Hiring Practices and Employment Relationships

Within the Small Business

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ABSTRACT

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This research studies the effects of personality on hiring practices and the relationships between employers and their employees within a small business context. In particular, we examine the small business owner's personality, and how it influences the type and number of recruitment and selection methods used in the hiring process. In addition, we propose that the selection methods used influences the relationship that forms between employers and their employees. These relationships create expectations of what employees feel is owed to them by their organization. Any violation of these perceived expectations may lead to a decrease in employee commitment and firm performance.

Participants in the study were owners and employees of small businesses within the food industry. Owners and employees were surveyed using questionnaires which were distributed and collected at a later date. The thirty-one owner participants answered questions which would measure the big five factors of personality of the owners using existing scales and their hiring practices using a tailor made measure. The ninety-six employee participants answered questions which would measure employee commitment, psychological contracts and psychological contract breach.

The results indicate that personality affects the types of methods used for recruitment, but not for selection. In addition, it was found that the type of selection methods used influenced the type of relationships developed between employers and

employees. The results suggested that perceptions of violation in the relationships between owners and employees were less prevalent when owners used recruitment methods with a less social interactional component in it. In addition, it would seem that owners who are too high in extraversion actually reported lower net profits.

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Various aspects of the world of small businesses, especially the relationships they form with their employees, customers, suppliers and so on (Katz & Welbourne, 2002), have not been as fully explored as possibly hoped. Katz and Welbourne (2002) have suggested that future research on small businesses should concentrate on their various relationships. As such, this study will focus on employee relationships within small firms, by focusing on their human resource management activities.

Most of what we know about the areas of human resource management, such as recruitment and selection, has been based on the functioning of large businesses. Applying these concepts to small businesses has been problematic mainly because small businesses are different from their large business counterparts in more than just their size or number of employees (Cardon & Stevens, 2004). Small businesses do not share the same problems when it comes to recruitment and selection as large firms do (Cardon & Stevens, 2004). This is because small firms have a hard time recruiting people, and they may have few established human resource practices (Cardon & Stevens, 2004).

In this study we will look at different aspects of human resource management, such as the hiring methods used in recruitment and selection of small business owners, to explain the functioning of human resource activities within the small business and their impact on employees' attitudes and their performance.

Hiring Practices in Small Businesses

In order for small businesses to be successful, they must be able to find highly motivated and skilled individuals who can work competently and efficiently, and who are satisfied with working in the small business (Deshpande & Gothar, 1994). However, finding and motivating their workforce seems to be the most difficult problem facing small businesses today (Deshpande & Gothar, 1994; McEvoy, 1984; Mayson & Barrett, 2006). Given that this is a common complaint by small business owners, it is perhaps surprising that they still do not spend the required time in dealing with human resource issues (Deshpande & Gothar, 1994). In order to find new employees, small business owners must find a way to contact potential candidates and convince them to apply. Then they must select from among those applicants the ones that would fit with the required job and organization itself. Once they have selected a few possible candidates, they must set up appointments to meet with them, discuss the details of the job, make an offer and wait for the offer to be accepted by the candidate. This whole procedure is very time consuming, but still may not guarantee that the right person was chosen. For example, small businesses must be able to attract candidates from the job market. However, because they are small businesses and may not be well known in the industry, they may not be able to attract a large number of candidates, and those candidates that they do attract may not be very high potential candidates. Consequently, the candidate they choose from this pool may be a poor fit for the job and/or organization and thus the candidate is still not the right person.

Most small business owners do not even accept that human resource management may be the key to their eventual success or demise (Deshpande & Gothar, 1994;

McEvoy, 1984). Despite the views of many small business owners, however, studies have shown that the lack of adequate or efficient human resource management systems could result in low productivity, unsatisfied workforce and high turnover rates in these small firms (Deshpande & Gothar, 1994). Given this, most small business owners would rather spend their time pursuing more direct revenue generating activities instead of activities which are not directly linked with revenues.

Overview of Recruitment Practices

Recruitment is the process by which organizations attract potential candidates to come to work for them (Gatewood & Field, 2001). In fact, recruitment can be seen as the limiting factor of selection because selection is done by drawing on the applicant pool obtained through recruitment. The three basic purposes of recruitment is to increase the applicant pool, meet the organization's social and legal obligations with respect to the consistency of its workforce and to increase the success rate of the selection process by reducing the amount of poorly qualified applicants. Traditionally, two general categories of recruitment sources have been defined based on whether the candidate applied from within the organization or whether they applied from outside the organization. However, in this study we will use other criteria to define and separate the methods of recruitment into two different categories. The criteria used would be based on whether the owner used their *own personal networks* to find candidates (personal recruitment) or whether they used *external third party interventions* to find candidates (agency recruitment). The methods which would use the owner's personal networks would include job postings, review of internal personnel records, employee referral programs, and walk-ins. The

methods which would use third party interventions would include advertising, associations and unions, schools (for example colleges and universities), employment agencies (which could be governmentally or privately run), and the internet.

Recruitment in Small Businesses

Recruitment in small businesses has posed quite a challenge for business owners because potential applicants have low organizational knowledge (Williamson, Cable & Aldrich, 2002). Low organizational knowledge refers to the idea that job seekers do not really know much about the small business either because they are not familiar with the organization or because they lack information about the organization's image (Williamson, Cable & Aldrich, 2002). This is particularly problematic during the recruitment stage because job seekers obviously will not apply to organizations they do not know exist. In addition, the quality of candidates becomes an issue especially since higher quality candidates may be more inclined to apply to better known organizations. It is important, therefore for small business owners to become more visible in the job search arena so they may attract more applications, and from higher quality candidates. For example, if candidates have high potential, they may be solicited by larger firms who are able to offer candidates more incentives like a higher salary and benefits to join their organization. With attractive offers like that, why would candidates look further? They would be more likely to accept these attractive offers and forgo looking for other offers or other companies. On the other hand, lower potential candidates would not be offered any of these attractive positions and thus must scour the job market looking for any organization who would hire them. Thus, they would be more likely to find these small businesses and apply to them, thus small businesses are more likely to get lower quality

candidates. Williamson, Cable and Aldrich (2002) suggest that to increase organizational knowledge, small business owners should engage in various exposure creating communication practices such as free company gifts, presence at career fairs, holding information sessions about their firm and conducting informational interviews.

Another recruitment challenge small businesses face is the idea of organizational legitimacy (Williamson, Cable & Aldrich, 2002). Organizational legitimacy "represents an overall evaluation of a firm, based on its activities or characteristics" (Williamson, Cable & Aldrich, 2002, p. 89). The perception of legitimacy is created by comparing the firms to already established and accepted practices within the industry. Thus, those firms that are closer to these industry norms appear more legitimate than those that are not. In small businesses, the norms established in the industry may or may not be applicable to their situation. For example, industry norms concerning recruitment practices among firms may not be observed by small firms, either because they cannot afford them, or because they do not see the necessity of using those practices. Thus, in the eyes of the job seeker, if small businesses do not use the same recruitment practices as other firms, they may be wary of what other human resource practices are also not being observed and how this would affect them professionally. For example, if the organization does not seem to use internal promotions as a means to find candidates for their higher level positions, then what does that mean for an ambitious candidate who hopes to grow and climb the corporate ladder? Consequently, job seekers may feel uneasy about applying and may decide to apply elsewhere.

Low organizational legitimacy occurs because industry norms are established with little influence from small businesses. Thus, small businesses may have established

practices, but these practices are not comparable to those used in large businesses (Williamson, Cable & Aldrich, 2002; Marlow, 2006). The problem of organizational legitimacy may also occur because most small businesses do not have ties with any recognized professional organization (for example professional associations in the industry) and their human resource practices are considered to be poorly developed by the job seeker. For example, if all the organizations within an industry are ISO 9000 certified and one is not, then the non-ISO 9000 certified organization loses organizational legitimacy in the eyes of the job seeker which may lead to thoughts like "why work for a non-ISO 9000 certified firm, when I could work for an ISO 9000 certified firm where I know what to expect?" Establishing accepted recruitment practices and human resource policies, in addition to developing interorganizational links with professional associations even advertising their practices would go a long way to dealing with this organizational legitimacy problem (Williamson, Cable & Aldrich, 2002).

Furthermore, whether a business is small because it is new, or whether a business is small because the owner prefers to keep it small represents different challenges when it comes to the recruitment of new employees (Cardon & Stevens, 2004). On the one hand, if the business is small because it is new, the barrier in finding employees is mainly due to low organizational knowledge. If a business is new, many candidates may not know it exists and so they may not apply. On the other hand, if the business is established but small, it might suffer more from low organizational legitimacy. Candidates may look to the small business and ask themselves why the business stays small. Is it because the business is incapable of growing or is it really due to the owners desire to keep it small and what would this mean to the career growth of the candidate? For example, if the

owners decide to keep it small, then the candidate would know that fantasying about getting a higher level position within the firm would be futile because there would be no where to go. If the business is small because it is incapable of growing, then this could mean that the business cannot form important partnerships within the industry to help them grow, therefore the candidate may ask why deal with an organization other organizations within the industry do not want to deal with. Each of these issues are important for the owners to consider because it will affect which way would be the most effective and efficient means of recruitment.

In addition, recruitment in small businesses tends to be difficult because of the limited material and financial resources; for example, the budget and personnel that small businesses can devote to recruitment is more limited than in larger businesses. Moreover, the job descriptions posted by small firms may appear to potential job seekers as comprising of multiple, unrelated and unclear tasks (Cardon & Stevens, 2004). Since small businesses have fewer employees, if an employee calls in sick, the other employees find themselves doing their own jobs in addition to the job that was done by the sick employee. Thus, job descriptions may be very vague because the understanding is that employees must be versatile enough to perform in multiple positions, not just be able to do a specific job.

To summarise, small business owners must increase the visibility and legitimacy of their firms by using established recruitment practices which are compatible with the life cycle stage their business is in.

Signalling Theory and Recruitment

Rynes, Bretz and Gerhart (1991) found that the recruitment practices used, do affect job choice under conditions where the applicants had little prior knowledge of the company, when the representative was of the same functional area as the applicant and when the applicants were invited on site visits as opposed to only having campus interviews. Rynes, Bretz and Gerhart (1991) suggested that these issues affected job choice because they acted as signals for the applicant. Thus, their study provided strong support for the proposed signalling theory as being the reason behind the effects of recruitment practices on job choice (Rynes, Bretz and Gerhart, 1991; Backhaus, Stone and Heiner, 2002).

Signalling theory suggests that individuals use clues dropped by the firm, either intentionally or unintentionally (for example, type of reward systems in place, decentralized decision-making processes and so on) to fill in the gaps of information they may have about the firm's intentions and actions. These gaps in information occur because unlike large businesses that advertise their products, services and even their employment practices, small businesses rarely do so. Candidates therefore do not know much about the small firm, and they know even less about the firm's employment practices. Thus, signals are used to fill in a lot of the missing information. For example, if the recruitment officer (in this case the owner) appears to be sociable and considerate, the job seeker may begin to believe that this is how they will be treated once they are accepted into the firm. This leap of faith occurs because the job seeker has used the information or signals provided by the recruitment officer to fill in the gaps concerning how the organization will treat them once inside the organization (Rynes, Brezt and

Gerhart, 1991). This can be considered the first step in the development of the employment relationship between the new job seeker and the small business.

In Deshpande and Golhar's (1994) study, it was found that small businesses' most common method of recruiting was job postings and bidding. Other methods such as employee referrals and promotions were also used, but much less frequently. The theory behind why these practices were used was not explored; as this study progresses we will propose explanations why certain methods may be preferred by the owners as opposed to others.

Overview of Selection

Selection is the process which acts to reduce the group obtained during the recruitment process into a group of candidates who are suitable for employment within the firm (Gatewood & Field, 2001). This process attempts to separate the pool of applicants into two groups based on information obtained about the candidate's knowledge, skills and abilities they possess. The group that has the needed knowledge, abilities and skills are offered jobs, while those that do not possess these qualities do not receive any offers of employment. There are a number of different selection methods, which could be grouped into two categories based on the source of the information. The source of the information in the first category can be said to come directly from the applicant and can be used in its original or raw form to help owners make selection decisions (social information); for example application forms, training and experience evaluations, reference checks, biographical data, and interviews. In the second category, the source of the information must be processed and analysed before a conclusion about

the appropriateness of the candidate can be determined (formal analysis). This can be said to occur in cases which use weighted application blanks, performance testing and assessment centers ability tests, personality tests, integrity tests, drug tests, medical tests, and graphology.

Selection in Small Business

Gatewood and Field (1987) developed a model for the selection process of potential employees for small businesses. According to these researchers, "the essence of effective selection lies in making predictions about the future job performance of applicants for a given position" (Gatewood & Field, 1987, p.17). Unfortunately, predictions about future job performances are difficult because of the limited information available on the applicants. This is because the information given is about the past performance of the candidate in a job which may or may not be similar to the job he is applying for now. Being able to determine if past performance is enough to accurately predict the future performance of the candidate, therefore, is a difficult prediction to make.

Typically, small business owners were found to use one-on-one interviews as the main means of selection. Job tryouts were the second most commonly used method, followed by written tests. In addition to these methods, small business owners also used information obtained from resumes which include training experience, education, references and background checks in order to make their selection decisions (Deshpande and Golhar, 1994; Cardon & Stevens, 2004). Again, this study will propose to explain the reasons why small business owners would use certain methods more than other methods, since this aspect was not investigated so far.

Like all other unassigned activities within the firm, the responsibility of selection falls on the owner who may not have the skills or the time necessary to do the job properly (Cardon & Stevens, 2004). Spending time on selection activities may be viewed by the owners as interfering with his or her other responsibilities, which may be seen as more directly linked to revenue creating activities (Cardon & Stevens, 2004; Katz & Welbourne, 2002; Gatewood & Field, 1987). Owners, therefore, may tend to muddle through this activity quickly, relying on information which may be incomplete and probably inaccurate (Gatewood & Field, 1987; Cardon & Stevens, 2004). Furthermore, this hiring process is normally not done on a regular basis within small businesses. Thus, spending resources (both personally and financially) does not seem like a very sound decision for most small business owners, especially since most small businesses do not have personal and financial resources in excess to begin with. The situation we end up with is small business owners opting to go through the selection process themselves, while spending as little resources as possible.

Having little time and few resources available to devote to this selection activity, we propose that the small business owner will opt to use methods they feel more comfortable with. We believe that this sense of comfort is what will determine which selection and recruitment methods they will use.

The Personality of Small Business Owners

No study on small businesses is complete without taking into account the particularities of the small business owner him/herself. Since the activities of small businesses are so closely associated to the beliefs and actions of the small business

owner, it would seem logical that the small business owner's personality will be mainly responsible for shaping the way the business is managed (Beaver, 2003). In essence, the small business owner's personality can be said to be reflected in the small business itself.

Personality can be said to provide people with a basis for their decision making processes (Tokar, Fischer & Subich, 1998; Soane & Chmiel, 2005). Hence, they should choose the type of hiring practices they will use based on what they are most comfortable with. For example, an owner who is very extraverted may use interviews during selection because he is comfortable and prefers to socialize with people. On the other hand, a very introverted owner may opt to use written exams during this process because she is not comfortable in social situations and would rather not deal with the person directly. We propose that the choice of hiring practices to be used will be based on the comfort zone determined by the owner's personality. Consequently, the choices they make will affect the perceptions developed by the employees through signals the employees acquire during this hiring process.

Understanding the social characters of the people who start their own business will help understand the reasons and determine the future compatibilities of various resource management issues and what theories and practices will better suit their needs.

Research has confirmed the existence of five main factors of personality: extraversion, agreeableness, conscientiousness, emotional stability (or neuroticism) and openness to experience (Chauvin, Hermand, & Mullet, 2007; Judge, Higgins, Thoresen, Barrick, 1999; Musek, 2007). These factors are expected to influence the various aspects of a small business especially in relation to firm growth and human resource management (Mayson & Barrett, 2006).

Even though numerous studies have linked personality with various aspects of work, for example performance, work-related stress and so on (Kieffer, Schinker & Curtiss, 2004; Kamdar & Van Dyne, 2007; Neustadt, Chamorro-Premuzic & Furnham, 2006; Driskell, Goodwin, Salas & O'Shea, 2006; Grant & Langan-Fox, 2007; van Rijswijk, Bekker, Rutte & Croon, 2004), there has been very little research done linking personality and human resource practices (Cardon and Stevens, 2004). Among the five aspects of personality, we propose that three play the most relevant roles in the decision making process, resulting in a particular pick of the various recruitment and selection methods based on the small business owner's personality. Thus, we will focus this study to include only the following aspects of personality; extraversion, conscientiousness and openness to experience. The reasons for the inclusion of these three aspects will be described below.

Extraversion and Small Business Owners

Extraversion is considered a prominent factor in nearly every measure of personality (Judge, Higgins, Thoresen & Barrick, 1999). People high in extraversion tend to be socially oriented, surgent (dominating and ambitious), active (adventuresome and assertive) and ambitious (Judge et al., 1999; Ciavarella, Buchholtz, Riordan, Gatewood & Stokes, 2004). They are enthusiastic, less introspective and self-preoccupied and more active, impulsive and ambitious (Judge et al., 1999). They enjoy taking chances, stirring up excitement and meeting new people (Chauvin et al., 2007; Ciavarella et al., 2004). Research has shown that extroverted people have been known to take on leadership roles (Judge et al., 1999; Ciavarella et al., 2004). In a recent study conducted by Chauvin, Hermand and Mullet (2007), found that people high in

extraversion are more prone to deviant behaviour and have a tendency for originality. In their study, they were able to conclude that extraversion was negatively associated with risk perception indicating that they do not worry about taking part in risky behaviour (Chauvin, Hermand & Mullet, 2007).

We propose that this trait of personality, extraversion, plays an important role in the recruitment and selection of new candidates. We will attempt to show that small business owners who are higher in extraversion would tend to use methods that have a greater social interaction component. For example, if an owner is higher in extraversion, we would expect that they would use more personal recruitment practices such as internal job postings, employee referrals and so on, where the owner is actively engaged in going out to find candidates to apply for the position. In this case owners would be using their own personal networks during the recruitment process (personal recruitment) to search for candidates.

We would expect that owners who are less extraverted (or more introverted) to make less use of personal networks, but to pass the task of hiring new people on to someone else. They may decide to use methods which would involve a third outside party to help in the recruitment of possible candidates. For example, this would include methods such as advertising, using government or employment agencies and so on. In this way, owners who are not comfortable with the social interaction aspect of recruitment because of their introverted nature, would feel more comfortable in putting an ad in the newspaper or allowing agencies to advertise their workforce needs instead. In this case owners would use "agency interaction" during the recruitment process (agency recruitment) to search for candidates. To summarize, we expect that since more

extraverted people prefer to socialize, then more extraverted owners would tend to choose recruitment methods that would be more social.

Hypothesis 1a: The greater the degree of extraversion, the greater the use of personal recruitment methods and the less the use of agency recruitment during hiring.

Similarly, for the selection process we would expect owners who are higher in extraversion to use methods that would involve interacting directly with the candidate or other relevant people. This "social information" would be expected in higher extraverted owners who would use methods such as interviews, reference checks and so on, because they would prefer to have a more hands-on and social approach to finding candidates. In addition, their impulsive nature may prevent them from being patient enough to wait for "information that is the product of formal analysis" to get analysed in order to make their selection decisions.

On the other hand, owners who would be considered low in extraversion would be expected to use selection methods which would still gather information from the candidate, but this information must be formally validated before the owners could use it to make a decision on the appropriateness of the candidate. This would be known as "formal analysis" and would be expected in lower extraverted owners who would use methods such as weighted application blanks, personality tests and so on. Introverted owners would be expected to prefer processed information because they are not very outgoing or sociable. Thus, they would want to limit the amount of interaction they have with new people. Instead they would prefer using selection methods which would gather information remotely, making a selection decision without having to interact with the different candidates directly. This leads to the following hypothesis:

Hypothesis 1b: The greater the degree of extraversion, the greater the social

information, and the less the formal, structured information obtained during the selection

process of the small business owner's hiring practices.

Conscientiousness and Small Business Owners

Individuals high in conscientiousness typically are achievement oriented,

foresighted, dependable and orderly (Judge et al., 1999; Chauvin, Hermand & Mullet,

2007; Ciavarella et al., 2004). People high in conscientiousness tend to be responsible,

hard-working, good planners and organized making them extremely efficient in getting

things done (Judge et al, 1999; Ciavarella et al., 2004). It would be expected, therefore,

that the methods they use to recruit and select their candidates are more logical and

express a great deal of organization and planning. These highly conscientious owners

would think about the best way to get the best candidate before actually proceeding in

utilizing the various tools available in the recruitment and selection processes. This is

because they are prone to proceed with caution and foresight (Chauvin et al., 2007).

For small business owners who are high in conscientiousness, we expect that they

will use more structured and formal hiring practices such as the use of professional

agencies and advertisements. In other words, they would tend to rely on a third party in

order to find candidates. A third party intervention would require more planning and

would provide more structure in their search for employees, thus highly

conscientiousness owners would be more comfortable with this type of process.

Conscientious owners may be responsible enough to acknowledge that they may not have

the time necessary or the expertise necessary to do a good job hiring employees; therefore

they would feel better letting someone else with the right expertise concentrate on hiring while the owners concentrate on running the business.

They would still have to come up with a description of the type of candidate they would need, and then contact an agency or place an ad in a newspaper in order to find the right candidate. This process would require more planning because it would take more time to implement, they would have to plan in advance what their workforce needs would be, sometimes even before someone would quit, which is an event they have no prior warning about. The successful planning of the recruitment process would be more likely to occur with owners who would be higher in conscientiousness.

In contrast, using social networks would be considered too random and contain too many uncontrollable variables for those high in conscientiousness to be comfortable with. The social network process would rely on other people working on their own time frame without a guarantee that these people from the owner's social networks would be able to find a competent enough person within a decent timeframe. These types of recruitment methods, which would use the owner's social networks to attract candidates, would be expected in small business owners low in conscientiousness.

Hypothesis 2a: The greater the degree of conscientiousness, the greater the use of agency interaction type methods during the recruitment process of small business owner's hiring practices.

Methods which would use written information to make selection decisions would also be expected to be used by those business owners who would be high in conscientiousness. This is because we would expect that those owners high in conscientiousness would be more comfortable with methods where the information

would be analysed so that an objective conclusion can be drawn from them (as in the case of personality tests, ability tests, weighted application blanks and so on). Owners who are low in conscientiousness might be more comfortable using subjective data obtained through personal interactions with the candidate, such as interviews, or methods where there is little guidance about exactly how information is to be interpreted and analyzed such as resumes, personal background information and so on.

This leads us to the development of the following hypothesis.

Hypothesis 2b: The greater the degree of conscientiousness, the greater the use of formal analysis during the selection process of small business owner's hiring practices.

Openness to Experience and Small Business Owners

An individual high in openness to experience is expected to be high in intellect and unconventionality (Judge et al., 1999). They enjoy looking at abstract ideas and having philosophical debates (Ciavarella et al., 2004). They have a desire to express their own creativeness and maverick lifestyles in their work or their careers (Beaver, 2003). In other words, those high in openness to experience are autonomous, non-conforming, imaginative and introspective (Judge et al., 1999; Ciavarella et al., 2004).

We expect that those small business owners, who are high in openness to experiences, tend to use a variety of hiring practices or methods. In other words how many of the different recruitment and selection methods (resumes, interview and so on) were used at one time per employee selection. The reason is because they tend to be curious, broadminded and experimental. We, therefore, expect them to use a higher number of hiring practices (both during recruitment and selection), because they may be

more prone to try different approaches and experiment with different combinations of hiring practices to see what works and what doesn't.

Hypothesis 3a: The greater the degree of openness to experience, the higher the number of hiring practices used in small businesses.

Also, because those who are high in openness to experience are unconventional, they would not be expected to use methods that would be highly structured or conventional in their hiring practices. As a result, we would expect owners who are higher in openness to experience to use recruitment methods that rely on their own personal networks. It would be unlikely that the owners high in openness to experience would use agency interaction during recruitment since those methods are too structured and organized for them to accept and be comfortable with.

Hypothesis 3b: The greater the degree of openness to experience, the greater the use of personal interaction type methods during the recruitment process in the small business owner's hiring practices.

Likewise, the owners high in openness to experience would be expected to use selection methods which would collect data directly from the candidate. High openness to experience owners consider themselves unconventional, unique and thus unclassifiable into socially defined categories. Since they cannot be classified into socially defined categories they would not expect their candidates to fall into categories which classify the strengths and abilities of the candidates. As a result, they would not feel comfortable with putting their potential candidates through a series of "tests" and using formal analysis to help them decide who the best candidate should be. These owners, therefore, would be expected to prefer applying their own interpretation and judgement in order to

gather information about the appropriateness of the candidate for their organization. This leads us to the following hypothesis.

Hypothesis 3c: The greater the degree of openness to experience, the greater the use of social information during the selection process in the small business owner's hiring practices, and the less the use of formal analysis.

Emotional Stability, Agreeableness and Small Business Owners

The other two aspects of personality, emotional stability and agreeableness, are not expected to be relevant in the hiring process. A study found that those high in agreeableness had low management potential because of their nurturing, non-aggressive and sympathetic natures (Judge et al., 1999). They tend to be cooperative and considerate of others (Ciavarella et al., 2004). We believe that this trait would be more important in the type of work relationship small business owners may have with their employees and suppliers, but not during the hiring process where they would be deciding who the best candidate for the job and organization would be.

Emotional stability is related to a set of behaviours which include avoidance, withdrawal and flight in the face of adversity (Chauvin, Hermand & Mullet, 2007). Generally, this aspect of personality deals with the tendencies individuals have in dealing with issues related to anxiety and personal well-being (Judge et al., 1999). They tend to be calm, even-tempered and confident (Ciavarella et al., 2004). Although, it could be important in terms of an entrepreneur's ability to deal with the everyday stresses of owning their own business, we do not feel that it contributes to the selection of the types of recruitment and selection methods used by the entrepreneur. Thus, this dimension of personality was also not considered in this study.

To restate the purpose of this study, we were interested to see how a small business owner's personality could influence the number and type of hiring practices used to recruit and select new employees. We will go on to argue that the personality-based recruitment and selection procedures done in small businesses will influence a newcomer's perception of the firm.

Psychological Contracts

In this study, employee perceptions are defined as the "psychological contracts" that they develop. In order to understand what a psychological contract is, one must first understand what is meant by an employment contract. An employment contract establishes a basis of employment relations since it defines the "exchange of promises and contributions between two parties; the employer and employee" (Millward & Brewerton, 2000; p. 377). Previously, the only employment contracts which were recognized in the literature were written and documented contracts. Clearly, however, in the employment relationship, other contracts form, though typically they are not written or documented.

Traditionally, an employee was expected to fulfill their obligations to the organization by fulfilling the requirements defined by their job descriptions and nothing more. This fulfillment alone would ensure employment security. However, the recent trend of downsizing, restructuring and globalization, have made employees realize that just doing their job, is not enough to secure their jobs (Kickul, 2001). In fact, employees have been forced to take on more and more work and go beyond their written responsibilities, however, their compensation have been lagging behind this trend.

Fulltime employee status has been on the decline either due to choice or availability (Millward & Brewerton, 2000). People are constantly training, retraining, job-hopping and even career hopping. These workers have different needs and expectations than workers of the past. In fact, there has been a recent shift from the traditional employment contract where employees were offered job security, promotions, training and development, in exchange for their loyalty, commitment, trust and so on, to an employment contract which expects you to do more, but which compensates you for less.

In recent years, employees are expected to go beyond the written words of their job descriptions. As a result, if employees are implicitly expected to do more, than logically, employees implicitly expect to be compensated for their extra efforts. These employment expectations stimulated interest in the notion of psychological contracts. This different type of contract has gained much interest in the working environment. A psychological contract has been defined as a set of implicitly defined promises and expectations between both parties (Robinson & Morrison, 2000).

Although the psychological contract may not be written formally, it is fully expected to be fulfilled, and understood to be as real as the employment contract itself. However, since this type of contract is not documented, it may produce two distinctive problems with its fulfillment (Kickul, 2001). One is that the terms and conditions are subjective and thus may be open to various interpretations (Kickul, 2001). Therefore, one party's interpretation of fulfillment or lack thereof may not be the same as the other party's interpretation (Kickul, 2001). The second problem is that there is no legal requirement to fulfill these promises as there is no way to verify the conditions under which the promises were agreed upon (Kickul, 2001). These contracts are built on trust;

however, if there is no trust in the employment relationship, significant problems may arise within the relationship (Millward & Brewerton, 2000). This is why there has been such interest in the psychological contract, both in its fulfilment and its unfulfillment (Millward & Brewerton, 2000).

There are four types of psychological contracts that could form between an individual and their organization; transactional, relational, transitional and balanced (Rousseau, 1997). The differences between the four are based on various dimensions (as shown in Table 1, below) such as

"focus (economical or relational), inclusion (scope and flexibility), time-frame (duration of the relationship), formalization (specification of performance requirements), and tangibility (implicit, explicit)" (Millward and Brewerton, 2000, p. 389).

Focus refers to the emotional attachment within the relationship; is it more of a relationship or is it considered more like an exchange of goods (for example, work for money). Inclusion involves two aspects which explain the extent to which the person is integrated into the organization; scope and flexibility. Scope refers to whether the job involves the whole-person or whether it involves just job-specific criteria and flexibility refers to how easy this type of involvement can be changed. Time-frame refers to how long the psychological contract is expected to last. Formalization refers to whether the rewards are specifically based on performance requirements or if rewards are loosely contingent on performance. Tangibility refers to whether the understanding of the terms of the relationship is more subjective or implicit in nature or whether is it more objective or explicit in nature (Millward & Brewerton, 2000; Rousseau, 2000).

Table 1

Psychological Contract Types and their Dimensions

	Focus	Inclusion	Time-frame	Formalization	Tangibility
Relational	Relational	Broad scope/ flexible	Long-term	Non-specific	Implicit
Transactional	Economical	Narrow scope/ non-flexible	Short-term	Specific	Explicit
Balanced	Relational	Broad scope/ flexible	Long-term	Specific	Explicit
Transitional	Relational	Broad scope/ Flexible	Short-term	Non-specific	Implicit

Relational psychological contracts have been described as being more partnership oriented focus, based on mutual trust and loyalty. Rewards are loosely based on performance and more strongly based on membership and participation in the organization (Dabos & Rousseau, 2004; Millward & Brewerton, 2000; Rousseau, 2000). The obligations that normally arise from this are a mutual loyalty, long-term stability and affective commitment (Dabos & Rousseau, 2004).

Transactional psychological contracts have been described as being more economically motivated over a shorter time frame with very specific job performance requirements and limited worker involvement (Millward & Brewerton, 2000; Rousseau, 2000). In other words, transactional psychological contracts are categorized by having a narrow involvement with the organization as well as having short term duration (Dabos & Rousseau, 2004).

Balanced psychological contracts are actually hybrids of relational and transactional contracts (Dabos & Rousseau, 2004). Although their existence has been

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emerging in recent studies, balanced psychological contracts have yet to be empirically proven (Millward & Brewerton, 2000). They represent psychological contracts that are open and dynamic, like relational psychological contracts, which contribute to the worker and firm's learning and development. However, the worker's rewards are based on performance requirements and obligation towards the organization like transactional psychological contracts (Rousseau, 2000).

Transitional psychological contracts are not really considered psychological contracts. Instead, Rousseau (2000) refers to them as "a cognitive [state] reflecting the consequences of organizational change and transitions that are at odds with a previously established employment arrangement" (p.4). Their relationships are characterized as having low levels of mutual trust, high uncertainty and erosion of previous psychological contract dimensions (Rousseau, 2000).

Recruitment, Selection and Psychological Contracts

Although the psychological contract evolves over time as the relationship between the employer and employee evolves, the foundation of this contract begins during the recruitment process during a time where new employees have little information about the organization available to them (De Vos et al, 2003; Robinson and Morrison, 2000). We propose that the way in which the employee was hired (i.e. the process used) would become the basis for the first perceptions formed by these new employees. As stated before, the signalling theory, would suggest that under circumstances of imperfect information, individuals are more prone to use signals derived from the environment to give meaning and context to the situation (Backhaus, Stone and Heiner, 2002). For example, if the recruiter expresses interest in the interpersonal relationship and career

development goals that could be established between the applicant and the organization, then the psychological contract should evolve into a more relational form because the applicant will perceive the recruiter (who represents the organization's intentions) as being interested in a more long-term and mutually beneficial relationship (Rousseau, 1997). On the other hand, if a recruiter expresses interest in only the applicant's skills and abilities to do the job, then the psychological contract should evolve into a transactional relationship because the applicant will perceive the recruiter (and by extension the organization) in being interested in a solely short-term, narrow relationship (Rousseau, 1997).

Remember that employees gain their first glimpse into the implicit intentions of the organization during the hiring process of recruitment and selection, through the signals the recruiter dropped during the process and through the methods used in the recruitment and selection process which are based on the recruiter's personality. These signals are used by the employees to develop the foundations of their psychological contracts. Fulfillment of the psychological contracts depends on the events perceived by the employees during the employment relationship (Kickul, 2001). If the events that occur are perceived by the employees as being in violation of the psychological contract, a psychological contract breach is said to occur.

Psychological Contract Breach

A perceived contract breach can be seen as a form of distributive injustice (Kickul, 2001). As such, these psychological contract breaches have a profound influence on employee trust, employee job satisfaction, intentions to stay with the

organization, a sense of obligation towards the organization, and in-role/ extra role performance (Morrison & Robinson, 2000).

It is difficult to determine whether there has been an actual breach or a perceptual breach, since breach is determined through the eyes of the employee only. An employer, therefore has no say in whether or not a breach has occurred. Whether a breach really occurs or is perceived to have occurred by the employee, however, the consequences are the same (Robinson & Morrison, 2000). According to Morrison and Robinson (2000), there are two causes of a psychological contract breach; reneging and incongruence. Reneging is when the employer acknowledges that an obligation exists, but knowingly fails to meet it. Incongruence is when the employer and employee have different understandings about the actual nature of the obligation or even if one exists at all. Vigilance is a term used by Morrison and Robinson (2000), to indicate the extent to which an employee monitors how well an employer meets the terms of the employee's psychological contract. The more vigilant an employee, the more likely they will detect a contract breach, simply because they will be looking for one. Once a breach has been discovered, through an interpretation process, the employee will attach meaning to the breach which will then lead to feelings of violation. The intensity of the feelings of violation will depend on this process (Morrison and Robinson, 2000).

To summarize the concepts of psychological contracts and breach in psychological contracts, we must first understand its role in management theory. Psychological contracts are promises or obligations made by the organization to their employees as understood by the employee (McDonald and Makin, 2000). Thus, these promises are very subjective and open for interpretation (McDonald and Makin, 2000).

Unfortunately for the employers, their interpretation also includes the extent to which they have been realized by the employer. Thus, if the employee feels that their organization has been reneging of these promises, they feel a strong sense of violation and sometimes even anger for having been taken advantage of by the organization, thus resulting in negative employment outcomes (Robinson and Morrison, 2000).

Recruitment, Selection and Psychological Contract Breach

We propose that during the recruitment process, if the candidate has direct access to the recruiter, the candidate will get the signals directly from the recruiter. As a result, instead of having to fill in the blanks with non-verbal and often misinterpreted information they gather from the environment, they get the appropriate message directly from the recruiter. Since, in a small business, the recruiter is more often than not the owner as well, the message passed on to new candidates will really reflect the intentions of the organization. Thus, misinterpretations and unrealistic expectations between the owner and employee should be minimized as should the incidences of experiencing a psychological contract breach. As a result, if the psychological contracts made lie closely with the intent of the organization, breach (as perceived by the employee) should not occur. If the information is given to the candidates in an informal and unstructured manner, as would occur during social information, we would expect that there would be a higher incidence of breach to occur in this firm. This is because there would be no way the owner could control the intended message if there is no structure in how the message is passed on to the candidate. Thus, the candidate would start to form expectations which may or may not be in line with what the owner is promising. This leads us to the following hypothesis.

Hypothesis 4: The greater the social information gathered during the selection process, the higher the likelihood of perceived psychological contract breach among employees.

Employee Commitment

Breach may cause feelings of violation and betrayal among the employee which should result in a lower level of employee commitment towards the organization. The more violated the employee feels, the more likely it would lead to more drastic consequences such as lower levels of employee commitment.

This paper will look at the organizational aspect of employee commitment as an outcome variable. Organizational commitment has been identified as an antecedent to employee satisfaction (O'Neill, 2005) and it was felt that given that small businesses seem to have a more tight-knit, team oriented structure than in larger business, we believe that organizational commitment is probably more appropriate measure than employee satisfaction. We believe that this loyalty is what will be influenced by the psychological contracts and not the job itself.

Employee commitment has been found to be a multidimensional construct. It is made up of three dimensions; affective, normative and continuance (Meyer, Allen & Smith, 1993). We will be looking at two aspects of employee commitment; affective and normative (Meyer, Allen and Smith, 1993). Affective commitment can be defined as the feelings an employee has to stay with the organization because they want to (Meyer, Allen and Smith, 1993). These feelings usually develop because the employees find the job experience to be satisfying and the job fulfills certain needs/wants which are important to the employee.

Normative commitment occurs when employees feel that they must remain with the organization because they should, either due to family obligations or other aspects which employees may feel obliged to fulfill because of some benefits they received along the way. For example, receiving financial aid from the company to finish a degree may result in feelings of obligation to stay, since the degree was obtained with the help of that company (Meyer, Allen and Smith, 1993).

Continuance commitment was not used in the study since it deals with the perceived cost of leaving the organization by the employee (Meyer, Allen and Smith, 1993). When people feel that they cannot leave, they will probably stay whether or not a breach has occurred, because they have no other alternative. This study was solely interested in voluntary commitment, where the person stays because of a sense of desire or obligation towards the organization and not because they have no other options.

The employee's organizational commitment depends on the interpretation process which occurs during a perceived contract breach (Morrison & Robinson, 2000). We propose that if a psychological contract breach has been perceived, the employee will no longer desire or feel obliged to stay. This leads us to the following hypothesis:

Hypothesis 5: The greater the perceived psychological contract breach, the lower the commitment of employees will be towards the organization (both affective and normative).

Recruitment, Selection and Performance

The lack of commitment has some important implications on performance. If the employees do not have a high commitment towards the organization, their performance and the performance of the firm would decrease as well. This is because the employees would not feel the obligation to perform well in an organization that betrayed their contractual obligations. If the employees are underperforming, then the firm would also be underperforming. Thus, the following hypotheses will be studied

Hypothesis 6: Both affective and normative commitment will affect firm performance.

Considering how important performance and net profits are to business owners of all sizes, it would be important to relate what affects hiring practices may have on a small firm's bottom line. We propose that the various hiring practices should have a direct effect on firm performance as well (Wright, Gardner, Moynihan, & Allen, 2005; Terpstra & Rozell, 1993). This leads us to propose the following hypothesis:

Hypothesis 7: The number and the different methods of hiring practices used will have an effect on firm performance.

Theoretical Framework

This study is based on the premise established by the above hypothesises and depicted by Figure 1, below. The solid lines refer to the main framework of the study.

Figure 1: Theoretical Framework
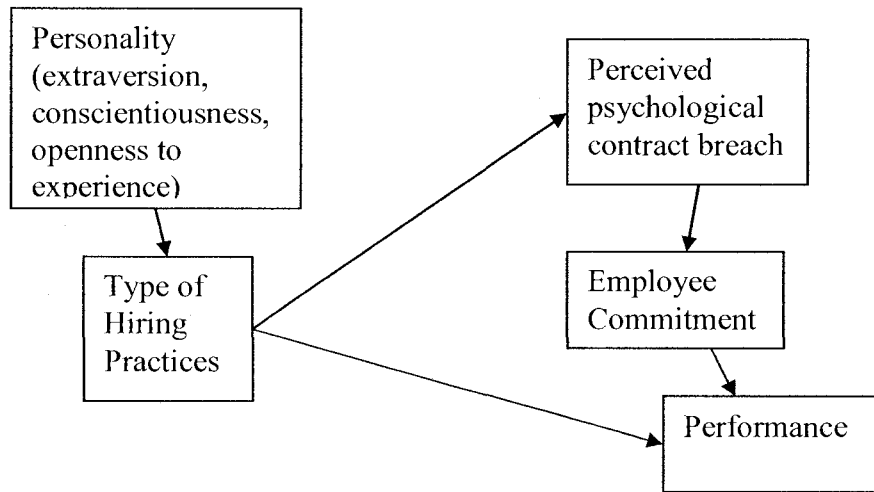
The purpose of this study is to investigate if the personality of the owners influences the methods they choose to use during the hiring process, both in terms of recruitment and selection processes. Furthermore, we propose that the way recruiting and selecting is done in small businesses will influence a newcomer's perception of the firm, influencing the psychological contracts that will develop. If there is a dissonance between the expectations the employee had of the firm and the expectations the firm had of the employee, a breach would occur. We further propose that should a psychological contract breach occur, both employee commitment and firm performance will be affected.

We also propose that the number of hiring practices used will also directly influence the firm's performance. This is because if a large number of methods are used,

the candidate who survives this rigorous process would more likely be better suited to the job and the firm. Thus, a better "fitting" candidate should result into a better performing candidate which should result in a better performing firm.

Methodology

Overview

The participants in this study were firms which operate in the food industry, such as bakeries, restaurants and caterers. Each firm contained between one and six participants who were asked to complete a job specific questionnaire. One owner was asked to complete the "owner's questionnaire" and between one and five employees were asked to complete the "employee's questionnaire".

The Bakery Industry

In 1992, Canada's food guide recommended that Canadians increase their consumption of breads, cereals and grain based food. This encourged consumption of these products especially for the high-fibre breads like muffins and bagels. This increase in consumption enocouraged the growth of the bakery industry since consumers percieved small bakeries as offering convienent, personalized and better quality products. The industry, however, can still be considered a very competitive environment, particularly for new business start-ups in large cities (Starting a Bakery, 2007).

A bakery is one of the few businesses which must manufacture and sell its products all at the same time. In addition, the owner must be multi-talented since he must know the art of baking and running the business if he is to be succesful. She must expect to work long hours starting very early in the morning and in a physically demanding job (Starting a Bakery, 2007; Davis, 2003). In addition, sales are not constant and tend to fluctuate with the season. Thus, bakery owners must be able to ride out the slow periods and take full advantage of the busy season. In this industry, the areas of management and accounting, therefore, are just as important as the baking itself (Starting a Bakery, 2007).

Usually, small bakery businesses are one-store operations with about three to five employees selling specialized and fancy baked goods on-site. These businesses can grow to develop into franchises where the baking is done in a centralized location and the goods are then sold in the different locations, however, this does not often occur (Starting a Bakery, 2007).

This industry was chosen because the idea was to concentrate on micro businesses where the owner was directly involved in all aspects of the business including the hiring process. Bakeries are one of the few businesses which involve the hiring of both specialized and non-specialized positions. The non-specialized positions are made up of highly replaceable members of both part-time and full-time workers. Their most important qualities are trust and sociability since they are the front line workers with direct access to both the customers and their money. The specialized positions are more difficult to fill because of the lack of supply and loyalty of those who can fill these positions. They are made up of bakers, pastry chefs and so on. Their skills are what can make or break the business since customer loyalty depends on the ability of these chefs to produce unique and deliciously edible works of art. The difficulty of retaining their key positions, the high turnover of their other positions and the direct link between their employees and their profits makes this industry ideal for this study.

Sample Selection

The sampling frame was obtained through the internet (Canada 411 online). The criteria used to search for the starting firm sample was by looking in the "bakery" category in the Montreal area. The search divided the list of potential participating firms into three categories based on geography; Montreal Island center, Montreal Island east

and Montreal Island west. Montreal Island east was randomly chosen as the starting sample, more specifically in the "bakery retail" category. The list was further subdivided into neighbourhoods. Again, the neighbourhoods of Anjou, St. Leonard and Montreal were randomly selected. Snowball sampling techniques were also used when the starting sample was exhausted. This technique consisted of asking the bakeries that participated in the study if they would know of any other colleagues in the baking industry who might be willing to participate in the study. These bakeries were then contacted by making use of these referrals.

The final sample consisted of thirty-one owners of small firms and ninety-six of their employees. The owner participants were made up of twenty-five men and five women and one participant did not indicate his or her gender. Eight owners were French-speaking and twenty-three owners were English-speaking. The sample of participating employees consisted of thirty-seven men and fifty-nine women of whom thirty-six were French-speaking and sixty were English-speaking.

There was no compensation made to this sample, and two employee respondents were eliminated because they did not finish completing the survey. Seventy-five firms were approached and thirty-one firms responded, thus our response rate was approximately 41%. Approximately three hundred employees of the contacted firms were approached and ninety-six employees responded, making our response rate for the employees approximately 32%.

The questionnaires were given to the owners who then distributed the employee questionnaires to their employees. The employees were told to answer the questionnaires and return them to the owners in the sealed, unmarked envelope provided. A deadline

was set for completion of the questionnaires and then collected in a sealed envelope from each firm. Once all the envelopes were recovered, the responses were entered and analysed, thus anonymity and confidentiality of the participants was preserved.

Self-reported measures are unfortunately plagued with certain biases specific to this type of method used. Certain steps were taken in order to minimize these biases as much as possible. In this study, social desirability bias was of particular concern. Scales used to measure personality and psychological contracts may be viewed as being highly susceptible to social desirability biases. This is because the participants may feel the societal pressures of living up to what is expected of them by business owners or they may fear the repercussions of their answers if the owners found out what they were. This bias was minimized by using anonymous questionnaires which the participants filled out themselves, such that the presence of the researcher or the fear of repercussions could not influence the participants' responses. Also, the scales used have been used in various researches and have been deemed acceptable by the research community. If the scales were plagued by these biases, one would assume that their use would have been limited.

Item complexity and ambiguity is also another bias more specific to the use of questionnaires. This occurs because the wording of the questionnaires may not be understood by the majority of the participants either because of their literacy levels or wording complexity. Great care was taken to ensure that the item wording was appropriate to the participant level by asking non-researchers to interpret in their own words what the questions meant. In addition, the first ten participants were also asked what they thought of the questionnaires and if they had any problems with any of the items on the questionnaires. Their responses indicated that the items in the

questionnaires were easily understood and no significant problems arose, thus, the study proceeded as planned based on their feedback.

Furthermore, we tried to minimize the effects of common rater bias as much as possible by questioning both the employer and employee on different predictor and outcome variables by placing these variables on different questionnaires. For example, in order to avoid creating this bias for the predictor variable of hiring practices and the outcome variable psychological contracts, we placed the hiring practices on the owner's questionnaire and the psychological contract measure on the employee's questionnaire. In addition, since the source of responses for the personality measure was the owners, both item priming effects and social desirability biases were minimized for the psychological contracts, since the source for the psychological contract responses was on the employee's questionnaire.

Measures: Owner Survey

Personality: Three variables extraversion, conscientiousness and openness to experience were measured using a scale developed by John, Donahue and Knetle (1991).

Extraversion was measured using an eight item scale (three of which were reverse-scored items). It included items such as "is talkative" and "is reserved" (*reverse-scored item*). The owners were asked to indicate to what extent they agreed or disagreed with the statements using a five-point Likert scale ranging from 1="disagree strongly" to 5="agree strongly". The reliability in this study was 0.71.

Conscientiousness was measured using a nine item scale (four of which were reverse-scored items). It included items such as "does a thorough job" and "can be somewhat careless" (*reverse-scored item*). The owners were asked to indicate to what

extent they agreed or disagreed with the statements using a five-point Likert scale ranging from 1="disagree strongly" to 5="agree strongly". The reliability in this study was 0.75.

Openness to experience was measured using a ten item scale (two of which were reverse-scored items). It included items such as "has an active imagination" and "has few artistic interests" (*reverse-scored item*). The owners were asked to indicate to what extent they agreed or disagreed with the statements using a five-point Likert scale ranging from 1="disagree strongly" to 5="agree strongly". The reliability in this study was 0.75.

Hiring Practices Scale Development: Once all the data were collected, scales were developed by consulting information obtained from studies done by Kotey and Sheridan (2004) and Terpstra and Rozell (1993) to measure hiring practices with respect to the two different processes; recruitment and selection. A factor analysis using principle component analysis with varimax rotation was performed first for the recruitment items, and then for the selection items.

Recruitment practices (tailor-made measure): The recruitment methods variable was measured using eight items. It included items such as "I rely on word of mouth when it comes to recruiting new employees" and "I put advertisements in the newspaper when I need to fill a position" (*reverse-scored item*). The owners were asked to indicate how often they used the proposed methods using a five-point Likert scale ranging from 1="every position" to 5="never used".

For recruitment, three factors emerged (see Table 2).

Table 2
Factor Loadings for Recruitment

Item	Component		
	1	2	3
I put advertisements in the newspaper when I need to fill a position	**-0.90**	0.20	0.01
I rely on word of mouth when it comes to recruiting new employees	**0.76**	0.32	- 0.02
I ask existing employees if they know anyone who would like to work for me	**0.83**	0.02	0.27
I conduct follow-ups to see which recruitment methods are effective in getting high-performing personnel	- 0.05	0.06	**0.83**
I put advertisements in schools and universities to attract new people	0.07	**0.73**	-0.32
I use the services of professional firms to find new people	0.18	**0.79**	0.30
I first look at who I have working for me right now before I look outside my business to fill a position	0.39	0.04	**0.62**
I use government agencies when I need to look for new people	-0.13	**0.86**	0.14

Looking at the factors more closely, it was noted that only items four and seven loaded on the third factor. A closer look at those items lead to the belief that they may have been inappropriate in a small business context. For example, item four was concerned with how small business owners followed-up with the people they hired to see if the methods they used were successful. Given the time and skill constraints of small business owners, it would seem unlikely that they may engage in this type of activity.

Item seven was concerned with whether or not they hired from within before looking outside of the business to find people to fill their job vacancies. Given that most people in small firm tend to become responsible for a variety and unstructured tasks, even if small business owners would promote from within, they would still have to hire another person to replace or help the recently promoted employee with their assigned tasks. Hence, it would seem unlikely that given the job structure within a small firm, that

small business owners would promote from within without having to go out and hire someone else at the same time. It would seem more likely that the owners would look outside to hire, either for the job they require or to replace the promoted employee. Since this item was not really appropriate within the small business context, it was excluded. Consequently, items four and seven were removed from the analysis.

This analysis resulted in two factors which grouped the recruitment methods into "personal interaction in recruitment" (personal recruitment) and "agency interaction in recruitment" (agency recruitment) (see Table 3, below). This result fit well with what was expected based on the theory introduced in this study.

Table 3
Final Factor Loadings for Recruitment

Item	Component	
	1	2
I put advertisements in the newspaper when I need to fill a position	**-0.91**	-0.19
I rely on word of mouth when it comes to recruiting new employees	**0.78**	0.25
I ask existing employees if they know anyone who would like to work for me	**0.85**	0.04
I put advertisements in schools and universities to attract new people	0.01	**0.70**
I use the services of professional firms to find new people	0.21	**0.82**
I use government agencies when I need to look for new people	-0.11	**0.87**

Personal recruitment is defined as relying on a more social system to recruit candidates. This includes activities such as asking friends, family members or current employees if they know of anyone who may be interested in the position; in other words, relying on the owner's personal networks to find potential candidates. The resulting scale included three items; "I rely on word of mouth when it comes to recruiting new employees"; "I ask existing employees if they know anyone who would like to work for

me"; "I put advertisements in the newspaper when I need to fill a position" *(reverse-scored)*. The alpha reliability in this study was 0.80 (see Table 6, below).

Agency recruitment can be defined as relying on third party intervention in order to find candidates; for example, using schools, professional services or government agencies to help the owner recruit candidates. This variable can be considered more impersonal, since the candidate's first interaction is with a third unbiased party, who has no personal interest in the firm. The resulting scale also included three items; "I put advertisements in schools and universities to attract new people"; "I use the services of professional firms to find new people"; "I use government agencies when I need to look for new people". The alpha reliability in this study was 0.71 (see Table 6, below).

Selection Practices (tailor-made measure): The selection methods variable was measured using ten items. It included items such as "my hiring decisions are based on the qualifications of the candidate" and "I ask the references given to us by the candidates before I make any hiring decisions". The owners were asked to indicate which selection tools they used, using a five-point Likert scale ranging from 1="every position" to 5="never used".

For the items referring to the selection process facet of hiring practices, principle component factor analysis with varimax rotation was also used. Including all items, the factor analysis extracted two factors (see Table 4, below). However, items one, four and ten loaded on both factors. Upon closer examination of these factors, their exclusion seemed justified. Item one asked the owners about whether or not they interviewed candidates before they hired them. Looking at the histogram of their responses, their answers were skewed towards the left, which indicated that they used interviews for

every position. Thus, no distinction could be made between the two factors using this item.

Table 4
Factor Loadings for Selection

Item	Component	
	1	2
I interview people in order to decide whom I will hire	-0.67	0.47
I ask people to do written tests (for example, intelligence tests or personality tests) to decide whom I will hire	0.92	0.12
My hiring decisions are based on personal background information on the candidates' resumes	0.05	0.70
My hiring decisions are based on the qualifications of the candidate	-0.40	0.59
I use personal background information given to me by the candidates on the application forms I provide	-0.02	0.73
I ask references given to us by the candidates before I make any hiring decisions	-0.03	0.83
I ask previous employers about the candidate before I decide whom to hire	-0.00	0.80
I give people a written test based on the job they will be doing	0.96	0.12
I ask people to undergo medical exams to decide whom I will hire	0.86	-0.10
I give people a practical test based on the job they will be doing and based on the quality of their work, I decide whom I will hire	0.43	0.52

Item ten was concerned with whether they gave a trial period before hiring the candidate. Looking at the histogram of their responses, we noticed that there was no real variety within the responses. In fact, their answers were evenly distributed (i.e. approximately the same number of respondents were found in each category). Again, no distinction could be made between the two factors using this item.

Item four asked owners if they selected employees based on their qualifications. By comparing with the other items that loaded strongly on component two, we saw that item four did not fit in with this category because the other items dealt with verbal information given to them directly. Furthermore, by comparing item four again with the

other items that loaded strongly on component one, we saw again that item four did not

fit in with those items either because those items dealt with written information in the

form of examinations. Consequently, we concluded that item four is ambiguous in terms

of how it was interpreted by the participants. Therefore, items one, four and ten were

eliminated from the analysis. The two factors found were named "direct information

gathered socially during selection" (social information) and "analysed information

gathered formally during selection" (formal analysis) (see Table 5, below)

Table 5
Final Factor Loadings for Selection

Item	Component	
	1	2
I ask people to do written tests (for example, intelligence tests or personality tests) to decide whom I will hire	0.10	**0.95**
My hiring decisions are based on personal background information on the candidates' resumes	**0.61**	0.11
I use personal background information given to me by the candidates on the application forms I provide	**0.79**	-0.05
I ask references given to us by the candidates before I make any hiring decisions	**0.88**	-0.01
I ask previous employers about the candidate before I decide whom to hire	**0.85**	0.02
I give people a written test based on the job they will be doing	0.09	**0.98**
I ask people to undergo medical exams to decide whom I will hire	-0.10	**0.88**

Social information can be defined as basing your selection decision on

information obtained socially from the candidate in its "raw" form. Social information

included four items within the scale. The included items were; "My hiring decisions are

based on personal background information on the candidates' resumes"; "I use personal

background information given to me by the candidates on the application forms I

provide"; "I ask references given to us by the candidates before I make any hiring

decisions"; "I ask previous employers about the candidate before I decide whom to hire".

The alpha reliability in this study was 0.78 (see Table 6, below).

Formal analysis can be defined as basing the selection decision on answers

obtained through tests which can be considered impersonal, unbiased and exactly the

same for all candidates. In addition, the answers obtained must be processed and

analysed before it could be used by the owner to judge the appropriateness of the

candidate for the job and organization. This variable can be considered more structured

in its administration, since variation in the question would be limited. Formal analysis

included three items within the scale. The items included were; "I ask people to do

written tests (for example, intelligence tests or personality tests)to decide whom to hire";

"I give people a written test based on the job they will be doing"; "I ask people to

undergo medical exams to decide whom I will hire". The alpha reliability in this study

was 0.93 (see Table 6, below).

Measures: Employee survey

Aggregation of Employee Surveys: For each firm, the individual employees were

asked to answer questions about their commitment towards their firm, their perceptions

of the type of psychological contracts they had with their employers, and the degree they

experienced a breach in that psychological contract. However, since we were interested

in analyzing the data at the firm level, we needed to aggregate the responses.

Firm level analysis was considered to be important in this study because we

wanted to look at how hiring practices would have an effect on employee commitment

since we knew that employee commitment would have a profound effect on the firm

performance. Since hiring practices and firm performance were at the firm level, we had

to aggregate the employee commitment and breach variables (which were at the

individual level) to the firm level such that we might compare each firm as an entity to

see the interactive effects of the various variables. For example, individual level employee commitment had been associated with individual level performance. Thus, if we would aggregate the individual level employee commitment, we would get the firm level commitment of all the employees within a particular firm. This firm level commitment would be expected to affect firm level performance, in the same way that individual level commitment affects individual level performance. Aggregation creates a situation in which each individual within the firm is assumed to have the same level of commitment. It may, however, happen that depending on the different types of relationship the different employees within the firm have with their employer, the individual employees may have varying degrees of employee commitment. Thus, the acceptability of using the aggregated employee responses still needed to be justified, and we shall address this now.

A study done by Klein and Kozlowski (2000) looked at the intraclass correlation coefficients (ICC) 1 and 2 to justify the use of aggregated data. ICC (1) was defined as the extent to which one rater from on group could be used to represent all raters within that group. Klein and Kozlowski (2000) concluded that for ICC(1), aggregation is justified if the value of ICC(1) is large and if the F test is found to be significant. ICC (2) was defined as the extent to which the group means can reliably represent the sample. Klein and Kozlowski (2000) concluded that if the value of ICC (2) was greater than 0.70, then one could justifiably use of the aggregated data for analysis. However, ICC (2) will only exceed 0.70 if the between group variability of a measure were large or if the group size within the sample were large or both. Therefore, if the group size is five (as it is in this case), Klein and Kozlowski would expect that the ICC (1) value to be 0.20 and the

ICC (2) value to be 0.56. As a result, for this study, we concluded that if the ICC (2) was greater than 0.56, then the aggregation of the data for the employees of each firm was justified.

There were sixteen firms with ICC (2) values greater than 0.56. Three firms had only one employee responding, and so their responses were used. Eleven firms had ICC (2) values lower than 0.56. This would mean that in eleven firms, the responses between employees within a single firm may have been so different that aggregation of their responses would not be justified. Aggregating responses from an individual level to a firm level indicates that the individuals within the firm have very similar responses. Low ICC (2) values indicate that this is not true and so aggregating those responses would lead to wrong conclusions being made. Thus, an employee from each of the eleven firms was chosen at random and their responses were used alone. This was done in an effort to retain as much of the collected information as possible. Once this was established, indexes for the following variables were obtained in order to test the proposed hypothesis.

Psychological contract measure: We used the scales developed by Rousseau (2000) which include transactional contracts; relational contracts; balanced contracts. In this study, balanced psychological contracts were excluded as evidence of this measure is infrequently used in the literature.

The transactional psychological contract measure included eight items from the Rousseau (2000) scale. It included items such as "limited involvement in the organization" and "short-term employment". The employees were asked to indicate to what extent their employer made the indicated commitment or obligations to them with

respect to their job. They were asked to circle the most appropriate answer as indicated on a five-point Likert scale ranging from 1="not at all" to 5="to a great extent". The reliability in this study was 0.74.

The relational psychological contract measure included nine items from the Rousseau (2000) scale. It included items such as "concern for my long-term well-being" and "stability within this business". Again, the employees were asked to indicate to what extent their employer made the indicated commitment or obligations to them with respect to their job. They were asked to circle the most appropriate answer as indicated on a five-point Likert scale ranging from 1="not at all" to 5="to a great extent". The reliability in this study was 0.80.

Psychological contract breach: This measure was obtained through the five-item scale developed by Robinson & Morrison (2000). It included items such as "almost all the promises made by my employer during the recruitment process have been kept so far" and two reverse-scored items such as "my employer has broken many of its promises to me even though I have upheld my side of the deal". The employees were asked to indicate to what extent they agreed with the statements by circling the most appropriate answer as indicated on a five-point Likert scale ranging from 1="do not agree" to 5="strongly agree". The reliability in this study was 0.81.

Employee commitment: Employee commitment was measured using the scales developed by Meyer, Allen and Smith (1993). It includes affective commitment (employees stay because they want to); continuance (employees stay because they need to); normative (stay because they feel they should which could be a factor in family business). However we looked at affective and normative commitment only since this

study wanted to concentrate on voluntary commitment and not forced commitment. In other words, given the choice, employees would continue their commitment towards their firm regardless of, for example, their financial situation. For example, one could argue that if employees are in financial distress, they may choose to stay with the firm regardless of whether or not they experienced a breach in their psychological contracts, thus confounding the effects of a psychological contract breach on employee commitment.

The affective employee commitment measure included six items (three of which were reverse-scored) from the Meyer, Allen and Smith (1993) scale. It included items such as "I really feel like this organization's problems are my own" and "I do not feel 'emotionally attached' to this organization" (*reverse-scored item*). The employees were asked to indicate to what extent they agreed or disagreed with the statements by circling the most appropriate answer as indicated on a five-point Likert scale ranging from 1= "do not agree" to 5= "strongly agree". The reliability in this study was 0.59. It was considerably lower than the reliability range found in the Meyer, Allen and Smith (1993) study which was between 0.85 and 0.87.

The normative employee commitment measure included six items (one of which was reverse-scored). It included items such as "I owe a great deal to my organization" and "I do not feel any obligation to remain with my current employer" (*reverse-scored item*). The employees were asked to indicate to what extent they agreed or disagreed with the statements by circling the most appropriate answer as indicated on a five-point Likert scale ranging from 1="do not agree" to 5="strongly agree". The reliability in this

study was 0.75, which was within the range found in the original Meyer, Allen and Smith (1993) study (between 0.73 and 0.77).

Performance: Performance was measured directly by asking employers to indicate which range of profits would best describe the amount of profits they made. The ranges were from less than $20 000, $20 000 to $39 999, $40 000 to $59 999 and so on.

Results and Analysis

Overall, from Table 6 below, we can see that most of the small businesses within the sample tended to use personal interactions during the recruitment process and social information during the selection process.

The results of the personality section of the owners' questionnaire, indicate that the majority of small business owners are moderately high in extraversion (M= 3.81) and openness to experience (M= 3.68) and higher in conscientiousness (M= 4.22). (See Table 6 for details). Furthermore, most small business owners tend to be higher in conscientiousness than any other personality facet.

In general, most owners did use social information selection methods (M = 3.54), however they seemed rarely to use formal analysis during the selection process (M = 1.38).

Hypothesis testing

The present analyses began with determining the proposed relationship between the variables by conducting a bivariate correlation.

Owners' Personality and Hiring Practices

Extraversion and hiring practices: The first combinations of variables that were looked at were the personality traits and hiring practices. On average, the sample of owners tended to be above the mean in extraversion (M = 3.81). In addition, they seemed to use the personal recruitment methods to recruit new candidates for most of their required positions (M = 3.17). Extraversion was found to have a significant relationship with the use of personal recruitment methods (r = 0.38, p = 0.02, one-tailed). Therefore, hypothesis 1A is supported. In other words, the more extraverted the owners are, the

more likely they will use the personal recruitment methods for most of their positions during the recruitment process. Next we will look at the effects of extraversion on the use of social information during the selection process.

On average, most owners tend to use social information during the selection process for most of the required positions (M = 3.54). There was marginally significant relationship found between extraversion and social information methods (r = 0.24, p = 0.10, one-tailed). Thus, hypothesis 1B had a weak support, and we can conclude that extraversion does have a slight effect on the use of social information during selection.

Conscientiousness and Hiring Practices: The relationship between conscientiousness and agency interaction during the recruitment process was looked at next. On average, it seems that most owners are above the mean in conscientiousness (M = 4.22). Furthermore, it seems that very few owners used agency interaction during the recruitment process (M = 1.77). Moreover, no relationship was found between conscientiousness and agency recruitment (r = -0.10, p = 0.30, one-tailed). Thus, hypothesis 2A was not supported. In addition, there was no relationship between conscientiousness and formal analysis (r = -0.05, p = 0.40, one-tailed) used during the selection process, thus hypotheses 2B was not supported.

Openness to experience and hiring practices: The relationship between the number of methods used and the personality trait openness to experience was examined next. According to the theory, we expected to find that the higher the owner was in this trait, the higher the number of methods he would use because he would be willing to try new and different methods. There was a positive correlation (r = 0.32, p = 0.04, one-

tailed), indicating that the relationship between openness to experience and number of methods used was statistically significant, thus hypothesis 3A was supported.

The next relationship considered was that between the personality trait openness to experience and personal recruitment. In this sample, owners were found to be above the mean in openness to experience (M = 3.68). These two variables (personal recruitment and openness to experience) were found to have a negative significant correlation (r = -0.45, p = 0.01, one-tailed). This indicates that the higher in openness to experience an owner is, the less likely they will use personal interaction methods during the recruitment process. Thus, hypothesis 3B is not supported, however, there was a relationship in the opposite direction. Like the other personality facets studied, openness to experience also did not show any significant correlation with social information selection (r = 0.15, p = 0.22, one-tailed). Thus, hypothesis 3C was also not supported.

Hiring Practices and Psychological Contract Breach

On average, few employees surveyed seemed to have experienced a psychological contract breach (M = 1.79). Approximately 12.6% of employees who participated in this study claim to have experienced breach. According to hypothesis 4, social information should be related to a higher perception of psychological contract breach. No relationship was found between social information during selection and breach (r = -0.12, p = 0.27, one-tailed), therefore, hypothesis 4 was not supported. There was a significant negative relationship found between agency recruitment and psychological contract breach (r = -0.48; p = 0.01, one-tailed). This indicates that the higher the likelihood of using agency recruitment methods, the lower the likelihood those employees will experience a psychological contract breach.

Employee Commitment and Psychological Contract Breach

The relationship between employee commitment and psychological contract breach was studied using individual employee responses and not the aggregate responses used in previous sections. This was decided because the responses were obtained through the employee survey only, thus in this case, an individual level analysis was more appropriate (see Table 7, below).

Hypothesis 5 stated that a perceived psychological contract breach would result in a lower affective and normative commitment. There was a significantly negative relationship between breach and affective commitment ($r = -0.36$, $p < 0.01$, one-tailed). In addition, there was also a significantly negative relationship between breach and normative commitment ($r = -0.28$, $p < 0.01$, one-tailed). Thus, hypothesis 5 was supported, indicating that higher commitment is related to lower incidences of experiencing psychological contract breach.

Employee Commitment and Firm Performance

According to hypothesis 6 we expected to find a relationship between employee commitment and firm performance, however none was found. Neither affective commitment ($r = 0.05$, $p = 0.41$, one-tailed) nor normative commitment ($r = -0.14$, $p = 0.25$, one-tailed) showed any relationship with firm performance.

Hiring Practices and Firm Performance

We looked at what effects the hiring practices (both recruitment and selection) (hypothesis 7), personality of the owners and employee commitment might have on the firm's performance. A significantly negative relationship was found between use of personal recruitment methods and net profits. It seems that the more personal recruitment

methods are used, the less net profits are reported by the firm (r = -0.37, p = 0.04, one-tailed). Furthermore, the marginally significant relationship between the number of hiring practices used and net profits indicate that the higher the number of hiring practices used by the owner, the higher the net profits are (r = 0.29, p = 0.09, one-tailed). Another marginally significant relationship is that extraverted owners report making less net profits (r = -0.32, p = 0.07, one-tailed). That is to say that the more extraverted an owner is, the less net profits he makes.

Other Analyses

Hiring practices and employee commitment: We looked at what effects the type of hiring practices used had on employee commitment. Affective commitment showed no relationship with personal recruitment (r = 0.01, p = 0.49, one-tailed) or social information during selection (r = 0.13, p = 0.24, one-tailed) or processed information during selection (formal analysis) (r = 0.25, p = 0.09, one-tailed). However, there was a significant relationship between affective commitment and agency recruitment (r = 0.39, p = 0.02, one-tailed), indicating that the more agency recruitment is used by the small business owners, the more affective commitment the employees will have. However, normative commitment did not show any relationship with any of the hiring practices facets of either recruitment or selection.

Relational and Transactional Psychological Contracts: Small business owners tended to form more relational psychological contracts (M= 3.76) than transactional psychological contracts (M= 2.81). In fact, this study showed that 66% of employees described their relationship with their employers as being primarily relational, while 32% describe their relationship as being primarily transactional. Since we can see that most of

the owners in this study were high in conscientiousness and that most of the employees reported having a relational type psychological contract, a correlation between these two factors was performed. It was found that there was a significant correlation between conscientiousness and relational psychological contracts in this study as can be seen in Table 6 ($r = 0.34$, $p = 0.03$, one-tailed).

Although the type of psychological contracts formed did not seem to be predicted by the recruitment practices, they did seem to be predicted by the selection practices. Relational psychological contracts were found to be significantly related to social information ($r = 0.35$, $p = 0.03$, one-tailed) and negatively related to formal analysis ($r = -0.37$, $p = 0.02$, one-tailed). On the other hand, transactional psychological contracts were not related to either social information or formal analysis. This indicates that using social information methods should lead to the formation of relational psychological contracts. Whereas, using formal analysis methods should not lead to relational psychological contracts.

It was also found that relational psychological contracts was negatively related to psychological contract breach ($r = -0.51$, $p < 0.01$, one-tailed). Transactional psychological contracts were not related to psychological contract breach. This indicates that the more relational the psychological contract is, the less breach is experienced by the employees.

When we looked at what kind of effects would the type of psychological contracts have on employee commitment, we found that relational psychological contracts had a significantly positive relationship with both affective ($r = 0.52$, $p < 0.01$, one-tailed) and normative ($r = 0.40$, $p < 0.01$, one-tailed) commitment. This indicates that the more

relational the psychological contract is, the more commitment is felt in the employees. Transactional psychological contract was found to have no relationship to normative commitment, however, it did have a significantly negative relationship with affective commitment ($r = -0.22$, $p = 0.01$, one-tailed). This implies that the more transactional the psychological contract is, the less affective commitment is experienced by the employees.

Table 6: Descriptive Statistics and Correlations of the Firm Level Variables

	Mean	Std Dev.	Extra	Cons	Open	Personal Recruit.	Agency Recruit	Social Info.	Formal Analysis	Breach	Aff. C.	Norm. C.	Net Profit	Method
Extraversion (Extra)	3.82	0.68	0.71[a]	0.01	0.05	0.38*	-0.11	0.24	-0.17	0.27	0.35*	0.28	-0.32	-0.02
Conscientiousness (Cons)	4.22	0.58		0.75	0.39*	-0.21	-0.10	0.13	-0.05	-0.03	-0.10	-0.38*	-0.08	-0.24
Openness to Experience (Open)	3.68	0.62			0.75	-0.45**	-0.44**	0.15	-0.42*	-0.15	0.02	-0.03	0.04	0.32*
Personal Recruitment	3.17	1.11				0.80	0.08	0.11	0.13	0.24	0.00	0.08	-0.37*	-0.29
Agency Recruitment	1.77	0.99					0.71	0.26	0.57**	-0.48**	0.40*	0.24	0.11	-0.04
Social Information	3.54	0.93						0.78	-0.03	-0.12	0.13	-0.07	0.25	0.09
Formal Analysis	1.38	0.93							0.93	-0.03	0.25	0.11	0.03	-0.09
Psychological Contract Breach (Breach)	1.79	0.70								0.81	-0.16	-0.15	-0.20	-0.11
Affective Commitment (Aff. C.)	3.55	0.69									0.57	0.74**	0.05	0.12
Normative Commitment (Norm. C.)	3.31	0.84										0.77	-0.14	0.16
Net Profit ($ 000's)	$60	$20											-	0.29
Methods														-

[a] Reliabilities on the diagonal
* Correlation is significant at the 0.05 level (1-tailed)
** Correlation is significant at the 0.01 level (1-tailed)

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Table 7: Descriptive Statistics and Correlations of the Individual Level Variables

	Mean	Std Dev.	Relational Psychological Contract	Transactional Psychological Contract	Psychological Contract Breach	Affective Commitment	Normative Commitment
Relational Psychological Contract	3.46	1.10	0.62ᵃ	0.01	-0.38**	0.52**	0.40**
Transactional Psychological Contract	2.69	0.78		0.73	0.06	-0.22*	-0.13
Psychological Contract Breach	1.78	0.86			0.82	-0.37**	-0.28
Affective Commitment	3.62	0.82				0.59	0.63**
Normative Commitment	3.31	0.96					0.75

ᵃ Reliabilities on the diagonal
* Correlation is significant at the 0.05 level (1-tailed)
** Correlation is significant at the 0.01 level (1-tailed)

Discussion

The primary objective of this study was to determine if there was a relationship between the personality of the small business owner, the type of hiring practices used during the recruitment and selection stages and if this affected the experience of perceiving a psychological contract breach.

Personality and Hiring Practices

The assumption that recruitment methods (personal and agency recruitment) used by small business owners are influenced by the small business owners' personality was supported. The results indicate that although conscientiousness does not seem to be involved in making hiring practice decisions, extraversion and openness to experience are. In fact, extraversion and openness to experience seem to be involved in choosing recruitment methods and weakly involved in choosing selection methods.

Those high in extraversion were more inclined to use personal recruitment and social information during selection. This is expected as the literature indicated that extraverted people tended to prefer more direct and social interactions. Thus, there would be no reason to believe that this aspect would not cross over into their recruitment strategies.

In contrast, those high in openness to experience were also found to use less personal recruitment and had no relation with the use of social information during selection. Although surprising, this could be explained by the fact that the owners higher in openness to experience tend to be curious and introspective. They may be curious about the type of talents and skills that there may be in the workforce and they may feel that relying on their personal networks would not give them access to outside pools of

talent which could be used to infuse new ideas into their business. The fact that there was

no relation with the selection methods could indicate that openness to experience may not

be involved in choosing selection methods. Alternatively, it could also be that their

creative nature may also influence their recruitment and selection decisions in that they

may use other creative measures that both the literature and researchers have not thought

of and which would consequently make it difficult to study. As our hypothesis

suggested, those owners who were high in openness to experience seemed to use a higher

number of different recruitment and selection methods. Their curious and intellectual

nature may drive them to use more methods to either confirm the appropriateness of the

candidate or to test to see which methods work and which ones do not.

Those high in conscientiousness did not seem to influence the type of recruitment

methods or selection methods used. This could indicate that conscientiousness may not

be an aspect that comes into play during the recruitment and selection stages of human

resource management.

Thus, it seems that extraverted owners tend to use their own personal social

networks to recruit their employees. They also seem to prefer using selection methods

that do not require additional analysis. In addition, it seems that perhaps

conscientiousness may not be a personality trait which is involved in the decision making

process of selecting the recruitment and selection methods owners prefer to use.

Hiring Practices and Psychological Contract Breach

This study indicates that recruitment methods do play a role in the employee's

perceptions of psychological contract breach, however, selection methods do not. For

example, this study found that agency recruitment is negatively related to breach. From

the literature, we would expect that if a third party recruits the candidate and the candidate starts getting his/her information from this third party (which may or may not convey the same message as the owner), chances are that the wrong assumptions would be made resulting in the wrong ideas forming the basis of the psychological contract. Consequently, the employee's psychological contract and the reality of the situation would lead to a dissonance which in turn would lead to an increase in the probability of experiencing breach. However this was not the case in this study. A possible explanation could be that maybe having a third party make primary contact with candidate, the candidate will not make any assumptions (based on signals) because they know this is not the owner. The context signals which are emitted during primary contact may be ignored by the candidate until they are introduced to the owners and organizational socialization begins. Instead of beginning their psychological contract formation during the selection process where signals of the intended message could be crossed and misunderstood, the candidate would wait until they are actually in the organization before they start building the foundation of the psychological contract. Their psychological contracts would be based on direct observation as opposed to relying on signals passed on by the owners. This would lead to a more accurate picture of what it is like to work in the organization, and what can be expected from the employment relationship, thus reducing the possibility of the employee experiencing a psychological contract breach.

In addition to the above explanation, the third party themselves may play an important role in this relationship as well. Since the third party is not the owner, they may refrain from making any promises to the candidate, especially if the owner really

wants a certain candidate to accept the job offer. They may find themselves making promises to the candidate that they cannot deliver. Thus, by maintaining a professional distance from the candidate, it forces the candidate to wait until they are in the organization before forming the basis of their psychological contract. Again, the psychological contract formation will start later, after organizational socialization takes place.

Personal recruitment was found to positively influence the experience of psychological contract breach among employees. This could be because candidates recruited through the use of social networks may expect more special treatment, than those recruited anonymously (i.e. through third party means like government agencies). For example, if one was recruited through government agencies, candidates would expect to be treated as an employee with no special privileges; whereas, if the candidate was recruited through a friend of a friend, they would expect to be treated as a friend (i.e. someone with special privileges).

Selection methods (social information) was found not to be related to breach probably because at the selection stage employees are not trying to gather information, rather they are giving information to the recruiter. The candidates that apply must compete with other candidates for the job by making promises to the employer. Thus, the signals about what to expect once they are working for the organization are being largely ignored in favour of looking at signals which will tell them how to get the job.

A practical suggestion which can be made to small business owners in order to avoid creating a psychological contract breach between owners and their employees is to use agency recruitment methods as part of their recruitment hiring strategies. These

agency types of recruitment methods should work to reduce the occurrences of psychological contract breach.

Breach and Employee Commitment

As the literature predicted, experiencing a breach in psychological contract has a negative effect on both normative and affective commitment. Intuitively, this is a reasonable conclusion because one would not be expected to be committed to an organization they feel betrayed them or reneged on their promises to them.

In this study, we could not study a change in employee commitment; however, we were able to determine that there was a difference between the breach population and the non-breach population. Those that experienced breach showed a lower affective and normative commitment, than those that did not experience breach. More specifically, the greatest difference occurred for normative commitment, indicating that perhaps normative commitment is most affected by perceptions of breach. This could be because once the employers fail to meet the expectations of the employees, the obligations the employee may have felt towards the organization may dissipate and the employees would be free to leave the organization.

Employee Commitment and Firm Performance

Surprisingly no relationship could be found between employee commitment and firm performance. Since this relationship has been accepted in the literature (Iun & Huang, 2007; Jaramillo, Mulki & Marshall, 2005; Chen & Francesco, 2003), a possible explanation for why a relationship was not found in this sample is probably because the sample was too small for a significant relationship to be detected. A larger sample may have been able to detect the link found in most studies.

Firm Performance

Is it possible that being to social and outgoing can decrease profits? This study seems to suggest that recruitment and selection practices as well as certain traits of the owner's personality which have a more social component in it may result in lower net profits.

Owners that used personal recruitment methods reported lower net profits. A possible explanation could be that personal recruitment methods may lead to hiring people who have a personal connection to either the owner or other employees. It may be difficult for owners to discipline a poor performer, especially if they have a close connection to the poor performer. In addition, disciplining a poor performer who has a connection with other employees in the firm may also prove difficult because one may not want the repercussions of the discipline to affect employee morale within the firm. However, not disciplining a poor performer may lead other employees to believe that it is acceptable to perform poorly, thus developing a low-performance culture. Either way, the difficulty in mitigating the relationship because of personal ties with the employee may lead to the firm performing less than efficiently, resulting in lower net profits.

Extraverted small business owners were also found to have reported lower net profits. One reason this could have occurred is through the adage "time is money". If one spends their time chatting away and being more sociable than working to be more productive, then one should expect lower net profits. This finding could be used to explain Ciavarella et al.'s (2004) finding that high extraverted entrepreneurs showed low survival and success rate. If highly extraverted owners have less net profits, eventually their business would close because of lack of funds or profit.

Furthermore, this study showed that the more methods an owner uses to recruit and select their employees, the more net profits were reported. A possible reason for this is that more methods would indicate a more rigorous recruitment and selection process. Thus, one would expect that the resulting candidate that would have survived this process would have a better job and organizational fit and would also be more capable of performing well within the organization. Consequently, having the right people in the right places should result in a higher performing and a more profitable firm.

Thus one could conclude that using a lot of different methods in order to recruit and select candidates is beneficial to the small business owners. However, according to this study on should limit the use of personal social networks during recruitment.

Hiring Practices and Employee Commitment

The various recruitment and selection practices were found to not be related to employee commitment. An exception to this is the strong positive relationship between agency recruitment and affective commitment.

The lack of a direct relationship between the recruitment and selection methods and employee commitment indicates that there may be other reasons which influence why a person wants to stay or feels they should stay. For example, they may feel committed to the people they work with or the owner himself, but not necessarily to the job or the organization. On the other hand, if they did not develop or have a personal relationship with the owner (for example what occurs during agency recruitment) and they choose to stay, it is because they are committed to the organization or their job. This is an important development because these employees would be less susceptible to changes in staff and remain loyal regardless of who is working in the organization. It

could also indicate that these loyal employees have a more internal locus of control, which could affect how employers will motivate and reward their efforts and performance (Wright et al., 2005).

Type of Psychological Contract

The formation of relational psychological contracts seems to be influenced by the selection methods used by the owner and the owner's level of conscientiousness. Transactional psychological contracts do not seem to be influenced by any of the variables used in this study.

As previously reported, most of the owners in this study were high in conscientiousness and most of the employees reported having a relational type psychological contract. This result confirmed the results of previous research which found that owners high in conscientiousness also formed relational psychological contracts (Ntalianis, Dyer & Vandenberghe, 2006).

This study was able to determine that although recruitment practices did not have an effect on the type of psychological contract formed, the different selection methods did, especially for relational psychological contracts. Relational psychological contracts seem to form when social information is used and not form when formal analysis is used. It would seem that transactional psychological contracts would be a default psychological contract that would form in the absence of a relational psychological contract because its formation does not seem to be influenced by any of the variables used in this study. In other words, the formation of relational psychological contracts seems to be more susceptible to what goes into building it (for example, conscientiousness, the use of social information and the lack of formal analysis) than transactional psychological contracts.

Relational psychological contracts were found to be negatively related to the perception of having a psychological contract breach, whereas transactional relationships were not related at all. This study does confirm previous studies' results which state that when a relational psychological contract is violated, employees seem to acknowledge it less because they "forgive" the organization for the breach than those who have transactional psychological contracts (Morrison & Robinson, 2000; Ntalianis, Dyer & Vandenberghe, 2006).

This study also confirms the literature which states that relational psychological contracts have a positive relationship with affective and normative commitment (Dabos & Rousseau, 2004). On the other hand, transactional psychological contracts were found to have a negative relationship with affective commitment. This is to be expected because if you have a relationship with your employer based on mutual trust and loyalty, one would want to stay with the organization. If the relationship is based on the economics of the job, then one would stay as long as the employee feels obligated in some way to stay and not because they want to.

This study found that during selection, the foundations of the psychological contract are formed. Although, selection was found to not be related to breach, relational psychological contracts could be a mediating factor linking selection methods to breach. One must therefore ensure that the right selection methods are used so that the relationship between the employees and employers as well as the employee's expectation of the firm is realistic. This study also supported previous literature that suggested that incidences of breach are lower among relational psychological contracts because

breaches in the psychological contracts are forgiven more because of the loyalty and trust felt by the employee towards the organization.

Explanation of the Hiring Practices Labelling

For both aspects of hiring practices, recruitment and selection, there was some difficulty in labelling the two factors that resulted in the factor analysis. Although we expected to find these factors, naming them proved difficult and the labels are a little lacking in their description of the emerging factors.

Traditionally, recruitment has been labelled based on where the candidate was recruited from, internal to the organization or external to the organization. In this study we looked at recruitment from the point of view of what the owner did to recruit the candidates. The factors extracted from the factor analysis seems to support these distinctions since the items which loaded unquestionably onto the first factor (personal recruitment) were different from those items which loaded onto the second factor (agency recruitment). For example, for the first factor, employees referred candidates **to** the owner; the owners **asked** their employees if they knew anyone interested in the job; the owners **did not use** newspaper ads in their recruitment. In other words there was no degree of separation between the owner and the candidate (i.e.: owner → candidate); the owners were directly involved in the recruitment. The second factor (agency recruitment), on the other hand, included items describing the involvement of outside sources during the recruitment process. For example, the owners used schools, government or professional agencies during recruitment. Thus, we could say that the second factor showed one degree of separation between the owners and the candidate (i.e.: owner → agency → candidate).

Similar problems arose when trying to label the factors that emerged from the factor analysis for the selection methods. The first factor (social information) contained items that loaded strongly on the idea that the information on the candidate was obtained in a more social, unstructured and biased way. Thus, the combination of information from their personal backgrounds and references from previous employers obtained within this social context determined the best candidate. The second factor extracted from the factor analysis (formal analysis), on the other hand, seemed to include items which could be used to describe this factor as being more structured and formal. Thus, the candidates which were selected using these items were selected using information which was more concrete, structured and unbiased, thus, anyone who looked at the results would be able to conclude consistently which candidates were the best ones for the job.

Although, the labels used may not adequately encompass the distinctions between the factors extracted from the factor analysis, the differences between the categories of methods should be acknowledged nevertheless.

Limitations of the Study

A limitation of this study is the sample size obtained could be considered to be small for statistical analysis. Some of the weak relationships found between variables may be explained because of the low power the statistical analysis may have provided. A larger sample may have found stronger relationships between the variables. Unfortunately, getting more participants to increase the sample size is difficult in small business research. The owners are too busy running their business that they are not

willing to spend their limited time answering questions for research which does not provide an immediately visible benefit for them.

Another aspect that should be brought to the attention of future researchers is that grouping all small businesses under one umbrella may be inaccurate and oversimplifying the research. The common categorization of using the number of employees in the business to indicate its size is not enough. One must also look at the life cycle the business is in. For example, new businesses are small in the beginning but may want to grow into a larger business, or one may have older businesses that remain small due to choice. The wish to grow or stay small depends more on the small business owner's personality and ambitions than outside forces. Future research should work to make this distinction when introducing new concepts and theories about small businesses.

Another limitation in this study is the fact that the questions were based on scales used primarily in large businesses. Perhaps for this reason certain scales such as employee commitment did not give the expected result. A reason for this could be because employee commitment in small firms might mean different things to the small firm employee as opposed to the large firm employee. Items like "I would like to spend the rest of my career with this organization" (affective commitment) and "This organization deserves my loyalty" (normative commitment) may be inappropriate for small firms because they may not look at their jobs in terms of "career" or the organization in terms of "loyalty", especially if there is a personal relationship with the owner. They, therefore, would be staying in an organization not because they want to, should or have to, but rather because they are expected to stay. The resulting responses may not have provided the expected relationships, because of this expectation. Such

scales need to be revaluated in a small business context, to determine their appropriateness as acceptable measures. This could also explain the rather low reliability found for affective commitment even though most studies that have used this measure seemed to have found an acceptable reliability. For example, if some of the employees that answered the questions had a personal relationship with the owner (family members or friends), as did approximately 41% of those employees surveyed, their responses would differ remarkably from regular outsider employees, thus the responses may not be consistent enough to result in a high alpha reliability.

The above explanation could also be used to explain why in eleven firms we were unable to aggregate the employees' responses from the individual level to the firm level. For example, if within one firm some of the employees had personal relationships with the owner and some of them did not, their responses in terms of commitment and breach may be expected to differ since there is no agreement between the employees on those variables. Thus, when the ICC (2) was calculated we would understandably find a low value within this firm and aggregation of the responses would not be recommended. In firms where there would be no relational difference between the employees, one would expect higher ICC (2) values to be calculated because it would show an agreement between the employees on the various variables such as commitment and breach. This is probably what happened in the seventeen firms where aggregation of the employee responses was justified.

The fact that we were unable to approach the employees directly may cause some concern about the internal validity of the study. This is because it could be possible that the owners would have hand-picked certain employees to participate in the study who

would show the owners in a positive light. If this were true, then we would expect to find very few, if any, incidences of breach within the sample. In this study, however, we do find instances of breach. Thus, it is possible that even if the owners had not hand-picked the employees who participated, we might have observed even higher instances of breach, making the various relationships between the variables even stronger.

The causal direction of the relationships found between the variables within the study could not be determined irrevocably. Certain relationships however, would not make sense, except in a certain direction. For example, we assumed that personality traits are what determine the type of hiring practices used and not the reverse. This directional relationship could be concluded with confidence because personality is an enduring quality of the person, whereas hiring practices could be altered in time. Another relationship that could be determined with confidence is that between the different types of hiring practices and employee commitment. Employees must be hired first before they can be committed to an organization. That being said, a feedback loop could be present because if owners find that certain hiring practices result in finding more committed employees, then the owners will tend to use those methods to increase employee commitment within the firm. The relationship between hiring practices and firm profits may have reverse causation and thus threaten internal validity. This is because the type of hiring practices used could result in higher profits, but it is also possible that the more profits a firm has, the more they spend on human resource practices. A longitudinal approach would be the one way to determine the direction of this relationship and confirm internal validity.

The generalizability of this study must also be considered. The sample used in this study primarily consisted of bakeries which is a goods industry. It would be interesting to see how the results would change if a service industry was used. For example, bakery owners live a rather lonely life. They get up very early to start baking their goods and tend to work long hours with little human interaction. A person who is high in extraversion, may not be happy in this type of industry and so may feel less inclined to put in the necessary effort to excel in this business, resulting in reporting lower net profits as found in this study. An extraverted owner in the service business, for example hairdressing, may excel in their business because they are always meeting new people and finds themselves constantly in a social context. Thus they are happy in their business and more inclined to put in the extra effort needed to increase their net profits. Given the different business context, this aspect may also spill into their hiring practices. Bakeries may tend to search and use methods that attract more introverted people, whereas, hairdressers may tend to search for more extraverted people. Future studies should look at comparing small firms in the goods industry with small firms in the service industry and see how their recruitment and selection practices may differ.

Conclusion

To summarize, most literature to date alluded to the notion that the choices made by small business owners about the types of hiring practices used were based on ease of use, convenience and inexpensiveness. This study shows that the choices made go beyond the practicality of the methods and more along the personality of the small business owners. In addition, developing psychological contract starts as early as the selection stage; in other words, even before the candidate has been hired. Therefore, great care should be taken in order to start the relationship on the right foot and avoid contract breaches in the future. For example, using recruitment methods such as advertising, associations and unions, schools, employment agencies, and the internet (agency recruitment) should reduce the incidences of employees experiencing psychological contract breach. In addition, using selection methods such as application forms, training and experience evaluations, reference checks, biographical data, and interviews (social information) would also work to reduce psychological contract breach.

To reiterate, this study confirms that the use of a combination of agency recruitment and social information should result in a decrease in the level of psychological contract breach experienced which will increase the level of employee commitment within the firm, through the formation of relational psychological contracts. In addition, owners high in extraversion should use caution when deciding which hiring practices to use because it seems that the ones they are more comfortable with in choosing (for example, personal recruitment) may work against them in terms of decreasing their net profits which may eventually result in failure of the business in the long run.

What this means for future researchers are that new scales, concepts and theories need to be developed specifically for small businesses. Small businesses are not merely just "small" large businesses, they are entirely different entities, with different modes of operating, and they should be studied with this in mind. What this means for small business owners is that they should pay as much attention to their recruitment and selection activities as they would to other revenue generating activities, because the people they hire are the ones with the largest influence over the profits and success of their firms.

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Appendix A

Owner's Questionnaire

Questionnaires for Small Businesses
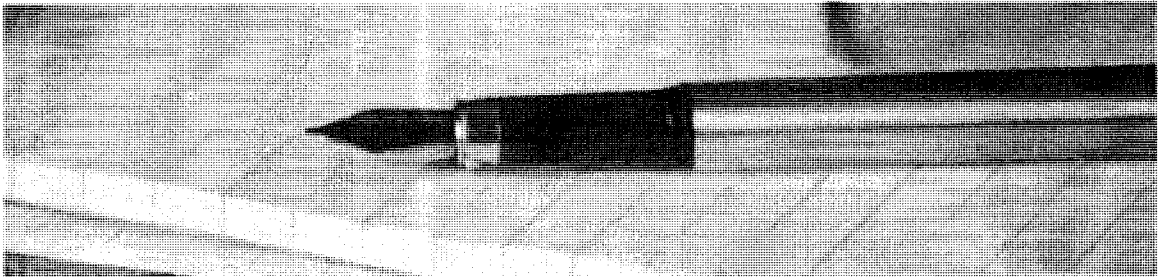
Entrepreneur

Dear Participant,

I am a Masters candidate in Management at the John Molson School of Business at Concordia University, in Montreal. I am carrying out research into the hiring practices and employment relationships within the small business firm. You can assist me in my research by filling out the following questionnaire, which should take you approximately 15 minutes. In doing so, you will also gain the opportunity to learn about your relationship with your employees and its impact on the long-term goals and day-to-day operations of your organization.

The focus of this survey is on your role as a small business owner and your relationship with your employees. Therefore, feel free to express yourself as frankly and honestly as possible without consulting anyone, as I want to know how you personally think. There are no "trick" questions and all the scales incorporated in this survey are adopted from well-validated and popular measures in the area of management. I would ask you to answer all the questions, as this will produce more accurate results. As this research is **anonymous**, you are not required to give your name or any other particulars that will reveal your identity. I am not asking you for any sensitive personal information and I assure you that your responses will be held in the strictest confidence and will not be revealed to your employees or any other party.

On completion of this study, I would like to remind you that I am willing to share and discuss my findings with you. It is my belief that your participation in this research can contribute to the success of your business by highlighting significant issues relating to the recruitment and retention of the right employees for your firm, and outlining how your own role can help to fulfill your business objectives.

Finally, I would like to remind you that if for any reason you do not wish to participate in this study, you should feel free to decline.

If at any time you have questions about your rights as a research participant, please contact: Adela Reid, Research Ethics and Compliance Officer, Concordia University, (514) 848-2424 ext. 7481.

For any other inquiry my supervisor's telephone number and e-mail address are provided below.

Thank you for your participation in my study.

Sincerely,

Barbara Reda
Telephone:
Email:

Thesis Supervisor: Dr. Linda Dyer
Telephone: (514) 848-2424 ext. 2936
Email: dyer@jmsb.concordia.ca

1. Please describe your company

Type of business: _____

Number of years in operation: _____ years

Number of employees: _____ Full-time _____ Part-time

Number of people who make hiring decisions (excluding yourself): _____

2. Recruitment strategies: Please think about the way you recruit people to come to work for your business and indicate how often you use these methods

Every position	Most positions	Some positions	Few positions	Never used
1	2	3	4	5

I put advertisements in the newspaper when I need to fill a position	1	2	3	4	5
I rely on word of mouth when it comes to recruiting new employees	1	2	3	4	5
I ask existing employees if they know anyone who would like to work for me	1	2	3	4	5
I conduct follow-ups to see which recruitment methods are effective in getting high-performing personnel	1	2	3	4	5
I put advertisements in schools and universities to attract new people	1	2	3	4	5
I use the services of professional firms to find new people	1	2	3	4	5
I first look at who I have working for me right now before I look outside my business to fill a position.	1	2	3	4	5
I use government agencies when I need to look for new people	1	2	3	4	5

3. Selection tools: Please indicate the extent to which you use each selection tool below

Every position	Most positions	Some positions	Few positions	Never used
1	2	3	4	5

I interview people in order to decide whom I will hire	1	2	3	4	5
I ask people to do written tests (for example, intelligence tests or personality tests) to decide whom I will hire	1	2	3	4	5
My hiring decisions are based on personal background information on the candidates' resumes.	1	2	3	4	5
My hiring decisions are based on the qualifications of the candidate.	1	2	3	4	5
I use personal background information given to me by the candidates on application forms I provide.	1	2	3	4	5
I ask the references given to us by the candidates before I make any hiring decisions.	1	2	3	4	5
I ask previous employers about the candidate before I decide whom to hire.	1	2	3	4	5
I give people a written test based on the job they will be doing.	1	2	3	4	5
I ask people to undergo medical exams to decide whom I will hire.	1	2	3	4	5
I give people a practical test based on the job they will be doing and based on the quality of their work, I decide whom I will hire.	1	2	3	4	5

4. If you use interviews as part of your hiring process, please answer the following questions:

Not at all	Slightly	Somewhat	Moderately	To a great extent
1	2	3	4	5

During the interview we ask only questions which we have prepared in advance	1	2	3	4	5
The questions which are asked pertain specifically to the job for which the interview is being conducted for.	1	2	3	4	5
During the interview process, we do not make small talk with potential employees	1	2	3	4	5
We ask each candidate the same questions with no modification	1	2	3	4	5

5. Please circle the most appropriate response to indicate your extent of agreement with the following statements:

Disagree strongly	Disagree somewhat	Neutral	Agree somewhat	Agree strongly
1	2	3	4	5

From time to time, I seek advice from others about hiring or managing employees	1	2	3	4	5
I have discussed my employee-related problems with others in the past	1	2	3	4	5
I get help from family members when making hiring decisions	1	2	3	4	5

6. Employee relationships: To what extent have you made the following commitment or obligation to your employees? Please circle the number that best expresses your thoughts and feelings about each statement:

Not at all	Slightly	Somewhat	Moderately	To a great extent
1	2	3	4	5

Concern for their long-term well-being.	1	2	3	4	5
Support them to attain the highest possible levels of performance.	1	2	3	4	5
Limited involvement in the business.	1	2	3	4	5
Sacrifice of short-term business interests for the employees' interests.	1	2	3	4	5
Short-term employment.	1	2	3	4	5
Opportunities for promotion.	1	2	3	4	5
Steady employment.	1	2	3	4	5
Requirement to do only limited duties they were hired to perform.	1	2	3	4	5
Help them to respond to ever increasing industry standards.	1	2	3	4	5
Decisions made with their interests in mind.	1	2	3	4	5
A job limited to specific well-defined responsibilities.	1	2	3	4	5
Contacts that create employment opportunities elsewhere	1	2	3	4	5
Secure employment.	1	2	3	4	5
Employment for a specific or limited time.	1	2	3	4	5
Wages and benefits they can count on.	1	2	3	4	5
Training only for their current job.	1	2	3	4	5
Stable benefits to employees' families.	1	2	3	4	5
No commitment to retain them in the future.	1	2	3	4	5
Concern for their personal welfare.	1	2	3	4	5
Pay only for the specific duties they perform.	1	2	3	4	5
Responsiveness to employees' concerns and well-being	1	2	3	4	5
No promises to continue their employment.	1	2	3	4	5
Terminate their employment at any time.	1	2	3	4	5
Stable wages over time.	1	2	3	4	5

7. Here are a number of characteristics that may or may not apply to you. For example, do you agree that you are someone who likes to spend time with others? Please write down a number next to each statement to indicate the extent to which you agree or disagree with that statement.

"I see myself as someone who ..."

Disagree strongly	Disagree somewhat	Neither agree nor disagree	Agree somewhat	Agree strongly
1	2	3	4	5

1	is talkative		23	tends to be lazy	
2	tends to find fault with others		24	is emotionally stable, not easily upset	
3	does a thorough job		25	is inventive	
4	is depressed, blue		26	has an assertive personality	
5	is original, comes up with new ideas		27	can be cold and aloof	
6	is reserved		28	perseveres until the task is finished	
7	is helpful and unselfish with others		29	can be moody	
8	can be somewhat careless		30	values artistic, aesthetic	
9	is relaxed, handles stress well		31	is sometimes shy, inhibited	
10	is curious about many different things		32	is considerate and kind to almost everyone	
11	is full of energy		33	does things efficiently	
12	starts quarrels with others		34	remains calm in tense situations	
13	is a reliable worker		35	prefers work that is routine	
14	can be tense		36	is outgoing, sociable	
15	is ingenious, a deep thinker		37	is sometimes rude to others	
16	generates a lot of enthusiasm		38	makes plans and follows through with them	
17	has a forgiving nature		39	gets nervous easily	
18	tends to be disorganized		40	likes to reflect, play with ideas	
19	worries a lot		41	has a few artistic interests	
20	has an active imagination		42	likes to co-operate with others	
21	tends to be quiet		43	is easily distracted	
22	is generally trusting		44	is sophisticated in art, music or literature	

8. The following is a list of factors that some business owners believe to be important for their business. We are interested in how important they are to you as a business owner. Please circle the number in the appropriate box.

Factors	Extremely important	Quite important	Important	Slightly important	Not at all important
Amount of profits	1	2	3	4	5
Profit as a percentage of sales	1	2	3	4	5
Profit as a percentage of investment	1	2	3	4	5
Growth in sales	1	2	3	4	5
Growth in profits	1	2	3	4	5

How satisfied are you with the performance of your business in the following areas? Please check the appropriate box.

Factors	Extremely satisfied	Quite satisfied	Satisfied	Slightly satisfied	Not at all satisfied
Amount of profits	1	2	3	4	5
Profit as a percentage of sales	1	2	3	4	5
Profit as a percentage of investment	1	2	3	4	5
Growth in sales	1	2	3	4	5
Growth in profits	1	2	3	4	5

9. Please check the approximate amount of profits achieved in your last year of operations (i.e.: total revenues minus total expenses):

_____ Less than $20,000
_____ $20,000 – 39,999
_____ $40,000 – 59,999
_____ $60,000 – 79,999
_____ $80,000 or more

10. Family involvement:

How many family members work in the business? _____

Percentage of the business owned by your family members, other than yourself? _____

How likely is it that the next generation will take over the business when you retire? Please circle the most appropriate response.

Not at all likely	Slightly likely	Somewhat likely	Very likely
1	2	3	4

11. Demographics: Please circle the appropriate answer

Age of business owner:

Under 30   30-39   40-49   50-59   >60 or over

Gender of business owner: Male   Female

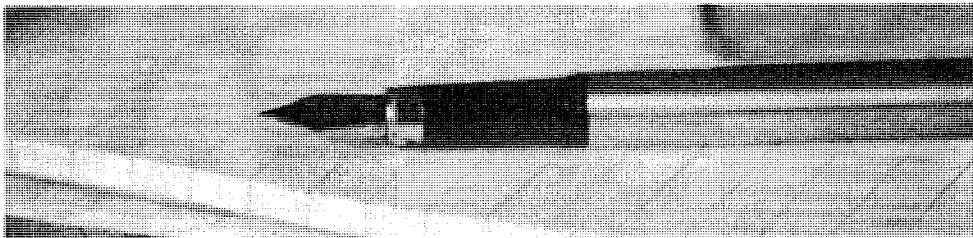**Education**: Do you have any formal business training?   Yes   No

     If yes, please state degree / certificate obtained: _____

THANK YOU VERY MUCH FOR YOUR HELP

Appendix B

Employee's Questionnaire

Questionnaires for Small Businesses

Employe

Dear Participant,

I am a Masters candidate in Management at the John Molson School of Business at Concordia University, in Montreal. I am carrying out research into employment in small firms. I would be grateful if you would help me in my research by filling out the following questionnaire, which should take you approximately 15 minutes.

The focus of this survey is on your role as an employee and your relationship with your employer. Please feel free to express yourself as frankly and honestly as possible without consulting anyone, as I want to know what you personally think. There are no "trick" questions and all the questions in this survey come from well-validated and popular measures in the area of management. Please answer all the questions as this will produce more accurate results. As this research is **anonymous** you are not required to give your name or any other particulars that will reveal your identity. I assure you that your responses will be held in the strictest confidence and will not be revealed to your employer or any other party.

Finally, I would like to remind you that if for any reason you do not wish to participate in this study you should feel free to decline. If at any time you have questions about your rights as a research participant, please contact: Adela Reid, Research Ethics and Compliance officer, Concordia University, (514) 848-2424 ext. 7481.

> **Commentaire [LD1] :** This may be perceived as decreasing anonymity

> **Commentaire [LD2] :** Put this on a single line as ordinary text.

For any other inquiry, my supervisor's name and telephone number are provided below.

Thank you for your participation in my study.

Sincerely,

Barbara Reda
Telephone:
Email:

> **Commentaire [LD3] :** Add a telephone number where you can be reached as well

Thesis Supervisor: Dr. Linda Dyer
Telephone: (514) 848-2424 ext. 2936

1. Using the scale below, please indicate the extent to which you agree or disagree with the following statements, by circling the response.

Do not agree	Slightly agree	Somewhat agree	Moderately agree	Strongly agree
1	2	3	4	5

I would be very happy to spend the rest of my career in this organization.	1	2	3	4	5
I really feel like this organization's problems are my own.	1	2	3	4	5
I do not feel a strong sense of belonging to my organization.	1	2	3	4	5
I owe a great deal to my organization.	1	2	3	4	5
I would not leave my organization right now, because I have a sense of obligation to the people in it.	1	2	3	4	5
This organization deserves my loyalty.	1	2	3	4	5
I would feel guilty if I left my organization right now.	1	2	3	4	5
I do not feel any obligation to remain with my current employer.	1	2	3	4	5
This organization has a great deal of personal meaning to me.	1	2	3	4	5
I do not feel "like part of the family" at my organization.	1	2	3	4	5
I do not feel "emotionally attached" to this organization.	1	2	3	4	5
Even if it were to my advantage, I do not feel it would be right to leave my organization.	1	2	3	4	5

2. To what extent has **your employer** made the following commitment or obligation to you? Please circle the most appropriate answer based on the scale provided below.

Not at all	Slightly	Somewhat	Moderately	To a great extent
1	2	3	4	5

Concern for my long-term well-being	1	2	3	4	5
Support me to attain the highest possible levels of performance.	1	2	3	4	5
Limited involvement in the organization	1	2	3	4	5
Advancement within the business.	1	2	3	4	5
Short-term employment.	1	2	3	4	5
Opportunities for promotion.	1	2	3	4	5
Steady employment.	1	2	3	4	5
Require me to perform only a limited set of duties.	1	2	3	4	5
Help me to respond to ever-greater industry standards.	1	2	3	4	5
Make decisions with my interests in mind.	1	2	3	4	5
A job limited to specific, well-defined responsibilities.	1	2	3	4	5
Contacts that create employment opportunities elsewhere.	1	2	3	4	5
Secure employment	1	2	3	4	5
A job only as long as the employer needs me.	1	2	3	5	5
Wages and benefits I can count on.	1	2	3	4	5
Training me only for my current job.	1	2	3	4	5
Stable benefits for employees' families.	1	2	3	4	5
Makes no commitment to retain me in the future.	1	2	3	4	5
Concern for my personal welfare.	1	2	3	4	5
Stability within this business.	1	2	3	4	5
Be responsive to my personal concerns and well-being.	1	2	3	4	5
Developmental opportunities with this business.	1	2	3	4	5
A job for a short time only.	1	2	3	4	5
Opportunity for career development within this business.	1	2	3	4	5

3. Please indicate to what extent you agree with the following statements.

Do not agree	Slightly agree	Somewhat agree	Moderately agree	Strongly agree
1	2	3	4	5

1	Almost all the promises made by my employer during the recruitment process have been kept so far.	1	2	3	4	5
2	I feel that my employer has come through in fulfilling the promises made to me when I was hired.	1	2	3	4	5
3	So far my employer has done an excellent job in fulfilling its promises to me.	1	2	3	4	5
4	I have not received anything promised to me in exchange for my contributions.	1	2	3	4	5
5	My employer has broken many of its promises to me even though I have upheld my side of the deal.	1	2	3	4	5

4. Please indicate which methods were used for your present job application process (check as many as applicable).

Went through an interview	
Sent in a resume	
Filled out a company application form	
Had to provide references	
Had to take tests (physical, psychological, medical)	
Was asked to do the job on a trial basis which lead to a job offer	
Owners just asked me if I wanted the job based on my existing relationship with them	
Was asked to provide answers to job related scenarios provided by the owners	

5. Where did you hear about the job you applied for?

From people outside the firm	
From people already working in the firm	
From newspaper advertisements	
From schools or universities	
From recruitment firms	
I was already working there	
From job listings supported by the government agencies	
Personal relationship with the owner(s)	

6. Using the scale below, please indicate the extent to which you agree or disagree with the following statements, by circling the response.

Do not agree	Slightly agree	Somewhat agree	Moderately agree	Strongly agree
1	2	3	4	5

The process I went through for this job was formal	1	2	3	4	5
During the interview process, there was small talk not related to the job.	1	2	3	4	5

The following questions will be used for categorization purposes only:

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7. How long have you worked for the firm: _____ years _____ months

8. Gender: male   female

9. Please circle the age group you belong to:

less than 19   19-29   30-39   40-49   50-59   over 60

10. Please indicate the highest education obtained:

       High School: _____

       College: _____

       Undergraduate: _____

       Graduate: _____

Thank you very much