the simple linear regression coefficient. Table 6 illustrates the results of the regression analysis.

Table 6. *Effect of Human Resource Planning on SMEs Performance*

Model	Unstandardized Coefficients		Standardized Coefficients			
1		B	Std. Error	Beta	t	Sig.
	(Constant)	1.343	.203		6.616	.001
	HR Plan-ning	.471	.102	.443	4.618	.002

Source: Field survey, (2019)

Data from the study showed that human resource planning explains 47% of variations in respondents' score on the performance dynamics of SMEs in the Tema Metropolis of Ghana. With a p-value of 0.002, the total variance explained was statistically significant. The regression model indicates that when SMEs in the Tema Metropolis of Ghana effectively implement human resource planning activities and policies, their performance can increase significantly by 47%.

### Conclusion

Small and Medium-sized Enterprises (SMEs) contribute enormously to the economic development of Ghana in terms of job creation, income generation and poverty reduction. Planning is a very important strategic tool used by most organizations to minimise the effect of the changing economical, political and global environment. Human resource planning undoubtedly augments and safeguards the present and future demand and supply of human resources in an organization. Human resource planning ensures an adequate supply of employees at the right time and in the right quantity and quality. This study aimed at determining the contribution of human resource planning in the performance of SMEs in the Tema Metropolis of Ghana. Using a sample of 40 SMEs with respondents of 200 employees, the results of the descriptive statistics, as well as the Pearson product moment correlation and the simple linear regression analysis indicate that, human resource planning has a positive contribution to the performance of SMEs. Therefore, for owners and managers of SMEs to ensure a regular supply of human resources with the requisite qualifications at all times, and to increase their performance, reduce employee turnover and absenteeism and to boost the morale of employees, it is recommended that human resource planning must be linked with SMEs strategic plan for effective utilization of human resources, re-

duced uncertainty in labour supply and the cost associated with it, maintenance of industrial harmony and effective control of human resources.

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