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Recruitment Policies and Procedures in Micro and Small Enterprises

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## **Abstract**

This thesis explores recruitment practices and recruitment challenges faced by micro and small enterprises in Greece—specifically, those with fewer than 50 employees and an annual turnover of less than €10 million. It examines their recruitment processes, the difficulties they encounter in attracting and retaining talented employees, and the strategies they employ to address these issues. Based on both quantitative and qualitative data collected from 20 such enterprises, the research identifies key barriers to their growth, including financial constraints, competition with larger firms, and limited access to skilled candidates. The findings indicate that while many of these businesses are increasingly adopting digital recruitment tools—such as job boards and social media—they often lack the resources or knowledge to implement more advanced technologies, like applicant tracking systems (ATS). The study also highlights the importance of employer branding and the implementation of a well-structured recruitment process to enhance talent acquisition. Furthermore, it shows that focusing on retention strategies, including flexible work arrangements and career development opportunities, can help strengthen workforce stability and reduce employee turnover. Although recruitment remains a major challenge for micro and small enterprises, the research concludes that by leveraging digital tools, improving their employer brand, and refining recruitment practices, these businesses can better compete in today’s demanding labor market.

**Keywords:** Micro and Small enterprises, SMEs, recruitment challenges, structured hiring practices, digitalization, workforce retention, flexible work arrangements.

## **Περίληψη**

Η παρούσα διπλωματική εργασία εξετάζει τις πρακτικές και τις προκλήσεις προσλήψεων στις μικρές και πολύ μικρές επιχειρήσεις στην Ελλάδα—συγκεκριμένα, σε αυτές με λιγότερους από 50 εργαζόμενους και ετήσιο τζίρο μικρότερο από 10 εκατομμύρια ευρώ. Μελετά τις

διαδικασίες προσλήψεων αυτών των επιχειρήσεων, τα προβλήματα που αντιμετωπίζουν στην προσέλκυση και διατήρηση ταλαντούχων εργαζομένων, καθώς και τις στρατηγικές που χρησιμοποιούν για να ξεπεράσουν αυτά τα προβλήματα. Μέσα από συνδυασμένα ποσοτικά και ποιοτικά δεδομένα που συλλέχθηκαν από 20 τέτοιες επιχειρήσεις, η έρευνα αναδεικνύει τα βασικά εμπόδια στην ανάπτυξή τους, όπως οι χρηματοδοτικοί περιορισμοί, ο ανταγωνισμός με μεγαλύτερες εταιρείες και η έλλειψη προσβάσιμων εξειδικευμένων υποψηφίων. Τα ευρήματα δείχνουν ότι, αν και πολλές από αυτές τις επιχειρήσεις υιοθετούν ψηφιακά εργαλεία προσλήψεων, όπως πίνακες ευρέσεως εργασίας και κοινωνικά δίκτυα, πολλές αντιμετωπίζουν δυσκολίες στην εφαρμογή πιο προηγμένων τεχνολογιών, όπως τα συστήματα παρακολούθησης υποψηφίων (ATS). Η μελέτη επισημαίνει επίσης τη σημασία του employer branding και της εφαρμογής μιας οργανωμένης διαδικασίας προσλήψεων για την προσέλκυση των καλύτερων ταλέντων. Επιπλέον, η έρευνα αποκαλύπτει ότι η εστίαση σε στρατηγικές διατήρησης, όπως ευέλικτες συνθήκες εργασίας και ευκαιρίες επαγγελματικής ανάπτυξης, μπορεί να ενισχύσει τη σταθερότητα του εργατικού δυναμικού και να μειώσει το ποσοστό αποχώρησης των εργαζομένων. Παρά το γεγονός ότι η διαδικασία προσλήψεων παραμένει μια σημαντική πρόκληση για τις μικρές και πολύ μικρές επιχειρήσεις, η έρευνα καταλήγει στο συμπέρασμα ότι μέσω της αξιοποίησης ψηφιακών εργαλείων, της βελτίωσης της φήμης του εργοδότη και της αναβάθμισης των διαδικασιών προσλήψεων, αυτές οι επιχειρήσεις μπορούν να ανταγωνιστούν καλύτερα σε μια απαιτητική αγορά εργασίας..

**Λέξεις-κλειδιά:** μικρομεσαίες επιχειρήσεις, προκλήσεις πρόσληψης, δομημένες πρακτικές πρόσληψης ψηφιοποίηση, διατήρηση ποσοστού εργατικού δυναμικού, ευέλικτες μορφές εργασίας

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## **LIST OF ABBREVIATIONS & Acronyms**

ATS

applicant tracking systems

EU

European Union

HRM

Human Resource Management

OECD

Organization for Economic Co-operation and Development

SBA

Small and medium sized enterprises

GDP

Gross Domestic Product

HR

Human Resources



## **1. Introduction**

"The recruitment process plays a crucial role in the success of businesses, particularly in micro and small enterprises, where hiring decisions can significantly impact performance and sustainability. This dissertation explores the recruitment policies and procedures adopted by such enterprises, highlighting the challenges they face and the strategies they implement to attract and retain talent. By examining these aspects, the study aims to provide insights into the importance of structured hiring practices in small-scale businesses.

For the purposes of this study, micro and small enterprises are examined within the broader framework of SMEs, as they are considered integral parts of this category. While SMEs encompass a range of firm sizes, micro and small enterprises share key characteristics, particularly in HRM practices, resource constraints, and operational flexibility (Storey, 1994). Therefore, insights from the general SME literature remain relevant to this study."

### **1.1 Importance of Recruitment in SMEs**

A cornerstone to organizational success particularly for SMEs that normally operate with limited resources is recruitment. SMEs are usually short of an HR infrastructure to implement robust recruitment practices and tend to rely on informal methods. However, given their cost effectiveness, these approaches often result in inconsistent hiring outcomes, which prevents the ability to hire top talent (Adla, Gallego-Roquelaure, & Calamel, 2020). As SMEs are faced with greater competition from larger firms with a developed employer brand and larger recruitment budgets (Harney, Gilman, Mayson & Raby, 2022), this issue becomes more apparent.

Secondly, the recruitment process is complicated by external factors including market dynamics and technological advancements in SMEs. Technology integration into SMEs recruitments stated by Biea, Dinu, Bunica, and Jerdea (2024), has brought to the fore, improve the efficiency of these processes in SMEs, thus improving the prospective of onboarding the right candidate. However, small and medium sized enterprises (SMEs) may not have the financial and technical resources to adopt many of these technologies. All this underlines the

necessity of tailor-made recruitment strategies which correspond to the peculiarities of SMEs by considering their specific requirements, strengths and capacity.

In addition, organizational performance and innovation are directly influenced by recruitment. According to studies, the use of effective recruitment practices helps create highly satisfied employees, higher retention levels, and higher organizational productivity (Curado, 2018). This gives SMEs competitive advantage and hence sustain growth and adapt to market changes. As a result, not only is understanding and improving recruitment policies a functional necessity for SMEs, but it is also a strategic imperative for them.

## **1.2 Relevance to SMEs' Strategic Goals**

SME recruitment isn't just about filling vacancies, it is a fundamental part of achieving broader strategic objectives. Effective recruitment practices allow SMEs to create a team that pushes for innovation, greater customer satisfaction and sustainable growth. Karimi et al. (2019) explain that competency-based recruitment approaches will guarantee that SMEs hire candidates that not only possess the necessary skills but also embody the values, and the objectives of the organization.

Particularly important is the role of HRM in determining recruitment strategies. Recruitment under Strategic HRM is aligned with business goals, thus recruiting decisions contribute to organizational success (Knezović, Bušatlić & Ridić, 2020). This frequently means that SMEs must juggle short term operations needs with longer term strategic priorities, including developing a workforce that is resilient and adaptable.

In addition, recruitment is a key touch point to build the employer branding for SMEs. Having a well-defined employer brand can help SMEs to stand out in competitive labor markets, by attracting candidates who appreciate the special benefits of working for smaller companies. As Gehrels (2019) notes, employer branding is very efficient in sectors where SMEs cannot compete from salary point of view with larger firms.

### **1.3 Purpose and Objectives of the Study**

Small and Medium Enterprises (SMEs) play an important role and provide employment and innovation to the economies across the world. Although SMEs exert a critical economic role, they frequently struggle to structure and formalize the Human Resource Management (HRM) practices, such as recruitment. Recruiting is not just about finding people to fill jobs; it's about bringing in and keeping the talents that are going to help them grow and innovate. This study seeks to analyze recruitment policies and procedures within SMEs and examine the specific constraints associated with these strategies to get over such constraints.

The main objectives of this thesis are to analyze the recruitment processes of SMEs, understand the barriers they encounter, and identify best practices that could help them attract and retain qualified employees. In particular, the specific aims of this study are to analyze the role of HRM strategies in recruitment, examine the impact of technology on recruitment efficiency, and provide actionable recommendations for improving HR practices in SMEs. By addressing these aspects, the study contributes to a broader understanding of how SMEs can remain competitive in a dynamic labor market. Given that SMEs represent a significant portion of the global economy and often struggle with resource constraints, effective recruitment strategies are essential for their sustainability and growth. This research sheds light on the challenges SMEs face and offers practical insights that can enhance their ability to build a strong workforce, ultimately fostering business resilience and long-term success."

### **1.4 Methodology and Approach**

This study uses a literature review, a case study analysis, and a primary data collection through questionnaires directed at SME representatives. The mixed-method approach makes use of theoretical insights of recruitment practices in SMEs as well as practical observation of such recruitment practices.

The review of the literature looks at the current studies on HRM and recruitment in SMEs in terms of challenges, best practices and innovative strategies. It entails cross geographical and economic perspectives and provides a holistic view of the subject. Critical information about HRM practices can be found in references like Harney and Nolan (2022) while studies like Singh and Ramdeo (2023) discuss the emerging trend in the recruitment process.

A case study of representative SMEs is conducted to examine the recruitment policies and procedures of an SME so as to identify strengths, weaknesses, threats and opportunities for improvement. The findings are complemented by this practical analysis, which provides valuable insights into how SMEs can optimize their recruitment practices.

Secondly, while questions give rise to primary data, it helps in collection of primary data that lends itself to direct insight concerning the representatives' experiences and perspectives. They are questions about recruitment, the methods used, the challenges faced, and the tools used. Descriptive and inferential statistics will be used to analyze this data in order to make meaningful conclusions.

## **1.5 Challenges of SMEs in Greece**

But these businesses have their own unique challenges that hinder their success, in the areas of recruitment and workforce retention, for example.

Financial constraints are one of the most critical issues for Greek SMEs. The Bank of Greece has pointed out that limited access to funding and high borrowing costs have long been barriers to growth for small businesses in Greece. As said, the Bank's Governor, Mr. Y. Stournaras, "For the Greek economy to recover and be sustainable in the post crisis era, SMEs must be kept 'alive' "(dete.gr, 2021). Financial limitations usually constitute main factors that prevent SMEs from paying salaries or benefits that will enable them to attract and retain experienced professionals. The findings of this study also reveal that financial constraints were a major recruitment challenge for 25% of respondents.

Greece is struggling with regulatory burdens and administrative complexities. Often, these businesses have a hard time operating in a bureaucratic environment, which inflates the cost of operations and decreases the focus on innovation and recruitment. A recent analysis indicated

that SMEs in Greece are exposed to six major risks that are seriously affecting their recruitment strategies, namely, insufficient financial infrastructure and labor market rigidity (iNews, 2023). The systemic challenges are difficult for Greek SMEs to compete with larger enterprises or to adapt to modern hiring practices.

Despite these, Greek SMEs have proven resilient and have used non-monetary benefits to attract talents. To appeal to jobseekers, especially young professionals who view work life balance as a main concern, many small businesses offer flexible work arrangements, stress their supportive work environments and utilize a variety of social media messaging channels. In addition, employer branding and digital tools are becoming essential to overcoming recruitment problems. Nevertheless, a large part of SMEs in Greece is still behind when it comes to introducing technology driven solutions because of a lack of resources and expertise.

Finally, SMEs in Greece are an essential part of the economy but hindered from growing and recruiting new employees by financial, regulatory and structural challenges. The barriers to competitiveness for Greek SMEs can be solved by intervening through targeted policies and technological innovation. Businesses themselves require these efforts to survive, but the economic stability of the country relies on them, as well.

## **1.6 Challenges SMEs Face in Human Resource Management**

SMEs contribute immensely to economic and social wellbeing, but their operating characteristics also bring about some unique challenges especially in Human Resource Management (HRM). Financially these are constrained, a lack of specialized HR expertise and labor, which is in competition with the large firms.

**Challenges in SMEs' Recruitment:** There are many challenges to recruitment in SMEs that are both internal and external. SMEs often don't have dedicated internal HR departments which makes their recruitment processes more fragmented. Hiring decisions are generally made by managers or business owners, who usually have no HR expertise: this is where inefficiency kicks in (Deng, 2023). In addition, SMEs are limited by small budgets that prevent the investment in latest recruitment tech or mean they are not able to offer competitive salaries or rewards to attract the best of the best (Harney, 2021).

SMEs operate in competitive labor markets externally and are often dominated by larger organizations. Smaller firms are overshadowed by these organizations which can afford to invest heavily on employer branding and recruitment campaigns. More demographic shifts, like millennial and Gen Z employees now being more important now than ever, need recruitment practices that emphasize flexibility, inclusivity and technology (Safrudin, 2024).

A second significant challenge is new hire retention. Turnover rates in SMEs tend to be high because they do not have as much to offer (in terms of career growth opportunities) as larger corporations do. According to Mulolli and Islami (2020), in order to keep employees in SMEs, aside from competitive pay, employee happiness through a supportive and interesting work environment also matters. The question then posed is how recruitment practices can support a business's long-term goals and promote cultural fit and employee development.

**Financial Constraints:** SMEs financial limitation will reduce the possibility of investing in the systems necessary for formalized HRM systems. However, SMEs do not have the dedicated HR budget that larger corporations enjoy, and they have to spread limited resources across several operational areas. This often leads to the use of ad hoc or informal recruitment practices that in turn do not appeal or retain top talented people (Harney & Nolan, 2022). This means that SMEs take the risk of hiring employees who may not fit into their long-term strategic goals.

**HR Expertise and Infrastructure:** The fact is that many SMEs do not have HR departments but make use of the owners or managers to take care of recruitment and personnel management. However, these have an element of human involvement and, as a result, they can be inefficient and inconsistent; since these human beings do not necessarily have the expertise to put the effective HRM strategies into practice. Harney (2021) asserts that among SMEs professional HR practices do not exist which can lead to higher turnovers and lower employees' satisfaction rates.

**Competition for Talents:** SMEs tend to compete with bigger organizations for the same pool of talents, and they are at a disadvantage because they cannot afford to pay the same amount of money or provide the same benefits and career development opportunities, as bigger organizations do. Singapore is a land where SMEs typically lack employer branding and budget in recruitment campaigns, as the larger firms already boast an established employer branding and huge budget; it poses big challenge for SMEs to hire high caliber candidates (Gamage et al., 2020). To stay competitive, SMEs need to focus on developing a strong employer value proposition, leveraging their competitive advantages, like a flexible work environment and tightly knit organizational culture.

**Technological Challenges:** Technology provides significant opportunities to improve the HRM processes, but many SMEs cannot adopt the advanced tools because of cost and technical barriers. For example, recruitment platforms and applicant tracking systems (ATS) can facilitate hiring procedure but would demand financial outlay and technological understanding that SMEs may absence (Safrudin, 2024). As a result, they are limited in their ability to compete in a digitalized recruitment landscape — especially when it comes to attracting younger, tech savvy candidates.

**Workforce Diversity and Inclusion:** Diversity and inclusion depict another challenge that SMEs need to work on as far as their workforce is concerned. Because SMEs often do not have the resources or the awareness to create such initiatives, they are different from larger firms with an established diversity policy. Nevertheless, in dynamic markets as Singh and Pathak (2018) make the case, organizational creativity and adaptability can be strengthened by embracing diversity.

## **1.7 Challenges and Obstacles in Recruitment Policies and Procedures in**

### **SMEs**

#### **1.7.1 Limited Resources and Budget**

The financial and operational constraints with which SMEs typically operate greatly affect their recruitment capabilities. SMEs, unlike large corporations, have to use their limited funds to fund multiple business functions. Often, to achieve recruitment efficiency this will lead to the use of informal or cost-effective recruitment mechanisms like employee referrals or local job postings that sometimes do not attract a diverse or highly skilled talent pool (Harney & Nolan, 2022).

In addition, SMEs are limited financially to pay competitive salaries and benefits. With a wealth of experience and technical knowhow, professionals will tend to gauge their worth against job offers which deliver fair pay packages and better career development opportunities. As a result, SMEs often find themselves ill equipped to be attractive employers, especially when competing with larger firms that monopolize the labor market (Mendy & Rahman, 2019).

In addition, on the side of SMEs, resource limitations hinder their ability to use advanced recruitment technologies i.e., applicant tracking systems (ATS) or AI driven tools. At a time when technology has emerged to help, these solutions can speed hiring and improve efficiency, but they demand big financial and technical investments, which are out of reach for many SMEs (Safrudin, 2024). The lack of such tools leads to manual, time consuming, error prone processes that compound the recruitment cycle.

In response to these challenges, SMEs can make use of cost-effective alternatives such as free job boards, government supported employment programs as well as community-based recruitment initiatives. Moreover, as SMEs, collaborating with local universities and training institutions can enable SMEs to gain access to emerging talent pool; addressing high costing recruitment processes (Karimi et al., 2019).

### **1.7.2 Shortage of HR Professionals in SMEs**

One of the biggest challenges for SMEs is that there is no dedicated HR professionals or department. Recruitment in many SMEs is often a responsibility of a generalist or business owner who may not have formal training in HR practice. As a result, the hiring process often becomes inconsistent, with poorly defined job roles, insufficient candidate screening and substandard interview techniques (Harney, 2021).

It is also because of the absence of specialized HR expertise that strategic alignment in the employment and recruitment policies with the broader organizational goals is compromised. SMEs run the risk of making hiring decisions not from a long-term perspective, but from the immediate needs without trained professionals to develop and execute effective HR strategies. Hence high turnover rate and recruiting stable and skilled workforce could become difficult (Adla et al., 2020).

Moreover, for the same reason, it curtails SMEs from embracing the practices of international HRM in the areas of competency-based selection, embracing diversity and inclusion, and employee engagement. For example, interviews that are not structured properly may not effectively judge a candidate's soft skill or fit in with the company's culture but may end up in mismatch that can affect the dynamics of a team and productivity (Curado, 2018).

To get past this hurdle, SMEs can train managers and staff who participate in recruitment via workshops, online courses and HR certifications. External consultants or outsourcing particular HR features can likewise give admittance to professional skill without the requirement for a full-time HR group (Deng, 2023). SMEs can also look out for digital platforms on board that provide recruitment templates and guidelines to smoothen the hiring procedure along with streamlining it to make the outcomes consistent.

### **1.7.3 Talent Acquisition Challenges**

#### **Competition with Larger Enterprises**

While SMEs are under tremendous competition from larger organizations, the latter often have the advantage in attracting top talent. Larger vendors usually give higher salaries, good benefits and formalized career track planes, with these considerations attracting skilled employees. However, SMEs could be perceived as less stable, or not able to provide such opportunities for growth and development (Knezović et al., 2020).

The gap is wider in advanced scale industries like technology or engineering, where there is more often demand for more people with the right skills than there are people available. These candidates are more likely to choose organizations with strong employer brands and global reach, leaving no room for technological SMEs to participate in the competition for talent acquisition (Singh & Pathak, 2018).

#### **1.7.4 Retention of Skilled Employees**

Another big challenge for SMEs is to retain skilled employees. They can compromise business continuity, increase recruitment related costs and impact team morale. Some of the factors that contribute to employee attrition in SMEs are limited opportunities for career progression, lack of formalized training program and lack of suitable workplace benefits (Mulolli & Islami, 2020).

The situation is even bleaker for SMEs that only think about immediate workforce needs and engaging employees in productively useful long-term activities. For example, if there is a mismatch between what the job is supposed to do and what it actually does, the person will be dissatisfied and will eventually resign. Likewise, employees who experience feeling undervalued or unsupported, are more unlikely to remain loyal to the organization (Harney & Nolan, 2022).

SMEs can come out on top by incorporating various (non-monetary) rewards such as a supportive work culture, flexible hours and the possibility to make a difference in their pocket. Similarly building relationships with employees can foster feelings of belonging among employees, increase loyalty and decrease turnover (Adla, Gallego Roquelaure and Calamel, 2020). It also allows introducing structured onboard programs and regular performance feedback mechanisms to facilitate new hire integration, as it would lead to the higher chance in keeping new hires long term (Safrudin, 2024).

#### **1.7.5 Labor Market Competition**

Recruitment outcomes for SMEs are significantly affected by the dynamics of the labor market. The gig economy, remote work and demographic trends have transformed the expectations of candidates — but this is also both a challenge and an opportunity for SMEs.

### **1.7.6 Impact of Labor Market Trends on SMEs**

**Gig Economy:** The freelance and contract work has helped create a more flexible labor market, but it has also made it hard for SMEs to attract candidates who want stable, full-time roles. However, the gig economy provides SMEs the opportunity to hire specialized talent for short term projects without having to hire on a permanent basis (Trovão et al., 2023).

**Remote Work:** Because of widespread remote work, the talent pool has expanded to the point where SMEs can now source candidates outside their immediate geographic area. This, however, also increases competition because candidates can now look for opportunities with global organizations that provide remote roles (Knezović et al., 2020). Therefore, SMEs have to adopt its recruitment policies to include remote work arrangements and tap into this trend towards its favor.

**Demographic Shifts:** Demographics are changing, as Gen Z enters the workforce, and expectations from candidates are changing in terms of work life balance, purpose driven roles and workplace culture. These preferences must be aligned with SMEs' recruitment strategy as they consciously adapt to value such as sustainability, inclusivity and innovation (Singh & Ramdeo, 2023).

**Strategies for Navigating Labor Market Competition:** To remain competitive in a dynamic labor market, SMEs can adopt the following strategies:

**Building Employer Branding:** SME's can use a strong employer brand to distinguish themselves in a crowded market. Candidates who involve themselves with social organizations will be attracted by the mission, values and impact the organization develops in the community (Curado, 2018).

**Leveraging Technology:** Social media and job boards help SMEs reach a wider audience and they can aim at a particular demographic. Moreover, AI powered tools can be used in the simplification of candidate screening and the optimization of the recruitment process (Trovão et al., 2023).

**Flexible Recruitment Policies:** Recruitment policies can be adapted to meet remote work, part time and flexible working options to widen the talent pool and attract candidates who place work life balance at the top of their wish list. Take for example, the hybrid work models that can attract people who seek flexibility without sacrificing job security (Safrudin, 2024).

**Engaging with Local Communities:** SMEs can form partnerships with local schools, universities and vocational training centers in order to build such a pipeline. Internships or mentorship programs can also be community engagement initiatives that improve the organization's reputation and build long term relationships with potential employees (Harney & Nolan, 2022).

## **1.8 Contribution to the Literature**

This research contributes to the increasing body of literature on HRM and recruitment in SMEs and more precisely about micro and small enterprises by filling a gap in existing research. There have been many studies on the difficulties faced by SMEs, but relatively little on practical solutions suitable to their specific situation. This thesis integrates theoretical insights with empirical data to provide actionable recommendations for SME recruitment policies and procedures to be improved.

Moreover, this study's findings have practical implications for micro and small and in general SME. The study offers a framework for assessment and improvement of recruitment's practice, and, for managers, strategies including technology leverage, competency-based hiring and employer branding.

## **1.9 Structure of the Thesis**

The nine chapters of this thesis are organized as follows. Subsequently, Chapter 2 presents the characteristics and challenges of SMEs that will lay the groundwork for understanding the operational context of the SME. Chapter 3 discusses the function of HRM in SMEs, which is strategic and different from HRM in larger organizations. Chapter 4 looks at recruitment policies, their purpose, their influencing factors, and their challenges in implementation.

In Chapter 5, we break down the stages of the recruitment process providing a deep analysis of each stage from job description to onboarding. In Chapter 6, challenges and obstacles SMEs encounter in recruitment are analyzed, and in Chapter 7, best practices to overcome these issues are provided. A case study analysis of a representative SME is presented in Chapter 8 and connects theoretical insights with practical observations. Finally, Chapter 9 summarizes the findings, gives recommendations to SMEs, and proposes future research.

## **2 Literature review**

The study of SMEs has been extensively covered in the literature, highlighting their diverse structures, operational constraints, and adaptive strategies (Blackburn et al., 2013). While SMEs as a whole exhibit heterogeneity, micro and small enterprises share distinct challenges,

particularly in human resource management (HRM), financial limitations, and informal decision-making processes (Mallett & Wapshott, 2015). Research suggests that these firms often rely on flexible, ad hoc HRM approaches due to their size and resource scarcity (Harney & Dundon, 2006). Therefore, existing SME research provides a critical foundation for understanding the specific conditions shaping micro and small enterprises.

## **2.1 Small and Medium Enterprises (SMEs): Characteristics and Challenges**

### **2.1.1 Definition and Categories of SMEs**

Small and Medium Enterprises (SMEs) are identified by criteria such as employee count, turnover and balance sheet totals, which vary according to the context and jurisdiction. A number of prominent organizations offer standardized definitions of SMEs for the classification purpose so as to maintain consistency in terms of countries and sectors.

According to the European Union (EU), SMEs are categorized as follows:

- Micro-enterprises: These are businesses with fewer than 10 employees and with an annual turnover or balance sheet total not exceeding €2 million.
- Small sized enterprises: Annual turnover or balance sheet total not exceeding €10 million and fewer than 50 employees.
- Medium sized enterprises: Companies with fewer than 250 employees and an annual turnover not exceeding EUR 50 million, or a balance sheet total not exceeding EUR 43 million (European Commission, 2003/361/EC).

A portal for a broader framework, which recognizes that there is a diversity of SMEs around the world, is provided by the Organization for Economic Co-operation and Development (OECD). It refers to businesses with fewer than 250 employees and annual turnover thresholds that are appropriate to national economic conditions, generally (OECD, 2017) and classifies them according to country specific criteria.

In the U.S., the Small Business Administration (SBA) defines SMEs, or "small businesses" on industry specific standards. For example, manufacturing enterprises are small if they have fewer than 500 employees, and service-based firms must meet revenue thresholds that differ by industry (SBA, 2023).

Adopting standardized classifications in this thesis, the analysis is aligned with widely recognized benchmarks, enabling comparison and application in other regions.

### **2.1.2 The Economic and Social Role of SMEs: Global and Greek Perspectives**

SMEs are very important to the global economy with regard to employment and GDP. According to International Labour Organization (2018), SMEs are responsible for more than 50% of global employment, and 40% of GDP in emerging economies. Rather, the influence of SMEs goes beyond just economic measures due to the fact that they represent a glue for innovation and entrepreneurship. For example, many SMEs are technology giants today, e.g., those in Silicon Valley, which signify that they are the driving force for technological and societal change.

SMEs not only provide economic contribution, but also social contribution, including developing community, declining consumption equality. They are usually located within local communities to help source labor and materials from their local environment. It brings trust and collaboration, especially in areas where large corporations don't exist. Karimi et al. (2019) argue that social capital developed by SMEs results in high levels of employee loyalty and customer retention.

Furthermore, SMEs play a central role in innovation by addressing niche markets and consumer needs that larger corporations often overlook. Their competitive advantage lies in their ability to experiment with new products and services without the constraints of complex corporate structures. Yet, sustaining this innovation demands that SMEs recruit creative and adaptable talents effectively, a problem which many SMEs find difficult to solve (Safrudin, 2024).

In Greece, Small and Medium Enterprises (SMEs) constitute a pillar of the Greek economy as they are above 99% of the Greek businesses, they generate employment and contribute to stabilizing the country's economic system. SMEs are very important for the economic growth of Greece and for social cohesion because they contribute a lot to Greek GDP, and they employ a large part of Greek population.

### **2.1.3 The Role of HRM in SME Innovation**

Innovation within SMEs is a function of Human Resource Management. To innovate, you need a skilled, motivated, aligned workforce. However, especially in the recruitment, SMEs' good HRM practices help them pull workers who are able to offer them fresh perspective and innovative problem-solving skills (Curado, 2018).

Research supports that SMEs with formal HRM systems are more likely to achieve innovation driven growth than those with informal practices. For example, competency-based hiring process (Singh and Ramdeo, 2023) guarantees that employees have the right blend of skills and characteristics which will aid the organization in achieving its innovation objectives. Similarly, participatory decision-making processes and flexible work arrangements develop an innovative culture, by allowing employees to suggest ideas and take own initiative, leading to higher mentions nearby the issue.

Despite this, HRM as an enabler of innovation leads to the need to meet challenges like resource limitation and resistance to change. Nolan and Harney (2024) argue that SMEs require a strategic view of HRM that is linked to overall organizational objectives and that recruitment practices are consistent with long term innovation strategies.

Small and Medium Enterprises is an important driver of economic growth and social development. SMEs have made great contribution to the economy, but they face a number of challenges in managing human resources, especially in recruitment. Being burdened with financial constraints, little or no HR expertise, and a stiff competition for talent, technological barriers as well limit them from implementing effective recruitment practices.

While these challenges are also opportunities for innovation and strategic growth. SMEs overcome these barriers with a focus on employer branding, digital tools and employee development, and their flexibility. HRM practices that are effective for recruitment are also effective for broader organizational objectives, such as competitiveness and innovation.

This chapter has first defined the characteristics and challenges of SMEs, which form the basis of the subsequent discussions on HRM and recruitment strategies. The following chapters explore how these challenges can be addressed, and how a nuanced understanding of the SMEs' needs and capacities, as well as commitment to adopting best practices appropriate to their contexts, are necessary.

## **2.2 Human Resource Management in SMEs**

HRM plays a critical role in the effective operation and sustainable development of SMEs. Although SMEs often operate with limited resources and less formalized structures compared to larger organizations, the implementation of strategic and well-organized HRM practices can significantly enhance productivity, talent retention, and adaptability to changing market demands. This section explores the role and strategy of HRM in SMEs, highlights the key differences between HRM practices in SMEs and large enterprises, examines the contribution of HRM to SME growth, discusses the challenges faced in implementing HRM, and presents best practices that can help improve human resource management in the context of smaller businesses.

### **2.2.1 The Role and Strategy of HRM in SMEs**

Small and Medium Enterprises (SMEs) Human Resources Management (HRM) is a very important function in the pursuit of organizational growth and competitiveness. Because of this, compared to large corporations, HRM in SMEs is usually informal and flexible. Typically, these practices are adapted to the specific operational and financial constraints of SMEs. Nevertheless, HRM is an imperative to organizations' strategic stake, working human resources properly can lead to staff satisfaction, retention, and general organizational execution (Harney and Nolan, 2022).

HRM in SMEs is beyond managing people; it is about matching human resources to business objectives. SMEs are able to adapt to workforce changes through the absence of extensive bureaucracy. For example, a family-owned SME would like to have loyalty and maximum long-term employment; a tech startup, on the other hand, would prefer to have innovation and an employee who's willing to develop their own skills. This is a strength and a weakness, as SMEs need HRM tailor made to their unique goals and culture (Mendy & Rahman, 2019).

Strategic HRM in SMEs is about integrating the recruitment, performance management and training program. SMEs can align strategy via competency-based recruitment and flexible work arrangements, despite lacking the resources to be very comprehensive in their HR

initiatives. Such strategies besides increasing the efficiency of workforce, facilitate culture of accountability and connections (Karimi et al., 2019). The ultimate contribution that HRM in small and medium enterprises can make, then, is to create a resilient workforce that can adapt to changing market conditions as a strategic role.

### **2.2.2 Differences in HRM Between SMEs and Large Enterprises**

The main gaps between HRM in SMEs and large enterprises are the differences in the organizational structure, the availability of resources and scale of operations. Formal (formalized) HRM systems, with specialty departments and advanced tools (e.g., applicant tracking systems (ATS)), are typically available only to large corporations in terms of financial and technical resources. Whereas SMEs generally run with small budgets that lead to less formalized HR processes and depend on generalists instead of specialists (Harney, 2021).

The only notable difference is that approach to recruitment. Recruitment campaigns, employer branding and attracting top talent is something larger firms are doing, whereas SMEs depend on word-of-mouth referrals and local networks. Although this informal approach can be cost effective, its limited diversity and quality of talent pool (Safrudin, 2024). Furthermore, SMEs may have difficulty competing with larger firms' salary and benefits packages which may also drive their recruitment efforts (Deng, 2023).

A second important distinction is related to the role of technology in HRM. As a result, large enterprises are more likely to invest in digital solutions, like AI driven recruitment platforms, which automate the hiring process and increase the accuracy of decision making. On the contrary, SMEs usually lack financial resources to adopt technology, therefore missing the chance to optimize HR operations (Trovão et al., 2023). The disparity in this situation emphasizes the need to develop solutions that are tailor made to allow SMEs to utilize technology within their budgetary limitations.

Employee engagement and development also differ in HRM. SMEs, however, oftentimes find difficulty providing it to people as much as larger firms can when it comes to structured career progression paths and extensive training programs. Nevertheless, due to their close organization and the fact that they are small, the focus on SMEs is characterized by the more personal, supportive and, therefore, more humane working environment that contributes to higher levels of employee satisfaction and loyalty (Knezović et al., 2020). This implies that

SMEs can limit their resource restrictions by developing a robust organizational culture and neighborhood relations.

### **2.2.3 Contribution of HRM to SMEs Growth**

The growth and sustainability of SMEs depends on how HRM contributes to productivity, innovation and retaining employees. HRM practices that are effective help SMEs attracting and retaining skilled human capital, thus imparting employee stability and motivation which ultimately leads to long term success. Additionally, HRM aids in configuring workforce competencies to organizational objectives such that employees are positioned to handle the extremely competitive market (Harney, Gilman, Mayson, & Raby, 2022).

Recruitment and selection are some of the primary ways HRM helps in SME growth. For SMEs, staffing and recruiting become a process of adopting competency-based recruitment strategies that ensure that new hires have the relevant skills and attires required to enhance organizational performance According to Karimi et al. (2019), competency-based recruitment not only improves the hiring outcome, but they also reduce turnover by resulting a better match between employee and organization.

Training and development become another important part of HRM in SMEs. Targeted training programs can deliver high returns, despite SMEs being often financially constrained and thus unable to invest in employee development. For example, if employees are upskilled in areas like digital literacy or customer service, they are likely to be more productive and the quality of a company's services is likely to improve (Curado, 2018). Additionally, by offering opportunities for the employees to develop they can increase employee satisfaction and loyalty, which, in turn, decreases the costs related to turnover and recruitment.

Fostering innovation within SMEs is also the role of HRM. A well-managed workforce is more likely to generate creative ideas and adopt new ways of working which will lead to innovation in products, services and processes. Adla, Gallego-Roquelaure, and Calamel (2020) mention that SMEs with structured HRM practices can more effectively use employee creativity in line with the organizational objectives. This exhibit, however, serves to support the strategic significance of HRM in determining how SMEs can make adaptations to new market conditions to ensure their competitiveness.

In addition, HRM can help create a resilient organization by building a robust employer brand. A positive employer brand not only helps attract top talent, but it also is known to help raise the SME's reputation among the customers and stakeholders. According to Knezović et al., (2020) SMEs that saw HRM as a strategic function had a higher likelihood of sustaining growth and a competitive advantage.

#### **2.2.4 Challenges in Implementing HRM in SMEs**

Although HRM has a great deal of advantages to SMEs, its application poses some challenges. The adoption of effective HRM practices in SMEs is limited mostly by financial constraints, lack of expertise as well as resistance to change, as follows:

**Financial Constraints:** Because SMEs often have limited budgets, they typically must focus on meeting their immediate operational needs at the expense of long-term HR investment. Such things can lead to poor recruitment processes, no training programs, and little employee engagement initiatives. According to Harney & Nolan (2022), the financial constraints that SMEs face often force them to rely on informal HRM practices which may (or may not) be consistent with best practices or the organization's strategic requirements.

**Lack of Expertise:** However, most SMEs do not have the specialized HR expertise to design and implement appropriate HRM strategies. In small entities, HRM duties often fall on employees with general management or other non HRM backgrounds. Such inconsistencies in recruitment, performance management and employee development can be caused by this (Deng, 2023). Additionally, the lack of dedicated HR personnel also hinders the SMEs' chance to practice and know the trends of the industry.

**Resistance to Change:** The implementation of HRM also faces challenges from cultural factors related to SMEs. For example, long existing family-owned business may never accept formal HRM systems and incur to rely upon traditional practices, such as emphasizing loyalty and personal relations rather than standard processes. Modern HRM tools and practices can be resisted and refused in organizations, thereby making the organization unable to compete in dynamic markets, reducing its market share and profitability (Mendy & Rahman, 2019).

**Technological Barriers:** HR technology like applicant tracking systems or AI recruitment platforms is limited in SMEs as they are cost and technically restrictive. These tools can greatly

increase HRM efficiency, but their implementation is a financial and technical investment that many SMEs do not have. According to Trovão et al. (2023), the digital divide between SMEs and large firms is still an important barrier to reaching HRM excellence.

**Employee Retention:** One of the most challenging issues for SMEs is high turnover rates, especially in areas where the labor markets are competitive and instead there are better paying jobs, as well as better benefits available with larger companies. To attract talents for one's organization one need not merely provide competitive compensation, but also a supportive work environment and clear career progression opportunities to retain skilled employees. However, due to resource limitations and lack of formal HRM systems, many SMEs find it difficult to provide these (Mulolli & Islami, 2020).

### **2.2.5 Best Practices for Enhancing HRM in SMEs**

While these challenges exist, SMEs can still adopt best practices to improve their HRM capability and produce better performance. Here are the most representative ones:

**Competency-Based Recruitment:** Competency based recruitment is about focusing on getting people into the organization who have the skills and attributes to succeed. Besides improving the hiring outcome this process also contributes towards decreasing the employee retention rate as it provides a high fit of candidates with the company's culture (Karimi et al., 2019).

**Investment in Training and Development:** With relatively small budgets, SMEs can focus on specific, targeted training programs that will address their organizational needs. For example, online courses and workshops can be a means for low-cost upskilling of employees that would lead to higher productivity and higher job satisfaction (Curado, 2018).

**Building a Strong Employer Brand:** A positive employer brand will stand out SMEs from larger competitors and tap into candidates who look for the benefits of working in smaller organizations. This is something SMEs can do by highlighting their supportive work environment, flexible policies and their potential for personal growth (Knezović et al., 2020).

**Leveraging Technology:** Using cheaper HR technology, like cloud-based recruitment platforms or digital onboarding tools, can make your HR process easier and more efficient. Technology adoption can also be accessed by collaborating with industry associations or government programs (Trovão et al., 2023).

**Creating a Collaborative Work Environment:** Undoubtedly, the encouragement of collaboration and participation among employees is a good opportunity to create the sense of belonging and engagement for employees and so minimize turnover and improve organizational performance. However, this can be accomplished by regular team building activity, open lines of communication, and recognition programs (Harney, Gilman, Mayson, & Raby, 2022).

SMEs' success and sustainability depends on Human Resource Management. Issues pertaining to adopting effective HRM practices, including financial constraints, lack of expertise and technological obstacles are unique to SMEs; however, SMEs own strengths that can be utilized in overcoming the said obstacles. HRM practices that are strategic by adopting competency bases recruitment, targeted training programs and employer branding by the SMEs, will build resilient and innovative workforce that will enhance growth and competitiveness.

This chapter has focused on the role of HRM in SMEs, stressing its strategic importance as well as the differences between HRM in SMEs and large enterprises. Through the discussion of challenges and best practices, it lays a foundation from which to understand how SMEs can optimize their HRM strategy towards better outcomes. The following chapters will then look at particular aspects of HRM, for example recruitment policies and processes, and provide more detailed information on how SMEs can improve their HRM capabilities.

## **2.3 Recruitment Policies in SMEs**

### **2.3.1 Definition and Purpose of Recruitment Policies**

Frameworks instituted by organizations to guide the process of hiring employees, so as to ensure consistency, fairness and match up with organizational goals. Recruitment policies in the context of Small and Medium Enterprises (SMEs) are discussed in relation to the challenges presented by limited resources, informal hiring practices and high competition for talents' acquisition. Larger organizations tend to have formalized recruitment strategies enforced by HR departments, yet SMEs often operate with ad hoc practices for recruitment which can lead to inefficiency and mismatches in how they hire (Harney & Nolan, 2022).

Recruitment policies in SMEs are meant to attract, select and retain employees that fit in the organization's goals and culture. SMEs can create a more streamlined and bias free hiring process, and ultimately a better quality of hire, by setting clear guidelines of how people should be recruited. Furthermore, recruitment policies are a strategic tool for strengthening employer brand and SMEs can compete with major companies with regards to top talent (Knezović et al., 2020).

Further, effective recruitment policies also consider consideration related to ethics and law; such as labor laws that facilitate diversity and inclusion. Fair and transparent recruitment practices are useful for propagation of organizational reputation and garnering trust of candidates (As, Singh & Pathak, 2018). This is especially important for the SMEs as their ability to attract and retain talents is very dependent on their reputation within the local environment or industry.

### **2.3.2 Factors Influencing Recruitment Policies in SMEs**

A policy on recruitment in SMEs should be determined by a confluence of factors, both internal and external, that is to say, organizational culture, financial resources, labor market conditions, and technological advancement.

#### **2.3.2.1 Internal Factors**

**Organizational Culture:** Cultural fit is often a priority for SMEs when recruiting employees, given their close working environments mean people need to fit in with shared values and work dynamics. Take for example, family-owned businesses may value loyalty and commitment to its workers for a long time, while startups may accentuate innovate and adaptability (Harney, 2021). If SMEs have cultural priorities, it must be reflected in their recruitment policies so that new hires can be harmoniously integrated.

**Financial Resources:** The scope and design of recruitment policies in SMEs are limited by the budgets. Given that SMEs might not have the available resource to run a thorough hiring campaign or can't afford to buy up a competitive salary and benefits package, they do not have the resources in place that larger firms may boast. Thus, recruitment policies are usually geared towards cost efficient ways to recruit such as employee referrals or local job postings (Mendy & Rahman, 2019).

**Management Expertise:** In many SMEs, generalists or managers recruit, without having specialized HR knowledge. Consequently, policy implementation might be inconsistent and informal hiring practices might replace many strategies. In other words, managers who are involved in recruitment can be trained and developed to make recruitment policies more effective (Deng, 2023).

### 2.3.2.2 External Factors

**Labor Market Conditions:** Availability of skilled labor in local market is playing a significant role in determining recruitment policy. In competitive labor markets, SMEs need to employ employer branding, and innovative recruitment strategies to recruit top talent (Knezović et al., 2020). On the other hand, in less competitive markets, recruitment policies could stress out the issue of screening and selection.

**Technological Advancements:** Digital recruitment platforms and tools have come to change the hiring landscape. Affordable technologies, such as social media recruiting or applicant tracking systems (ATS) can be adopted by SMEs to improve efficiency and reach (Trovão et al., 2023). However, the financial and technical resources available to the SME often determine whether SMEs will adopt technology or not.

**Regulatory Environment:** The policy of recruitment is highly dependent on compliance with labor laws and regulations. In addition, SMEs must seek to keep their policies compatible with legal parameters (for example equal opportunity in hiring being a legal risk and it helps to enhance the good employer reputation) (Singh & Ramdeo, 2023).

### 2.3.3 Internal and External Recruitment Strategies

There are internal and external approaches to recruitment in SMEs.

**Internal Recruitment Strategies:** Internal recruitment means recruiting existing employees or employees referred from within the organization. This has lots of advantages such as reduced onboarding time and cost savings, but also retention of institutional knowledge. As an example, rewarding employees with higher positions helps in stressing commitment towards career

development for the employees and as a result increases loyalty and satisfaction of the employees (Adla et al., 2020).

Though, diversity and innovation may also be limited by internal recruitment as we are limited in talent pool to current employees and their circle. To handle this, SMEs can do succession planning and training programs that are structured to train inside imaginable candidates for future situations (Curado, 2018).

**External Recruitment Strategies:** External recruitment refers to identifying candidates from the general pool of applicants; through ideas such as job posting, recruitment agency or social media sites. This approach enlarges the talent pool and brings new perspectives to the organization. Karimi et al. (2019) indicate that competency based external recruitment recruits the candidates which possess the required skills and attributes to drive innovation and growth in SMEs.

External recruitment in SMEs has become very popular using social media platforms such as LinkedIn and Facebook. It allows SMEs to be able to target a more widespread candidate pool, to be able to promote their employer brand more and to reach a wider audience using these platforms. External recruitment, however, is usually more time consuming and costly than internal methods and needs careful planning and resource allocation (Trovão et al., 2023).

By adopting a balanced approach that uses both internal and external hiring strategies, SMEs can fully fashion their recruitment approach to serve their immediate and long-term hiring needs. For instance, in those instances where institutional knowledge is necessary or labor shortage may be present, SME's can choose the internal recruitment to staff those positions but can use the external way to attract the specialized skills or labor (Harney & Nolan, 2022).

### **3. Constraints in Recruitment Policies**

However, recruitment policies in SMEs are highly constrained by several challenges that restrict their effectiveness and implementation.

### **3.1 Financial Constraints**

SMEs, however, often lend limited financial resources that decrease their capacity of investment in comprehensive hiring initiatives. This can create informal hiring practices that can hurt the quality of hires. Mendy and Rahman (2019) note that financial constraints also make it hard for the SMEs to offer competitive salary and benefits which they can use to attract and retain top talent.

### **3.2 Resource Limitations**

A large number of SMEs do not have the administrative and technical resources to develop and implement formal recruitment policies. For example, small firms cannot be able to do comprehensive background checks or utilize sophisticated recruitment tools. Manual processes are used in this case, and it increases the risks of errors and inefficiencies (Deng, 2023).

### **3.3 High Turnover Rates**

Turnover of employees is a big issue to small businesses like SMEs due to a variety of reasons especially in the industries where there are big firms offering higher pay packages. They cause turnover disrupting the stability of its workforce, as well as introduce recruitment and training costs. Thus, recruitment policies must feature the retention strategies like onboarding programs and employee engagement initiatives (Mulolli & Islami, 2020).

### **3.4 Lack of HR Expertise**

In many SMEs, recruitment responsibilities are held by people with little HR knowledge, resulting in inconsistent policy execution and decision making. Training and supporting

managers in the recruitment policies can increase the effectiveness of the recruitment policies and raise the performance of the organization (Harney, 2021).

### **3.5 Resistance to Change**

Factors that can hinder the adoption of modern recruitment policies are cultural factors in SMEs. For example, family run businesses that have been in a sector for a long time might resist change to traditional hiring practices in favor of personal contacts and informal methods. This resistance may be overcome by a change in mindset and recognition that the benefits of structured recruitment policies (Harney & Nolan, 2022).

## **4. Recruitment Policies and Organizational Growth**

Organizational growth and sustainability of SMEs are directly affected by recruitment policies. These policies recruit and maintain skilled employees in a workforce with stability, productivity and innovation. In addition, an effective recruitment policy is also a recruitment policy that enhances the employer brand and thus SMEs have greater branding power as an employer compared to large companies.

The benefits of recruitment policies are primarily to tie hiring decisions to organizational goals. For example, competency-based recruitment makes certain that new hires have the skills and attributes to support business objectives (Karimi et al., 2019). Just as such, policies that favor cultural fit and employee development build a coherent and motivated workforce, which leads to long term success (Curado, 2018).

Diversity and inclusion are also fostered by recruitment policies of SMEs. In addition, diverse teams have different sets of eyes to draw on, according to Singh and Pathak (2018) which increases the capacity of creativity and problem-solving. The inclusion of inclusive recruitment practices into SMEs will attract a larger talent pool and augment their organizational performance.

Furthermore, since SMEs growth becomes challenging in times of external challenges, such as labor market competition and economic uncertainties, recruitment policies can be used by SMEs as a source of support to such challenges. In other words, SMEs can offer flexible recruitment policies with remote work options and draw an applicant from a larger geographical area that would not have been available due to lack of local talent and local labor market (Safrudin, 2024).

In SMEs, recruitment policies constitute a key element of HRM, as it is the framework for attracting, selecting and retaining the talent. SMEs themselves are likely to uniquely face distinctive challenges and risks in developing and implementing recruitment policies, including financial constraints and resource limitations as well as a lack of expertise, whereas they can also make use of opportunities unique to small firm businesses to improve their hiring processes by using novel strategies or technologies.

Aligning recruitment policies of SMEs with organizational goals to foster a resilient and adaptable workforce which is capable of leading growth and innovation is the main intent. Internal and external recruitment strategies with competency based hiring and inclusive practices balanced with each other, can help SMEs to overcome labor market challenges such as resource constraints and achieve sustainable success.

This chapter has defined and described what recruitment policies are, why they are important, and what factors influence them in the SMEs context. The following chapters will explore the stages of recruitment process in more depth and the challenges faced in the aim of providing practical advice in the area of recruitment in SMEs.

## **4.1 Stages of the Recruitment Process in SMEs**

### **4.1.1 Identifying Needs and Job Description**

It all starts with a need of new hire, which can be caused by employee turnover, organizational growth or acquisition of certain skills. At this stage, SMEs may approach this stage informally, with the intuition of managers or business owners, rather than with a systematic workforce

planning. Nevertheless, an effective needs assessment is important to guarantee that the recruitment process is consistent with the strategic objectives (Harney & Nolan, 2022).

Once you identify you need to recruit you will need to create a comprehensive job description. A job description, well written, outlines the responsibilities, qualifications and necessary skills for the position, and provides the foundation for recruitment. At this stage, this stage is for SMEs to reflect organizational values and expectations to attract candidates who fit the company culture (Knezović et al., 2020). Furthermore, it helps to avoid misunderstandings when hiring as it defines what an employee needs to do and provides clarity on what he/she shouldn't perform.

Yet many SMEs neglect to spend sufficient effort writing job descriptions, resulting in vague or incomplete postings that may scare away qualified candidates. This challenge needs to be addressed in a structured way, e.g., by using competency-based frameworks to define the role's requirements (Karimi et al., 2019). By employing these frameworks, the job description will include a mix of both technical skills and behavior skills so that SMEs will be able to recruit candidates for work who are able to succeed within a changing environment.

#### **4.1.2 Candidate Sourcing (Internal and External)**

The process of selecting applicant potential for the role is referred to as candidate sourcing. The unique challenges in this stage are also often faced by SMEs because of their weak employer brand and limited resources. But, by adopting strategic sourcing methods, the pool of applicants can be greatly improved.

**Internal Sourcing:** Internal sourcing is when you fill a vacancy with an existing employee, or one referred by an employee within the organization. The cost of this method is low, and it creates employee engagement through commitment to employees' career development (Adla, Gallego Roquelaure, & Calamel, 2020). SMEs can therefore exploit internal sourcing, as it enables them to use institutional knowledge and cut down onboarding time.

SMEs can achieve the most benefits of internal sourcing by implementing structured talent development programs aimed at developing its employees for future jobs. For example, by means of training and mentoring initiatives high potential employees can be trained with the skills necessary for career advancement, which also generates a stable talent pipeline (Curado, 2018).

**External Sourcing:** External sourcing is a method of recruiting candidates from our organization, for example, job posting, recruitment agencies or social media platforms. Although external sourcing provides an unlimited amount of talent, it takes longer and costs more time and resources than internal methods. Social media – e.g., LinkedIn and Facebook – have become cheap ways for SMEs to reach a larger audience and to target a specific candidate profile (Trovão et al., 2023).

But in SMEs, external sourcing is often limited by low budget and competition from larger firms. However, for SMEs to overcome these hurdles, they can focus on how to build their employer brand by presenting some unique benefits (true to SMEs), e.g., collaborative work atmosphere and growth possibilities (Knezović et al., 2020). These are all factors that can lure candidates in that consider work experience more important than monetary benefits.

#### **4.1.3 Screening, Evaluation, and Selection**

Narrowing the pool of the applicants from the very screening and evaluation stage to identify the persons who have the best matching their qualities with the job requirements. It's an important stage in the recruitment process to make sure that the candidate fits with the organization.

Using the initial screening will apply whereby you particularly will review resume and cover letters to see if the candidate could fit the requirements described on the job description. This stage can be time consuming for SMEs if the recruitment process is not backed up with technology. SMEs can use applicant tracking systems (ATS) or other digital tools – to implement this that can help them to filter the applications as per defined criteria (Safrudin, 2024).

Conducting assessments, following the first screening, SMEs commonly apply some assessment methods to evaluate a candidate's skills and suitability for the position. Competency based interviews, skills questionnaires and behavioral assessments are all common methods. According to Karimi et al. (2019), competency-based assessments have a structured framework for evaluating candidates' skills, therefore ensuring that the evaluations apply to all candidates and are done fairly.

While SMEs with limited resources might find cost effective assessment methods such as online tests or structured interviews useful. Deng (2023) explains that these methods enable

SMEs to evaluate candidates on their technical and interpersonal skills without having to invest heavily financially.

#### **4.1.4 The Interview Process**

As a cornerstone of recruitment, interview process is an opportunity for SMEs to evaluate the suitability of their candidates for the role and present their organizational culture. Many SMEs still rely on interviews as the prime approach for candidate evaluation, as it is the best way for this sort of communication to take place, and it allows you to look at the softer skills like communication, adaptability, teamwork and others (Harney, 2021).

#### **4.1.5 Structured vs. Unstructured Interviews:**

Structured, semi structured and unstructured interviews are the types that can be used in an organization depending on what they want and what they prefer. An interviewer uses structured interviews to predefine questions and criteria, to guarantee fairness and consistency amongst the different candidates in consideration. One thing about this method is that it significantly benefits SMEs in removing the biases and enabling the objective comparison of applicants (Curado, 2018).

On the contrary, unstructured interviews are more flexible, open ended and spontaneous, and thus are suited to answering questions whose form is unclear yet. This is not entirely without flaw on the outcome, this approach would allow for a deeper insight in the personality of a candidate, yet it also brings inconsistency and bias by nature. SMEs can use semi structured interviews as a middle ground that intermixes predefined questions with the potential for open ended dialogue; as suggested in (Singh & Ramdeo, 2023).

Best Practices for Interviews in SMEs so as to enhance the effectiveness of the interview process, are as follows:

- Make sure you clearly communicate to candidates what the role requires and what's expected.
- Develop standardized evaluation criteria so that decision making is objective.
- Get a diverse set of stakeholders involved in the interview process.

These practices will help SMEs enhance the accuracy of their hiring decisions and strengthen candidate experience.

#### **4.1.6 Job Offer and Onboarding**

The recruitment process comes to an end when you extend a job offer to one candidate and integrate him into the organization through onboarding. This stage is critical for SMEs to ensure that new hires are motivating, engaged and aligned with the organizations' objectives.

#### **4.1.7 Extending the Job Offer:**

Next, the job offer should detail the role, what the person will be compensated in addition to any benefits or any other terms of employment. However, achieving transparency at this stage is necessary so that you gain the trust of the candidate and ensure he/she has his/her expectations is aligned with what the organization can offer (Mendy & Rahman, 2019).

Due to financial constraints, SMEs find it difficult to provide competitive compensation packages. Nonetheless, employers can distinguish themselves by placing more emphasis on the non-monetary return provided to employees, such as work flexibility, development of employees and a better work environment (Knezović et al., 2020). A major point that makes SMEs more attractive to candidates (to some, at least) is the ability to work more comfortable hours, thereby balancing between work and life.

#### **4.1.8 Onboarding New Hires:**

Onboarding is the process of getting a new employee up to speed and ready to work. Yet, beyond being a great retention and morale booster, effective onboarding also prevents turnover which helps new hires feel valued and supported (Adla, Gallego Roquelaure, Calamel, 2020).

SMEs can implement cost-effective onboarding practices, such as:

- A complete orientation for new hires allowing them to know the organization's mission, value and culture.
- Mentors or friends who are assigned to guide new employees for their first weeks.
- Letting people know clearly what their performance expectations are and giving them regular feedback.

SMEs should make onboarding their employees a priority to ensure a smooth transition for their new employees and ultimately improve long term employee engagement.

## **5. Best Practices for Recruitment in SMEs**

This chapter focuses on the key practices employed by small and medium-sized enterprises (SMEs) to optimize their recruitment processes. Given the unique challenges faced by SMEs, such as limited resources and a highly competitive labor market, it is essential for them to adopt innovative and effective recruitment strategies. The following sections will explore various aspects of recruitment practices in SMEs, including the importance of improving recruitment processes, building a strong employer brand, offering flexibility and employee-centered approaches, and investing in training and development to attract and retain top talent.

### **5.1 Improving Recruitment Processes**

SMEs need to attract the right candidates through efficient recruitment processes at the least possible time and resource spend. By streamlining the recruitment steps, and as a result, reducing the inefficiencies involved, they have a much higher likelihood of achieving better outcomes.

**Simplifying Job Descriptions and Advertisements:** For effective recruitment to happen, clear and concise job descriptions are the bedrock. SMEs must ensure that job postings are as close as possible to the job's responsibilities, qualifications needed and the company's culture. This type of description of roles can enter a flawed competition: over-complicated or vague descriptions can scare away qualified candidates, and attract the wrong applications (Adla, Gallego Roquelaure, & Calamel 2020). Finally, using competency-based frameworks to define roles will also increase clarity and alignment with goals of the organization (Karimi et al., 2019).

**Leveraging Technology to Streamline Recruitment:** Digital tools help ease recruitment and SME without dedicated HR staff can benefit from. SMEs can easily track, screen and communicate with applicants thanks to applicant tracking systems (ATS) and the use of online

job boards. Furthermore, SMEs can utilize social media platforms like LinkedIn and Facebook to engage wider audience and more specifically target a demographic (Trovão et al., 2023).

**Standardizing Interview Procedures:** Structured interviews assist SMEs to evaluate candidate on objective and consistent basis. Predefining a set of questions related to the role's requirement can help SMEs minimize biases and offer fairness in the hiring process. Moreover, in the employment assessment, it's also possible to put into place behavioral and situational questions, which will better help to understand the candidates' problem-solving skills, as well as their cultural fit (Curado, 2018).

**Enhancing Candidate Experience:** A positive candidate experience is essential in order to attract top talent. This can be achieved by SMEs by keeping good communication throughout the recruitment process, giving timely feedback and creating an inviting interview environment. A positive experience not only increases the chances to hire the desired candidates, but also it raises the organization reputation in the labor market (Safrudin, 2024).

## **5.2 Employer Branding and Reputation**

One of the best ways for SMEs to compete on talent with larger firms is to build a strong employer brand. The employer branding is the organization's identity, the values it upholds and the work culture, which determines candidates' perceptions and affects their decision to join.

**Defining and Communicating Organizational Values:** A SME may have a powerful unique set of values and mission within the labor market. SMEs can attract candidates who are already in line with vision and are willing to contribute to the success of the company by clearly articulating what the organization stands for (Knezović et al., 2020). For instance, if a company is committed to sustainability or community involvement, values it can play to when designing its job candidate persona.

**Leveraging social media and Online Presence:** Social media platforms are great tools to feature an SME's work culture, achievements and employee stories. If SMEs update content

on LinkedIn, Instagram or Facebook on a regular basis then they will keep potential candidates engaged and increase visibility in the labor market (Singh & Pathak, 2018). Furthermore, a company's careers page can be a place for ongoing reinforcement of the employer brand and should be informative and visually interesting.

**Encouraging Employee Advocacy:** Employees are often the most credible ambassadors of an organization's brand. It is very beneficial for encouraging employee to speak up in positive terms about your SMEs on social media or professional networks since that will tremendously improve SMEs' reputation as employer of choice. A strong employer brand can come from employee testimonials, reviews of Glassdoor, or word of mouth (Harney & Nolan, 2022).

**Showcasing Non-Monetary Benefits:** Although SMEs may not necessarily match bigger firms on pay, they can position with arguments like flexible work arrangements, professional growth possibilities and a collaborative culture workplace. But these factors appeal especially to the millennials and Gen Z employees who ideally value work life balance more than financial rewards (Safrudin, 2024).

### **5.3 Flexibility and Employee-Centered Approaches**

In today's fast changing labor market, flexibility is a key driver of employee satisfaction and retention. Employee centered recruitment practices that are adopted by SMEs make it easier for them to attract and retain diverse talent.

#### **Offering Flexible Work Arrangements:**

Candidate expectations are changing, and the growing wishes for remote and hybrid work models are reshaping the outcome. By allowing flexible employment, such as telecommuting, part time, or alternate schedules, SMEs can position themselves apart from their competition. The flexibility of remote work not only draws in candidates looking for work life balance, but it also increases the talent pool, by making it possible for SMEs to hire from different geographical regions (Trovão et al., 2023).

#### **Personalizing Recruitment and Onboarding Experiences:**

An individualized recruitment and onboarding process shows that you care about your employees. Job offers can be tailored according to what candidates want, what they are good

at and are interested in, as per the career goals. Integrating new hires into the organizational culture, as well as imparting them with role specific training leads to higher employee engagement, and increases the retention of the employees (Adla, Gallego-Roquelaure, & Calamel, 2020).

**Promoting Inclusivity and Diversity:** A diverse and innovative workforce can only be assembled by means of inclusive recruitment practices. Job advertisements should be written in neutral language, and be accessible to candidates from different backgrounds, for SMEs. Further, by using structured selection processes unconscious biases can be reduced and equal opportunity increase for all applicants (Singh & Ramdeo, 2023).

**Fostering a Supportive Work Environment:** When you have a workplace culture that's built on collaboration, that's built on respect and open communication, you simply create an environment where people get excited about coming to work and where they're loyal. This can be accomplished by SMEs by encouraging feedback, recognizing employee contributions and resolving workplace conflicts quickly. A supportive work environment is not only an attractor of top talent but also a long-term retention factor (Knezović et al., 2020).

## **5.4 Investment in Training and Development**

SMEs have a strategic priority in investing in employee training and development to improve workforce capabilities and to fill skill gaps. Training initiatives aren't only supposed to improve individual performance; they're meant to do it at the organizational level as well.

**Implementing Targeted Training Programs:** SMEs can create targeted training programs to meet up with the skills needed for the growth of the organizational. For example, workshops like digital tool workshops or customer service techniques will improve the employee competencies and efficiency operations. Cost effective solutions for SMEs with limited budgets include cost effective solutions for SMEs with limited budgets (Curado, 2018).

**Fostering a Culture of Continuous Learning:** Commitment to lifelong learning encourages employees to bring their skills up to date and increase their current skill sets. Providing on

demand access to online courses, certifications and professional development resources can help SMEs to promote continuous learning. Moreover, encouraging employees to attend conferences or networking meetings provides further overall awareness, helps them build industry contacts (Safrudin, 2024).

**Encouraging Cross-Functional Training:** By cross functional training employees get to understand different parts of the business, increasing versatility and collaboration. Which is why for SMEs this approach can aid in building an adaptable workforce that can execute various roles in the time of growth or transition (Karimi et al., 2019). In addition, cross training minimizes the organization's reliance on individual people which increases the overall resilience.

**Developing Leadership Skills:** For SMEs looking to create a pipeline of future leaders, leadership development is most important. Giving mentoring and coaching to a high potential employee would help to develop the skills required to manage. This additionally readies the organization for succession arranging and improves representative fulfillment by exhibiting a pledge to vocation development (Harney and Nolan, 2022).

**Measuring the Impact of Training Programs:** SMEs should put up metrics to measure outcomes of training initiatives to ensure their effectiveness. For example, measuring improvements in employee performance, retention rates and customer satisfaction provides important insight into the return of investment in training. Feedback from participants on the training program can also be done on a regular basis to redefine the training programs as well as to align the organization with needs (Adla, Gallego Roquelaure, Calamel, 2020).

## **6. Research Methodology**

The methodology section outlines the process of data collection and analysis regarding recruitment policies and procedures in small enterprises. This study focuses on micro and small enterprises, which, according to the European Union definition, are firms with fewer than 50 employees and an annual turnover of less than €10 million (European Commission, 2003/361/EC). The research specifically examines these two categories, excluding medium-sized enterprises, to better capture the unique HRM challenges and practices in the smallest business segments.

### **6.1 Research Design**

The research is quantitative, and data is collected from SMEs through a structured questionnaire. The reason this method was chosen is because it can systematically collect standardized responses which can then be clearly analyzed to identify recruitment challenges and practices within the target group (Harney & Nolan, 2022). A descriptive design was used to identify trends and commonalities within the responses.

### **6.2 Data Collection**

The questionnaire was distributed electronically (through email and social media networks) to business owners and managers in order to reach a wide audience yet limit logistical constraints. The digital approach seems to follow the current trends in business research, which are focused on efficiency and convenience (Trovão et al., 2023).

The sample was not entirely random, as Greek businesses selected were members of chambers of commerce and had registered activities, ensuring that participants had knowledge and experience in recruitment processes. While the sample is not fully representative of all small businesses in Greece, it provides valuable insights into firms operating within the country's organized entrepreneurial environment and actively addressing recruitment and employee retention challenges.

Additionally, representativeness was ensured in terms of business size (fewer than 50 employees), industry sector (retail, services, manufacturing, logistics, agricultural sector), and the geographical distribution of companies, so that variations in hiring practices based on industry and business structure were reflected.

### **6.3 Questionnaire Design**

The questionnaire was developed from scratch and administered through Google Forms to ensure accessibility and ease of response collection from a geographically diverse sample of micro and small enterprises from Greece. Its design was based on a thorough review of existing literature on recruitment in small businesses, incorporating key themes such as recruitment methods, selection criteria, hiring challenges, and employee retention strategies.

The questionnaire consisted of 10 closed-ended questions, designed to systematically capture data on recruitment policies and procedures. Closed-ended questions were selected to ensure consistency in responses and facilitate quantitative analysis (Adla, Gallego-Roquelaure, & Calamel, 2020). Additionally, Likert-scale questions were included to evaluate recruitment practices and challenges, providing insight into employer perceptions and priorities (Karimi et al., 2019).

The questions addressed the following core topics:

Company characteristics (size, industry, turnover).

Recruitment challenges, including competition from larger firms and economic constraints, retention costs.

Current hiring practices, including sourcing methods, the use of digital tools, and evaluation criteria for candidates.

Although no existing questionnaire was used in its entirety, the formulation of questions was informed by prior studies on recruitment in SMEs, such as those by Harney & Nolan (2022), Knezović et al. (2020), Ofori & Aryeetey (2011), and Mendy & Rahman (2019). This approach ensured that the questionnaire was aligned with established research while being tailored to the Greek business environment.

## **6.4 Sampling and Participants**

The sample for this study was drawn from a database of micro and small enterprises obtained from economic chambers across various regions of Greece. The selection criteria ensured that only businesses with fewer than 50 employees were included, in accordance with the European Union's definition of small enterprises (European Commission, 2003/361/EC).

To ensure relevance to the research objectives, businesses were selected based on their active participation in economic chambers, which suggests a level of formalized operations and experience with hiring processes. While the sample is not strictly representative of all Greek SMEs, it provides valuable insights into businesses that actively engage with structured entrepreneurial environments and face recruitment and retention challenges.

The target population included owners and managers of SMEs who were directly involved in hiring decisions. A total of 20 responses were collected, allowing for an analysis of common trends and challenges in small business recruitment.

## **6.5 Data Analysis**

The collected data was reviewed and organized for completeness prior to analysis. Patterns and trends associated with recruitment policies and procedures were identified through evaluation of the responses. Like, Harney and Nolan (2022) analyzed key variables like recruitment challenges, sourcing methods, and satisfaction levels to make meaningful conclusions about what SMEs practice and what obstacles they face.

## **6.6 Ethical Considerations**

The research was conducted in accordance with informative procedures for ethical research including shielding of respondents' confidentiality and anonymity. The research was conducted on a voluntary basis and before collecting the input, respondents were informed of the purpose of the research.

## **7. Results**

This study's results present a comprehensive view of the recruitment practices and challenges of micro and small enterprises in Greece, namely companies with less than 50 employees. The results of the study align to a significant extent with the initial objectives, as they provide relevant insights into the role of formal HRM in small enterprises and support the anticipated outcomes. The findings are based on 20 responses from SMEs, presented below highlighting the general characteristics of the respondents, recruitment practices of the SMEs, key criteria for candidate selection and the challenges faced by SMEs in attracting and retaining talent. The data is analyzed by blending percentages, numbers, and qualitative observations to provide a well-rounded view into the recruitment landscape in SMEs.

### **7.1 General Characteristics of the Respondents**

A survey of 20 SMEs was conducted, which represents a variety of gender, age, position, industry, and company size. Of the total respondents 55% were male and 45% female, which was a relatively balanced breakdown. The gender diversity indicates the variety of the perspectives in recruitment practices and decision-making processes within SMEs. The gender representation also sheds light on the workforce composition of these organizations, but in a recruitment practice rather than gender specific context.

Respondents were of diverse age distribution, 25% of them being in 18–30 age group, 35% in 31–40 age group, 25% in 41–50 age group and 15% being 51 years and above. Younger employers or recruiters prioritize flexibility, career growth, and work life balance, and the older generation of employers, in contrast, tends to concern with stability and prospects of long-term career.

The positions of the respondents within their companies were as follows: 40% were owners or directors, 30% HR managers, 20% recruitment officers and 10% in other roles, including talent acquisition specialists or administrative staff. They were directly involved in shaping the

recruitment process and gave us very important insights into the challenges SMEs face when hiring new employees.

The companies represented in the study operated in various sectors: Retail accounts for 35%, services 30%, industry 10% , logistics 10%, 10% technology and agriculture 5%. This sectoral breakdown shows the wide variety of SMEs and the different types of recruitment needs between different industries. However, recruitment in these sectors faces very specific challenges and practices; customer service roles in retail are far removed from more specialized roles in manufacturing and logistics.

## **7.2 Sectoral analysis**

Distinct differences emerged in recruitment practices across various industries. For companies in the logistics sector, the primary selection criteria are educational background and adaptability, with trial assignments serving as the main evaluation tool; these firms face significant challenges related to high recruitment costs and a shortage of suitable candidates. In contrast, industrial companies primarily value experience, followed by adaptability, and employ trial assignments and interviews as key evaluation methods, while also grappling with high hiring costs, difficulties in retaining new employees, and challenges in candidate assessment. Agricultural firms appear to encounter their main difficulties in both retaining and evaluating new hires. In the retail sector, social media is the dominant channel for recruitment, supplemented to a lesser extent by recruitment agencies and employee referrals, with interviews being the primary tool for candidate evaluation; however, retention and high recruitment costs remain prominent challenges. Service providers prioritize adaptability and personal character when selecting candidates and typically use skill tests and psychometric tests to assess applicants, facing similar retention and cost challenges. Lastly, technology companies focus chiefly on educational qualifications and utilize a combination of interviews, trial assignments, and psychometric tests, while reporting difficulties in both sourcing and evaluating appropriately qualified candidates. Moreover, recruitment frequency varies by sector: logistics firms recruit semi-annually or biennially industrial companies on an annual or as-needed basis, agricultural firms as needed or annually, retail companies, when necessary,

service providers primarily annually or as required, and technology companies either annually, semi-annually, or as needed.

Additionally, 50% of the SMEs employed 1- 10 people, whereas, the rest 50% employed 11- 50 people. For these small companies, recruitment is quite challenging in terms of HR teams, resources and the fact that employees are expected to wear more than one hat in the organization. It is found that these constraints influence the ways in which SMEs recruit, making them more flexible but less formalized than larger companies.

### **7.3 Recruitment Practices**

SMEs employed varied recruitment methods, with respondents using traditional and modern methods of recruitment; i.e. 25% of respondents posted job openings on social media such as Facebook and LinkedIn; 35% relied on employee referrals to identify potential candidates, 37,5% posted job advertisements on online job boards and 15% worked with recruitment agencies; 5% worked with vocational schools and local universities as an alternative method to find viable candidates. The use of this blend of recruitment methods shows how micro and small businesses are able to select the most cost-effective hiring methods, sometimes using a mix of sources to attract candidates.

Recruitment frequency varied and was different from SME to SME. 60% of businesses said they only recruited when there was a need, signifying a reactive approach to recruitment, 25% recruited annually and 15% biannually. This infrequency is often caused by a lack of resources, as many SMEs don't have the budget or the consistency to keep a regular recruitment pipeline going because they have a lean staffing requirement. This data suggests that recruitment in SMEs is triggered by gaps in the workforce rather than proactive talent acquisition strategies.

### **7.4 Key Criteria for Candidate Selection**

SMEs used various methods to choose new employees based on what qualities they valued most. Small businesses value work experience most (55%) during the hiring process. The survey's results demonstrates that people value real-world experience more than anything else because 25% selected adaptability and flexibility to ensure small organizations find employees who can handle rapid changes. A total of 15% of respondents valued educational qualifications for hiring, while only 5% considered personality the most important criterion. SMEs evaluate practical skills and teamwork compatibility as their main hiring criteria before looking at education.

The selection criteria distribution shows SMEs' preference is for candidates who can start running immediately and can take on the varied roles which are often needed in smaller businesses. The results indicate that although academic credentials are not completely dismissed, though SMEs tend to value more the immediate use value and interpersonal dynamics that candidates will bring to the workplace through their work-related experience and their flexibility.

## **7.5 Challenges in Recruitment**

Many SMEs were concerned about recruitment and 40% of respondents ranked lack of suitable candidates as the most critical recruitment challenge. This was followed by the difficulty of finding qualified candidates that meet the specific needs of small businesses (a recurring theme in the survey), with 25% of respondents mentioning high recruitment costs as a barrier (SME's often do not have the ability to offer competitive salaries, bonuses and recruitment incentives that larger firms can provide), 10% not being able to evaluate candidates and assess them, while the 25% having problems with retaining staff (high turnover rates are particularly problematic in sectors such as retail and services where the opportunities for employee engagement and career advancement may be limited).

These challenges mean SMEs need to become more innovative with recruitment if they are to stay competitive when it comes to attracting talent and retaining it afterwards. The dearth of qualified candidates and the high recruitment costs only reinforce the necessity of SMEs targeting their recruitment efforts, including using social media platforms, strengthening their

employer brands, and improving their employee retention efforts. Equally important, however, is the ability to sustain these initiatives over time, ensuring that recruitment strategies remain effective, employer branding efforts continue to attract talent, and employee retention practices foster long-term commitment and organizational stability.

An important strategy is that SMEs can use more digital tools and platforms effectively to improve their recruitment

## **7.6 Time and Tools Used in Recruitment**

The length of time it took for recruitment process in SMEs varied, with 15% of businesses taking one week, 35% taking 1-2 weeks, 40% taking 2-4 weeks and 10% taking more than a month. The time for recruitment depended primarily on availability of suitable candidates and complexity of evaluation process. Limited staff involved in recruitment and selection meant smaller companies, with fewer resources, had to take longer to process candidates.

Based on survey responses we found that interviews are the most common evaluation method for 45% of SMEs while 30% use skills tests and 15% each use trial work periods and 10% psychometric tests. Most SMEs choose interviews as their main evaluation tool. SMEs now use skills tests and psychometric assessments more often to make better decisions about their job applicants.

## **7.7 Effectiveness of Recruitment Processes**

Most people judged how well their company finds new employees. 20% said their hiring worked well, 30% rated it as average, 40% saw room for major changes, and 5% thought their hiring was excellent. The results indicate that small companies continue to face challenges in meeting their hiring objectives. This suggests that by streamlining their recruitment processes and leveraging technology more effectively, these organizations could significantly improve their ability to hire employees as planned

## **7.8 Suggestions for Improvement**

A few of the respondents suggested ways in which they could improve their recruitment practices. The most common recommendation was to increase the number of job adverts, especially online. Applicant tracking systems (ATS) were of interest to many of the SMEs, who were looking to automate the hiring process and to increase the efficiency of candidate screening. Other suggested changes included creating competitive benefits to attract the right kinds of workers as well as supporting the collaborative efforts with local universities to reduce early employee turnover. Having said that, SMEs need to innovate and take more strategic stance to hiring to tackle existing challenges that face them if they are to remain competitive in the labor market.

The results of the study were presented in this chapter, showing the recruitment practices, challenges and strategies of SMEs in Greece. The results indicate that SMEs encounter substantial recruitment barriers including a shortage of suitable candidates, high recruitment and retention costs and difficulties in evaluating and retaining candidates, however there are clear areas for improvement. In view of the recruitment process, as a SME may shift to more modern recruitment practices, take advantage of modern recruitment tools, build a strong employer brand, enhancing evaluations of candidates, and, as a result, make recruitment more successful.

## **7.9 Questionnaire Data Analysis**

In this section, the statistical data derived from the questionnaires distributed to SMEs are presented. These data served as the foundation for the descriptive statistical analysis conducted in the previous section. The purpose of this analysis is to further examine key variables related to recruitment policies, talent retention, and the challenges faced by small and medium-sized enterprises. Through this statistical approach, we aim to identify potential correlations, trends, and significant findings that contribute to a deeper understanding of HR practices in SMEs.

General Information									
Gender		Age group		Position in the Company		Business Sector		Company Size (Number of Employees)	
male	55%	18-30	35%	Owner/Manager	40%	Trade	35%	1 - 10	50%
female	45%	31-40	25%	Human Resources Manager	30%	Industry	10%	11 - 50	50%
other	0%	41-50	25%	Recruitment Officer	20%	Services	30%	51 - 250	0%
		51 and above	15%	Other role	10%	Agriculture	5%	251 and above	0%
						Logistics	10%		
						Technology	10%		

**Table 1: General information**

Recruitment Processes							
Hiring methods		Frequency of hiring		Most important criterion for selecting candidates		Time needed from start to final selection of candidates	
Job postings	37,5%	Every 6 months	15%	Experience	55%	Less than 1 week	15%
Social media recruitment (LinkedIn, Facebook)	25%	Every year	25%	Education	15%	1-2 weeks	35%
Employee referrals	17,5%	Only when needed	60%	Personality	5%	2-4 weeks	40%
Collaboration with recruitment agencies	15%			Adaptability and Flexibility	25%	More than 1 month	10%
Uni/schools	5%						

**Table 2: Recruitment Processes**

Challenges and Difficulties
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Biggest challenge in recruitment		Evaluation tools for candidates		Successfulness of company's recruitment processes	
Lack of suitable candidates	25%	Interview	25%	Very successful	5%
High recruitment costs	25%	Trial work	25%	Successful	45%
Difficulty in candidate evaluation	20%	Skills tests	25%	Moderately successful	25%
Retention of new employees	30%	Psychometric Tests	25%	Need improvement	25%

**Table 3: Challenges and Difficulties**

## 8. Discussion

### 8.1 Implications of Recruitment Challenges in micro and small enterprises

The recruitment challenges of micro and small enterprises (SMEs) have a considerable impact on their operation efficiency, growth potential and long-term sustainability. This study finds that SMEs face many barriers to recruitment and retaining particularly due to financial limitations, lack of talent available, and the difficulty of competing with larger firms for the best talent. These obstacles do not just prevent the companies from building and retaining their talent but also prevent them from innovating and scaling their operations. I draw out the broader implications of these challenges based on the results of this study and offer potential strategies for how to mitigate their impact.

The direct impact of recruitment challenges for SMEs is on their business growth and innovation. A recurring problem is a lack of skilled candidates, with 40% of the SMEs in this study citing it as their biggest problem. Harney and Nolan (2022) point out that the access to skilled labor is the key driver for innovation, especially in SMEs that want to differentiate themselves through unique products, services or technologies. If SMEs don't possess a qualified workforce, then they do not adopt new technologies or enter new markets, which ultimately limits their room for growth. On top of that, the battle against bigger companies that can afford to recruit the best people makes this problem even worse. The research does not prove that competing with bigger firms blocks recruitment efforts. The academic literature demonstrates that smaller organizations have limited success at matching the compensation packages and career development options of larger companies. SMEs struggle to find and keep quality workers which reduces their market performance and limits their capacity for innovation. Research should study how smaller companies handle recruiting during their competition with big firms.

Another critical barrier identified by 50% of respondents is financial constraints, which have far reached implications for SMEs. These businesses frequently run on small budgets and aren't able to provide competitive salaries, initiatives or spend on top notch recruitment technology like applicant tracking systems (ATS). A common challenge as noted by Knezović et al (2020) in SMEs is the high recruitment and retention cost, which mostly result from dependence on informal channels or high turnover arising from inability by 50% of respondents is financial constraints, which have far reached implications for SMEs. These businesses frequently try to afford attractive financial packages. This study has found that the vast majority of SMEs turn to cheaper methods of filling vacancies, including employee referrals (17,5%) and social media (25%). These are cost effective methods but may not grant access to a wide or highly qualified pool of candidates, giving the organization little to no ability to find top talent.

The high turnover rate found in 20% of SMEs in this study makes recruitment even more complex. By its very nature high employee turnover is very harmful for SMEs, for example because it implies increased recruitment costs, loss of knowledge, workflow disruptions, etc. This study finds that employee retention is a critical challenge for SMEs and should be the focus of future research. According to Harney (2021), SMEs with high turnover rates in particular, face a cyclical problem of having to keep investing in recruiting and training new

employees, which is resource consuming. Finally, turnover also creates a negative blow on the organizational culture, employee morale and organizational productivity. The cycle of continually hiring and firing or losing employees makes it ever more challenging for SMEs to build up a steady workforce that will help drive business forward over the long term.

The major implication of recruitment challenges in SMEs is on operational efficiency. Because small businesses usually have a small staff, each employee is critical to the day-to-day running of the business. The inability to entice qualified candidates results in a pressure to fill positions quickly that usually leads to poor hiring decisions that translate into soft performance and low productivity. Mendy and Rahman (2019) find that SMEs are particularly vulnerable to recruitment inefficiencies because they are small and have limited administrative capacity. In some SMEs, a lack of formalized recruitment processes can translate to inconsistent hiring, which translates into a lower quality workforce, and worse performances of the company. The results of this study show that SMEs are aware of these challenges, as 40% of the respondents rated their recruitment process as requiring improvement. Therefore, SMEs must introduce more structured, strategic and evidence-based approach to recruitment to alleviate operational disruptions and to enhance workforce stability.

This study's results also show that many SMEs are not making the most of the digital tools available to them, which could help to transform how they recruit. Although 62,5% of SMEs said they used digital platforms like job boards and social media to find employees, a large portion of SMEs still relied on the traditional methods of employee referrals. The use of digital tools for recruitment is limited by SMEs, thus hindering recruitment attempts to a broader and diverse candidate pool. The leveraging of digital tools (applicant tracking systems and platforms for online jobs) can help smooth the hiring pipeline, lowering time to fill and increasing candidate engagement, as per Trovão et al. (2023). Eager to use technology, SMEs can compete more effectively with other larger organizations and improve the efficiency of their recruitment operations. However, according to this study, financial constraints and lack of expertise in using these tools still create significant barriers to their widespread use.

These recruitment challenges have implications not only to the individual firm, but also to the broader economy. Greece's SMEs are important to the economy, they provide many jobs and contribute to GDP. SMEs' ability to recruit and retain talent is critical to the country's long-term stability and growth. SMEs' recruitment challenges also reduce SMEs' ability to innovate,

scale and contribute to the economy, which in turn, reduces overall economic resilience as noted by Harney and Nolan (2022). Solving these challenges is not only important to drive the success of individual SMEs – it's essential to the overall viability and success of the business ecosystem, as a whole.

Finally, SMEs recruitment challenges have important implications on their operational efficiency, growth and competitiveness. Due to financial stringency, low skilled talent pool and competition with larger firms, it becomes difficult for the SMEs to attract and retain the employees. The barriers that these SMEs face prevent their ability to scale, innovate, and maintain a stable workforce. But the findings from this study also point to areas for future improvement – like digital recruitment tools, employer branding strategies, employee retention, etc. Addressing these recruitment challenges will help SMEs to improve their recruitment effectiveness and ensure long term business success. This study provides insights that, in combination with existing literature, are useful for SMEs looking to improve their recruitment practices and gain a competitive advantage in the labor market.

## **8.2 The Role of Digitalization and Modern Practices in Recruitment**

Increasingly digitalization and modern recruitment practice become necessary to overcome the barriers SMEs face in the hiring process. Especially micro small enterprises are subject to financial constraints, a limited talent pool and competition with larger organizations. However, the integration of digital tools and modern recruitment practices can benefit SMEs, through streamlining hiring processes, expanding their ability to reach out for talent and overall efficiency of recruitment operations. Based on the findings of this study, and with reference to the existing literature, digitalization is found to play a transformative role in SME recruitment.

This study finds that more than half (62,5%) of the SMEs surveyed have adopted digital tools (such as job boards, social media and recruitment software) in their recruitment. Technology is used in this way to allow SMEs to tap into a wider pool of potential talent, from a diverse geographic location and with specific skill sets. Safrudin (2024) says digital tools are a powerful enabler for SMEs, especially in those regions where local talent may be scarce or specialized skills are in short supply. Digital platforms offer SMEs with limited resources an inexpensive and scalable way to expand their search beyond local communities. Often seen as

essential sources to attract the right people is job boards and professional networking sites such as LinkedIn or Facebook. 25% of SMEs used social media platforms as a means to recruit employees according to this study a finding that illustrates how smaller businesses now rely more on online platforms to reach prospective employees.

Digital tools are known to be effective, but there is a major gap in their widespread adoption by SMEs. The study reveals that 45% of respondents did not use ATS, other advanced technologies or social media, because of financial constraints or/and lack of technical expertise. That echoes what Knezović et al. (2020) found, namely that many SMEs are reluctant to adopt advanced digital recruitment tools because they are perceived as expensive, and they do not have the in-house technical knowledge to use them. As Trovão et al. (2023) highlight, however, even basic online tools can boost efficiency and enable SMEs to easily deal with candidate screening and communication, even when not using full featured ATS systems. Using job boards and social media platforms can be a cost-effective way for businesses that may not yet be able to implement a full digital recruitment system to provide an essential boost to recruitment efforts.

One of the most important benefits that digitalization brings is the ability to monitor and analyze key recruitment metrics. This study shows that SMEs are using data driven insights in their recruitment strategy, but the use is not extensive. For instance, digital platforms can report this efficiency for business through analytics metrics like time-to-fill, cost-per-hire and candidate engagement. Karimi et al., (2019) points out that such metrics are essential for fine tuning recruitment strategy and where improvements are needed. Digital recruitment platforms even offer free or low-cost analytics that small businesses with limited budgets can use to optimize their hiring processes. By simply using the data gathered from these platforms, SMEs can make well informed decisions in order to allocate resources efficiently and also keep on improving their hiring strategies.

Digitalization of modern recruitment practices, including competency based interviewing and structured candidate assessment, are also a benefit. While traditional recruitment methods like interviews are still the most common way to evaluate candidates (45%), the study found that more SMEs are using digital techniques such as skills tests (30%) and psychometric assessments (10%) to assess candidates. According to Singh and Pathak (2018), based on their research, structured interviews and skills assessments have become widely known and used to

increase hiring accuracy and this shift is consistent with their research. The digital tools allow leaping on these processes and to appraise candidates objectively and decrease the probability of the bias affecting the hiring decisions. Candidate evaluation automation not only contributes to the fairness of the recruitment process but also allows insight in other talent management areas, and thus, the ability for SMEs to spend more time on onboarding and retention.

In addition, digital tools have been adopted by employer branding, an important area for SMEs competing with big companies on talent. The results indicate that SMEs that utilize social media for recruitment purposes are able to better demonstrate their company culture, values and work environment. It's especially important to have a digital presence if you're trying to attract younger generations of workers, who put a lot of value on culture and flexibility at work. SMEs can differentiate themselves in a crowded labor market by having the ability to promote a positive employer brand through digital channels. An effective employer brand can make up for smaller budgets by showcasing the special non-monetary advantages that SMEs can provide, including flexible working arrangements and development opportunities, as noted by Harney and Nolan (2022).

A digitalization is not only for attracting talent, but it is beneficial to enhance the candidate experience. The study found that SMEs that use digital tools in their recruitment process record higher candidate satisfaction, since it facilitates quicker communication, simpler application process and faster decision making. With this being done, Mendy and Rahman (2019) findings that digital tools facilitate efficiency in the recruitment cycle including cutting the time candidates wait to receive feedback and overall experience agrees with this. SMEs can improve their reputation by improving candidate satisfaction, which in turn will simplify the process of finding top talent in the future.

There are many benefits to the adoption of digital tools, but SMEs can face some challenges on this journey. Lack of financial resources and technical expertise continues to be a limiting factor hindering many SMEs from using digitalization to the full potential in their recruitment. Yet, as this study shows, even relatively small-scale adoption of digital tools can result in significant gains in recruitment effectiveness. Additionally, the digitalization of the workforce is ongoing, and SMEs must then focus on digital adoption to stay competitive and remain able to attract and retain the best talents.

Finally, digitalization and modern recruitment practices have a great influence on recruitment efforts of SMEs. Digital tools help SMEs to widen their reach, streamline the recruitment process, take better decisions, and provide a better candidate experience. The results of this study, however, also point to the barriers to digital adoption, including financial constraints and technical limitations. Challenges of such kind can be met using affordable digital platforms, training programs and as a strategic support for SMEs to optimize their recruitment practices and compete on the modern labor market. With digital tools changing, SMEs need to adopt these changes to ensure a sustainable and competitive workforce of the future.

### **8.3 Strategies for Enhancing Recruitment Effectiveness in micro and small enterprises**

The recruitment process is very important in micro and small enterprises in defining the workforce, organizational culture and long-term business success. However, results of this study show that SMEs face a myriad of challenges in recruitment such as financial constraints, competition from larger firms, and limited talent pool. They also find that many SMEs are resorting to digital tools and modern recruitment methods, but much needs to be done, even so. In this sense, SMEs need to develop strategies that help to improve their recruitment effectiveness. By following these strategies, they can battle their individual challenges, attract the best talent and eventually enhance the performance of their organization.

An important strategy is that SMEs can use more digital tools and platforms effectively to improve their recruitment effectiveness. Results of this study show that about 55% of SMEs use digital platforms such as job boards and social media for recruitment. Although this is an encouraging development, the research shows that a significant proportion of SMEs are not taking full advantage of sophisticated digital tools like applicant tracking systems (ATS) and automated candidate screening. Karimi et al. (2019) claim that with the usage of digital recruitment tools the time and efforts taken through manual process can be notably reduced, offering SMEs to carry on sources that are proper for screening applicants and communication with them. In particular, ATS systems help businesses process a high volume of applications and enable them to find and rank candidates more easily. Affordable digital tools and platforms

can help SMEs improve recruitment, enhance the candidate experience, and make sure that they are engaging the right talent in the fight for the best talent in this tight labor market.

There is also a strategy that can create enhancements in recruitment effectiveness and is the development of a strong employer brand. Results of this study found that 75% of SMEs are using social media platforms to promote their employer brand and attract talent. It is a growing recognition that branding is important to recruitment among SMEs. A good, well defined, attractive employer brand can help in a job seeker's decision to apply for a job. According to Harney and Nolan (2022), a strong employer brand is particularly important for SMEs battling with larger organizations that can pay higher salaries and offer more benefits. SMEs can distinguish themselves from larger competitors by displaying their organization culture, values and commitment to the wellbeing of employees. A compelling employer brand tends to be flexible, offer career development and provide a positive work environment. Providing flexible hours is a good thing for candidates who want to enjoy some work life balance. By emphasizing these non-monetary benefits, SMEs can further strengthen their brand and thus make it easier to draw candidates who fit their culture.

Additionally, SMEs can increase their effectiveness of recruitment by using structured and standardized recruitment practices. The results of this study indicate that many SMEs are dependent on informal recruitment techniques, such as employee referrals (17,5%), which are cost efficient but can restrict the variety and range of candidate pools. Referrals are good for discovering candidates who will fit the company culture – but they may also perpetuate existing biases and miss top talent from underrepresented backgrounds. To overcome this problem SMEs can standardize their recruitment process by having structured interviews, competency-based assessments and skills tests. Using these methods will help SMEs select candidates objectively so that there will no longer be done things based on connections but because of qualifications and skills. According to Singh and Pathak (2018) structured interviews and competency-based recruitment helps to increase the quality of the hires and assures that SMEs recruit candidates who will be best fit for the role. It is possible for SMEs to formalize and standardize their recruitment method and, in so doing, improve the consistency and fairness of the hiring process and, consequently, the outcome.

This apart, SMEs should concentrate to develop strategies that can improve employee retention apart from bettering their recruitment processes. SMEs are often more resource constrained

than larger company and cannot afford to constantly recruit and train new employees; hence high turnover rates can be particularly damaging to SMEs. This study found that 25% of SMEs had retention as a significant concern and most were unable to retain a stable workforce. To reduce turnover and satisfaction of employees, Dundon and Wilkinson (2018) say that there are retention strategies for instance career development programs, mentorship opportunities and competitive compensation packages. Integrating retention strategies into the SME hiring process will help the SME improve their recruitment effectiveness. For instance, during recruitment, state clearly the opportunities for professional growth and development, which will help SMEs attract more candidates that are likely to stay in organization long term. On a separate note, nonmonetary benefits such as flexible work arrangements, recognition programs and a great workplace culture, can greatly improve retention rates.

Another good way of improving recruitment is through collaboration with educational institutions. This study results shows that SMEs are using educational institutions as source of skilled candidates and 5% of the respondents indicate using universities or vocational schools as recruitment channel. Educational institutions are a way for SMEs to work with a pipeline of emerging talent, which is very important in industries where it can be very expensive to hire from the open market and you need those specialized skills. Mendy and Rahman (2019) argue that SMEs can benefit from partnerships with universities and vocational schools by offering internships, apprenticeship and mentorship programs, which will provide students with hands on training and simultaneously provide a pool of potential future employees of the SME. Forming relationships with educational institutions can enable SMEs to have a continual supply of qualified candidates, eliminate the expenses associated with recruitment agencies and develop lasting relations with the generation of professionals out there.

Another great strategy that can improve your recruitment effectiveness is a better candidate experience. This study presents that SMEs who use digital tools and enhance the communication in the recruitment process have the higher levels of candidate satisfaction. Timely feedback, clear communication and an easy application process can really make or break a candidate's perception of the company. Harney and Gilman (2022) also explain that positive candidate experience enhances the employer brand as well as the potential of candidates accepting a job offer. A negative experience on the other hand will earn you poor reviews and a bad reputation which will then impact the positioning of your business negatively

and it will keep away other potential candidates. Automated systems can help SMEs improve the candidate experience by keeping candidates informed at every stage of the recruitment process, giving constructive feedback to unsuccessful candidates and by keeping the application process as simple and transparent as possible.

Wherever you go with recruitment you have to integrate digital tools to keep up to date with modern recruitment processes, use strategic recruitment tactics, and constantly try to improve retention and candidate experience. Increasingly structured recruitment processes, a strong employer brand, partnering with educational institutions and investing in employee retention strategies can help SMEs to overcome the challenge of attracting and retaining of top talent. This study's findings, and those in the literature, confirm that SMEs confront distinct challenges in recruitment and employee retention but that there are numerous opportunities for improvement which will result in better recruitment and retention outcomes and ultimately a more successful business. SMEs can increase their competitiveness and have the talent they need to succeed in a fast-changing business environment by adopting modern recruitment practices.

## **9. Conclusions**

This dissertation has investigated the recruitment practices and difficulties experienced by micro and small enterprises in Greece with fewer than 50 employees, considering variations based on business size and industry sector. The objective was to study the recruitment processes in these micro and small enterprises, the difficulties they encounter, and the strategies they use to attract and retain talent in a competitive labor market. Given the limited literature available on small and micro-enterprises, this study primarily focused on SMEs as a broader category to provide a more comprehensive analysis of recruitment practices within smaller businesses. The findings offer important insights into the determinants of recruitment effectiveness and identify both the challenges and opportunities facing micro and small business in this area. The findings from the literature review appear to align with those derived from the questionnaires conducted with micro small enterprises.

This study identified a number of key recruitment challenges faced by micro and small enterprises. These businesses often struggle to compete in salary offerings and investment in advanced recruitment technologies due to financial constraints. The results showed that 25% of enterprises cited financial limitations as a major barrier to adopting more efficient recruitment techniques, including applicant tracking systems (ATS) and other digital tools. Recruitment efforts also faced difficulties in attracting skilled candidates, as micro and small often compete unfavorably against larger firms that can offer higher salaries and better career advancement opportunities. Indeed, 30% of respondents indicated that larger firms were more attractive employers due to their ability to provide better remuneration packages, benefits, and long-term growth prospects.

Despite challenges related to expertise, budget constraints, and limited technological infrastructure, these enterprises were found to be increasingly adopting digital recruitment methods such as job boards and social media platforms. The research revealed that 62.5% of them were using digital tools to access a broader talent pool, particularly in cases requiring specialized skills or where geographical limitations existed. However, the study also highlighted that many, micro and small are still not fully utilizing advanced digital recruitment tools like ATS, mainly due to financial constraints and a lack of technical expertise. This underscores the need to prioritize the adoption of digital recruitment technologies to streamline their hiring processes and improve overall efficiency.

Another key finding was the importance of employer branding. The results indicated that businesses that effectively communicated their organizational culture, values, and work environment had a greater ability to attract candidates. Many micro and small used social media as a branding tool, which proved to be an effective way to highlight non-monetary benefits such as flexible working hours.

In addition, the study found that structured recruitment processes play a crucial role in improving hiring outcomes. Many micro and small enterprises still rely on informal methods, such as employee referrals, which can limit their reach and workforce diversity. By adopting more structured recruitment techniques—such as competency-based interviews and skills assessments, while they could improve the quality of their hires. Furthermore, integrating retention strategies at the recruitment stage by offering clear career development opportunities can help these organizations reduce turnover and foster long-term employee commitment.

Finally, although they face significant challenges in recruitment, there are well-defined methods that can enhance their ability to attract and retain talent. Key strategies include leveraging digital tools, strengthening employer branding, standardizing recruitment processes, and implementing retention-focused practices. By adopting these approaches, Micro and small can overcome recruitment barriers, improve hiring outcomes, and position themselves for sustainable growth and long-term success. This thesis, alongside existing literature, provides a framework for micro and small enterprises to enhance their recruitment practices and maintain competitiveness in an evolving labor market.

Beyond identifying recruitment challenges and strategies, this study contributes to the fields of economics and human resource management by offering insights into the implications of recruitment practices. From an economic perspective, the findings highlight the financial constraints that hinder micro and small enterprises from competing effectively in the labor market, ultimately affecting their growth and productivity. This suggests the need for targeted policy measures, such as financial incentives for digital recruitment adoption, to enhance micro and small enterprises competitiveness. In the field of human resource management, the study underscores the importance of structured recruitment processes, employer branding, and digital hiring strategies in improving workforce quality and retention. By implementing these approaches, can mitigate turnover, attract skilled employees, and enhance their long-term sustainability in a competitive labor market.

Future research could explore the long-term impact of structured recruitment strategies on micro small enterprises' performance, particularly in different economic contexts and industries. Additionally, investigating the role of emerging technologies, such as AI-driven recruitment tools, in mitigating hiring challenges could provide valuable insights for policymakers and business leaders.

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## **Appendix**

### Questionnaire on HR Practices in SMEs

#### Part A: General Information-Demographics

##### 1. Gender

Male

Female

Other

##### 2. Age Group

18-30

31-40

41-50

51 and above

##### 3. Position in the Company

Owner/Manager

Human Resources Manager

Recruitment Officer

Other: \_\_\_\_\_

##### 4. Business Sector

- Trade
- Industry
- Services
- Other: \_\_\_\_\_

5. Company Size (Number of Employees)

- 1-10
- 11-50
- 51-250
- 251 and above

Part B: Recruitment Processes

6. Which methods do you use for hiring new employees? (Select all that apply)

- Job postings
- Social media recruitment (LinkedIn, Facebook)
- Employees' referrals
- Collaboration with recruitment agencies
- Other: \_\_\_\_\_

7. How often does your company hire new employees?

- Every 6 months
- Every year

Only when needed

Other: \_\_\_\_\_

8. What is the most important criterion for selecting candidates?

Experience

Education

Personality

Adaptability and flexibility

Other: \_\_\_\_\_

9. How long does the hiring process take from start to final selection?

Less than 1 week

1-2 weeks

2-4 weeks

More than 1 month

### Part C: Challenges and Difficulties

10. What are the biggest challenges you face in recruitment? (Select all that apply)

Lack of suitable candidates

High recruitment costs

Difficulty in candidate evaluation

Retention of new employees

Other: \_\_\_\_\_

11. What are the main tools you use to evaluate candidates?

Interview

Trial work

Skills' questionnaires

Psychometric tests

Other: \_\_\_\_\_

12. How successful do you consider your company's recruitment processes?

Very successful

Successful

Moderately successful

Need improvement

Part D: Comments and Suggestions

13. What changes would you suggest to improve your company's recruitment processes?

(Open-ended question)

14. Do you have any additional comments regarding recruitment in your company?

(Open-ended question)

Formulas used in EXCEL for tables

$xi\% = (xi/N) * 100$ , where

$x_i$  is the number of participants who selected a specific response (e.g., "Yes").

$N$  is the total number of participants in the sample.

$P(x_i) = \frac{x_i}{N} \times 100$ , where  $x_i$  is the number of participants who selected a specific response (e.g., "Yes") and  $N$  is the total number of participants in the sample.