

## Chapter 12

# How SMEs in the Car Maintenance Services Industry Recruit Employees from the Dense Forest of Hopeless Unemployed Youths: Case Study of Two Selected Cities in Tanzania

**Felix Adamu Nandonde**  
Aalborg University, Denmark

**Pamela John Liana**  
Open University of Tanzania, Tanzania

### ABSTRACT

*There is a general consensus among scholars that the HR practices by corporate companies cannot be imitated by Small and Medium Enterprises (SMEs). Even though it is a neglected sector, SMEs in Tanzania are considered to be a major contributor to the national economy in terms of tax payment and job creation. Using a case study, this chapter investigates human resource practices in the recruitment process among the SMEs in a car maintenance sub sector. The nature of doing business is more informal, whereby a customer can bring a car to the garage and the technicians work on the car without bargaining for the cost of the work. Accordingly, there have usually been complaints from customers regarding over charging for the services offered and lack of trust among technicians, especially on matters relating to falsification on spare parts. In addressing this problem, garage owners have to make sure that they employ people with good character; those who cannot temper with customers' property tarnish the image and reputation of the company.*

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## INTRODUCTION

The collapse of the central planning system (Ujamaa policy), in which the government was responsible for providing a job 'for every one', has created significant employment uncertainty in Tanzania (Bagachwa and Maliyamkono, 1990, Mbwanbo 2003). In this regard, small and medium enterprises (SMEs), which mostly constitute the private sector, become even more important in creating new jobs.

Although SMEs have a big role to play in the economy, their management practices are still vague (Bryant and Nguyen, 2004). And even though SMEs create a significant portion of jobs and employment, current research on human resource recruitment (HRR) has focused primarily on large firms that employ fulltime specialised personnel (Annette and Marilyn, 1999, Heneman *et al*, 2000, Hornsby and Kuratko, 1990). This vacuum compels SMEs to either use human resource practices that were developed for large firms or not to use any practices because of not being appropriate for them.

Unlike the firms in developed countries, SMEs in the emerging economies are operating under weak market infrastructures (Peng, 2001, Mbwanbo, 2003, Mbwanbo and Tundui, 2003, URT, 2002, Wabwire, 1996). SMEs in developing countries may be familiar with HRR practices used by corporate organisations, but the recruitment practices of SMEs, arguably, may be very different from those in large firms (Bredl, *et al* 2009). Thus, despite the fact that SMEs in Tanzania play a very important role in economic development and job creation, there is very little knowledge about how they recruit human resource.

The subject of HRR in SMEs has received less attention in developing countries (Bryant and Nguyen, 2004, Aryeetey and Offori, 2011). In Tanzania, research on HR has focused much on local and central government (Bana, 2008, Itika, 2010, Issa, undated). This implies that research in SMEs human resource recruitment is

urgently needed in developing economies such as Tanzania. This chapter addresses the need of carrying out research in this area by asking one basic question: "What human resource recruitment practices do Tanzania's car maintenance SMEs formally exercise?" The answer to this question will provide owners of car maintenance and public policy makers in the country better perspectives of the challenges that SMEs face, instead of relying on what is available in the HRR studies on larger firms and models from developed countries.

## Overview of Car Maintenance Business in Tanzania

The definition of SMEs is still subject to debate among scholars. According to Copeland and Weston (1998), the concept lacks universal applicability. This is true because if sales turnover is used as the benchmark, then which currency would you use and what about the impact of exchange rate? Van der Wijst (1989) defines SMEs as a privately owned firm with 1-9 and less than 10-100 employees. Jordan *et al* (1998), on the other hand, define SMEs as the firm with fewer than 100 employees and with less than € 15 million turnover. It is clear from literature that scholars have not reached consensus on what should constitute SMEs, in terms of as to whether to use annual turnover, the size of enterprises, ownership of the enterprises, or the value of fixed assets. This study uses a definition based on quantitative dimensions (number of employees and number of revenue). Globally, the concept of SMEs varies from one country to country; in Tanzania, SMEs categorization has been on four tiers as shown in Table 1.

On the other hand, the country has scanty statistics on SMEs (The Guardian, 2010). Tanzania Chambers of Commerce Industries and Agriculture (TCCIA) estimated that there are 1 million entrepreneurs in the country, which contribute 30% of the GDP and employ 40% of the total population ([www.tccia.com](http://www.tccia.com)).

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