

THE IMPACT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE CASE STUDY: MANUFACTURING ENTERPRISES IN KOSOVO

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Abstract. The purpose of this study is to examine the impact of human resource management practices on organizational performance. In this study a total of 100 managers of manufacturing firms in Kosovo from public and private sectors have responded to the survey. The survey questionnaire had contained 39 items covering selected HRM practices and organizational performance. Our empirical results show that managers of manufacturing firms in Kosovo recognize the importance of employees in their organization and apply practices to manage them effectively. The outcome of correlation analysis provides evidence that HRM practices positively and significantly influence organizational performance. Recruitment and selection practices show the strongest positive association with organizational performance ($\rho = 0.905$) compared to other practices. Regarding to our findings we suggest that with a good recruiting and selection, the organization will fill with a group of potentially qualified candidates. Also, companies should continuously train and develop and involve their employees as they are viewed as the most important resources source of competitive advantage.

Keywords: human resources management practices, organizational performance, recruitment, training, reward, participation, Kosovo.

JEL Classification: M10, M12, M52.

Introduction

The major tool to enhance performance have been considered the HRM practices. This paper provides information about the HRM practices and their impact on performance of manufacturing enterprises in Kosovo. Many manufacturing enterprises in our country operates in market without any HRM practices, very few of them gives HRM practices their importance. To see how much, they use those practices/how they manage their employees, and their relationship with performance of enterprises we have considered 100 owners/managers from this sector.

Even though some initial results indicate that some human resources practices can have significant positive relationship with organizational performance, most savant recommend that further empirical work is required (Cardon & Stevens, 2004; Givord & Maurin, 2004; Brewster, 2004).

To elaborate HRM practices we have chosen five of these practices to analyze: recruitment and selection, training and development, flexible reward, participation

of employ and work condition and we hypostatized that they have a positive relationship with the organizational performance. These practices capitalize on the strength of the human capital for sustained competitive advantage (Jackson & Schuler, 2000).

Also, Kutllovci (2004) pointed that “...critical to the success of an organization have always been human resources and their importance has been always grown”.

1. Literature review

The performance of an enterprise heavy depends on finding the right people to work for them, to guide the selected employee and to ensure their needs.

Recruitment and Selection: Two phases of the employment process are recruitment and selection but there is a difference between them. Oaya, Ogbu, and Remilekun (2017) cited that the recruitment is process of searching the candidates to fill vacant jobs and stimulating them to apply for jobs in the organization while the selection involves the series of steps by which the candidates are

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screened in order to choose the most suitable persons for vacant positions.

The purpose of the recruitment in an organization is to find potentially qualified job seeker, who will be able to perform job duties. On the other hand, selection is the process of selecting the most appropriate applicant from the group of recruited applicants to complete the job concerned (Opatha, 2010).

Training and development: Training is seen as a systematic approach to learning and development that improves the individual, group and organization (Goldstein & Ford, 2002; Jehanzeb & Bashir 2013).

Training also has impact on the return on investment since the organizational performance depends on employee performance because human resource capital of organization plays an important role in the growth and development of such organization (Keny & Nnamdi, 2019).

Flexible reward: The reward system purpose is to pull talented candidates, to get them to be more effective at work, to motivate and keep those that have a superior fit with the enterprise. As mention by Rotea, Logofatu, and Ploscaru (2018) individual and collective reward and productivity of employees are the central drivers of the activity in any type of organization. Danish and Usman (2010) stated that the reward system serves as a factor in maintaining self-esteem and the passion of employees. Therefore, every organization should take care at the offering of bonuses in manner to control the level of employee self-satisfaction in sustaining the performance.

Employee involvement: It is argued that participatory decision making is a vital element to improve the work satisfaction of an organization (Kim, 2002; Han, H. H. Chiang, & A. Chang, 2010).

Employees believe that they have a value in their organization because of their involvement. Likewise, a study by Meyer, Becker, and Vandenberghe (2004) found that inclusion in goals increases employee motivation.

Work conditions: Working conditions are created by employee interaction with their organizational climate and include psychological and physical working conditions (Gerber et al., 1998).

Noble (2009) emphasizes that more attention needs to be paid to the identification and treatment of working conditions, because when an employee has a negative

perception on their environment they may suffer from chronic stress.

HRM Practices and Organizational Performance: Organizational performance means increasing the sales, financial growth, market share and overall growth of an organization.

Huselid (1995) emphasized that by adopting best practices in selection, the introduction of best skills will be driven by adding value to the organization’s skills inventory.

In general, HRM practices have been useful to increase the skills, faithfulness of employees, with the purpose of having better organizational performance.

Figure 1 shows the relationship between independent variable (HRM practices) and their effect in dependent variables (organizational performance). We have developed five hypotheses from H1 to H5 to see this relationship.

2. Methodology

To investigate the relationship between these two variables we have collected data by using questionnaire. Owners/managers of manufacturing enterprises was contacted to fulfill the questionnaire. We have explained the importance of the study in of them, and we guaranteed that all the data they provide will remain confidential.

Table 1. Registered enterprises in Kosovo based on number of employees – 2010 (source: SME Development Strategy for Kosovo 2012–2016) SME’s support Agency 2011

Classification by size	Number of employees	Number of enterprises	Percentage of Total %
Micro	1–9	102.070	98.37
Small	10–49	1.406	1.35%
Medium	50–249	221	0.22%
Large	Over 250	58	0.06%
Total		103.755	100

The table above (Table 1) shows that 98.37% of enterprises in Kosovo are micro-enterprises, 1.35% are small enterprises, 0.22% are medium-sized enterprises, while the large enterprises are 0.06%.

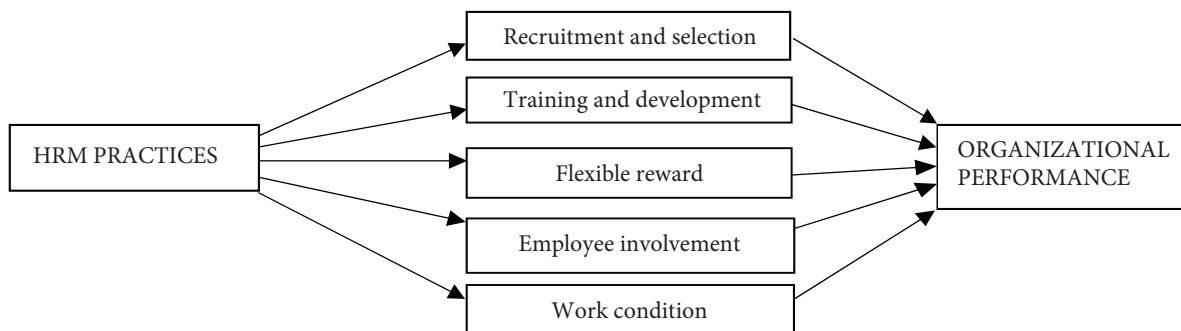


Figure 1. Research framework (source: authors)

According to the statistical yearbook of Kosovo TM1, 2019, the number of active manufacturing enterprises in Kosovo is 277.

Knowing that the population size of this study was 277 enterprises, based at the 95% confidence level and error margin 5%, the sample size has resulted in 161 enterprises.

Out of a total of 161 enterprises involved, surveys were conducted in 100 of them, which means that the overall rate of return resulted 66.22%, as 10 of them interrupted the completion of the questionnaire while 51 of them were inaccessible. Data were collected through structured questionnaires. Based on Polkinghorne (2005) suggestion that the experienced participants should be chosen rather than randomly selected, we decided to have face-to-face meetings with people who have direct access to the level of human resource management who were well informed about the HRM process in general and about HRM practices in particular.

2.1. Measures of HR practices

Human resource management was measured through 30 items. Thirty items were used to measure the human resource management practices. All those items were drawn from Guest et al. (2003) and Triguero et al. (2012). The 5-point Likert Scales options were used to answer these questions: Recruitment and selection: a) Our company has processes of recruitment and selection that can fill up all available vacancies, b) Your recruitment process generate good qualified applicants as you need?, c) As part of the selection process, applicants are informed about the negative aspects of the job, d) in our company we have developed systems to select personnel (in addition to interviews and / or curriculum analysis), e) Our company has processes of recruitment and selection that can fill up all available vacancies. Training and development: a) Our firm offers training for those considered to be "key positions", b) All employees receive training for their jobs (without any legal requirement), c) When employees receive training, their performance improves, d) When employees receive training, it is often relevant for their future / career in the company. Flexible reward: a) Employees are remunerated according to their individual performance, b) Employees are remunerated according to their group performance, c) employees have the right to receive monetary incentives, d) Employees have the right to receive other types of incentives such as profit-sharing, bonuses, recognition. Employee involvement: a) The firm provides its employees with regular information about business operations and business behavior, b) employees are consulted to know their views and opinions, the firm provides c) employees with information about the business plan on a regular basis. Work conditions: a) The organization gives employees the opportunity to engage in problem-solving situations, b) The organization has a strong presence of quality circles, d) The organization facilitates the involvement of its employees in improving teamwork, e) Employees feel committed when assured the quality of their work.

2.2. Measures of organizational performance

Organizational performance was measured through a total 9 items. One of the most commonly used metrics for measuring enterprise performance is that developed by Delaney and Huselid (1996) which includes: marketing, sales growth, profitability and market participation. Further this scale has been adapted and enriched by other authors such as Vickery et al. (1999), Stock, Greis, and Kasarda (2000) and Li et al. (2006) adding other units such as return on investment (ROI), increased return on investment, increased market share and overall competitive position.

Consequently, in order to measure performance over the last three years, Delaney and Huselid (1996) metrics have been adapted, for marketing, sales growth, profitability and market participation. Three measurement units have been adopted by Vickery et al. (1999), Stock et al. (2000) and Li et al. (2006): return on investment (ROI), increased market share and overall competitive position. These questions measure the performance level of the enterprise with a five-point Likert scale. Respondents were asked: How do you compare your performance over the last three years with your competitors, with answer alternatives 1 = significant decline, 2 = decline, 3 = same as before, 4 = growth, 5 = significant growth.

2.3. Data analysis

The data gathered was analyzed using the statistical analysis software. The Statistical Package for Social Sciences (SPSS) version 25. Correlation technique was used to analyze the data and to test the relationship between HRM practices and organizational performance.

In this study we explore the following hypotheses:

1. Recruitment and selection have a significant relationship with organizational performance.
2. Training and development have a significant relationship with organizational performance.
3. Flexible reward has a significant relationship with organizational performance.
4. Participation has a significant relationship with organizational performance.
5. Work conditions has a significant relationship with organizational performance.

3. Demographic analysis

These manufacturing businesses were being managed by 74 males and 24 females, two of them did not want to respond in this question (Figure 2). Their age ranged between 18 and 65 years old. 55 respondents, or 55% were at the age of 26–35, 46–55 years old were 31 respondents and 55–65 years old were about 5 respondents. With lower education there were 8 respondents, with secondary education 23 respondents, while with higher education 43, with master 22 and 4 of the managers were with a doctorate.

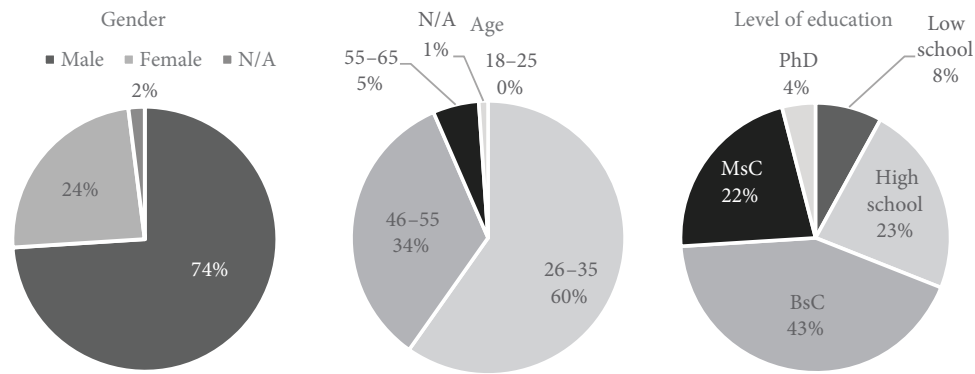


Figure 2. Demographic data (source: authors)

Based on our results, there are very often 7 respondents attending trainings, often attending 23 of them, sometimes 44 respondents, while rarely 23 and 3 of them do not attend training sessions.

Also, the results showed that 15 of the surveyed respondents were owners of these businesses, 26 of them were owners and managers, while 24 respondents were senior executives, 17 middle managers and 18 of them were human resource managers.

4. Results

Table 2. Mean, Std. deviation and reliability statistics (source: authors)

HRM practices	Mean	Std. Deviation	Cronbach's Alpha	N of Items
Recruitment and selection	4.67	0.46	0.682	6
Training and development	4.71	0.48	0.649	6
Flexible reward	4.64	0.50	0.650	6
Employee participation	4.61	0.52	0.634	6
Work conditions	4.60	0.52	0.649	6
Organizational performance	4.61	0.47	0.782	9
Average			0.674	

From the table above (Table 2) we see the values of Mean and St. Deviation values, standard deviation is a number used to tell how measurements for a group are spread out from the average (mean) or expected value. A low standard deviation means that most of the numbers are close to the average. A high standard deviation means that the numbers are more spread out.

Also values of Cronbach Alpha are presented in this table for each of the practices included in the study as well as the organizational performance. Items have relatively good internal consistency.

H1. Recruitment and selection have significant relationship with organizational performance

To prove the hypothesis above, we used the correlation method, Spearman's correlation. From the results on table 3. of correlations of recruitment and selection with organizational performance we see that there is a high correlation between recruitment and performance ($\rho = .905^{**}$, $p = .000 < .01$).

Based on that, we can conclude that recruitment and selection have a statistically significant relationship with the organization's performance, which is as attentive and professional as possible when selecting employees, the more it will have effects on the organization's performance.

Table 3. Correlations of recruitment and selection with organizational performance (source: developed by the authors)

			Recruitment and selection	Organizational performance
Spearman's rho	Recruitment and selection	Correlation Coefficient	1.000	.905**
		Sig. (2-tailed)	.	.000
		N	100	100
	Organizational performance	Correlation Coefficient	.905**	1.000
		Sig. (2-tailed)	.000	.
		N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

H2. Training and development have significant relationship with organizational performance.

To prove the hypothesis above, we used the correlation method, Spearman's correlation. From the results on Table 4. we see that there is a high correlation between training and performance ($\rho = .845^{**}$, $p = .000 < .01$).

Based on that, we can conclude that training has a statistically significant relation to the organization's performance, so training and development is a very important factor that affects the organization's performance (Figure 3). This result is reasonable in that people get better with training and additional skills.

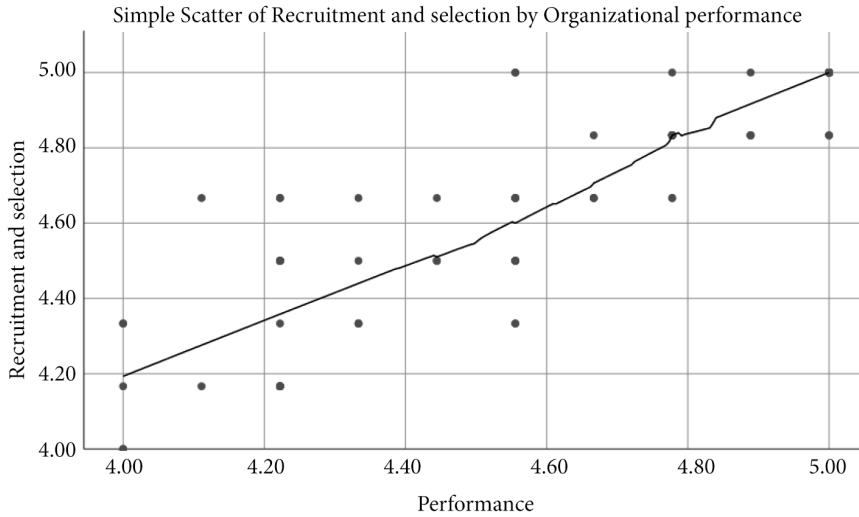


Figure 3. The correlation chart between recruitment and organization performance (source: developed by the authors)

Table 4. Correlations of training and development with organizational performance (source: developed by the authors)

			Training and development	Organizational performance
Spearman's rho	Training and development	Correlation Coefficient	1.000	.845**
		Sig. (2-tailed)	.	.000
		N	100	100
	Organizational performance	Correlation Coefficient	.845**	1.000
		Sig. (2-tailed)	.000	.
		N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

H3. Flexible reward has significant relationship with organizational performance.

To prove the hypothesis above, we used the correlation method, Spearman's correlation. From the results on

Table 5. we see that there is a high correlation between flexibility and performance (rho = .824 **, p = .000 <.01).

Table 5. Correlations of flexible reward with organizational performance (source: developed by the authors)

			Flexible reward	Organizational performance
Spearman's rho	Flexible reward	Correlation Coefficient	1.000	.824**
		Sig. (2-tailed)	.	.000
		N	100	100
	Organizational performance	Correlation Coefficient	.824**	1.000
		Sig. (2-tailed)	.000	.
		N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Based on that we can conclude that flexibility at work has a statistically significant relation to the organization's

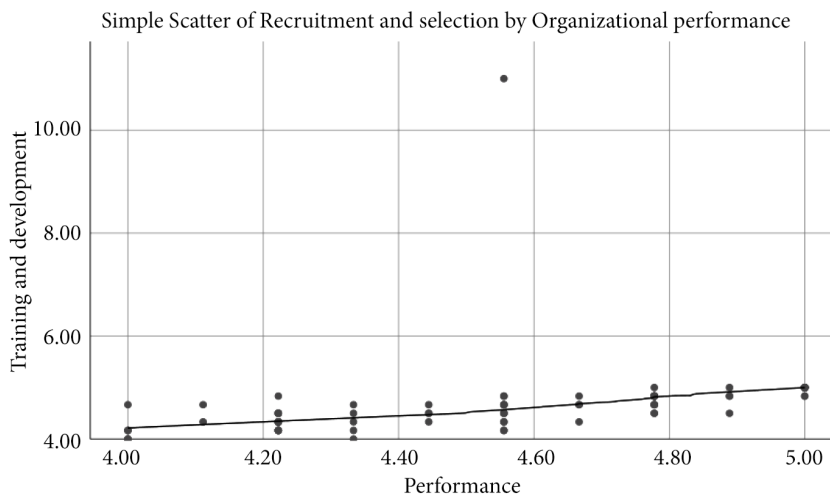


Figure 4. Correlation chart between training and organizational performance (source: developed by the authors)

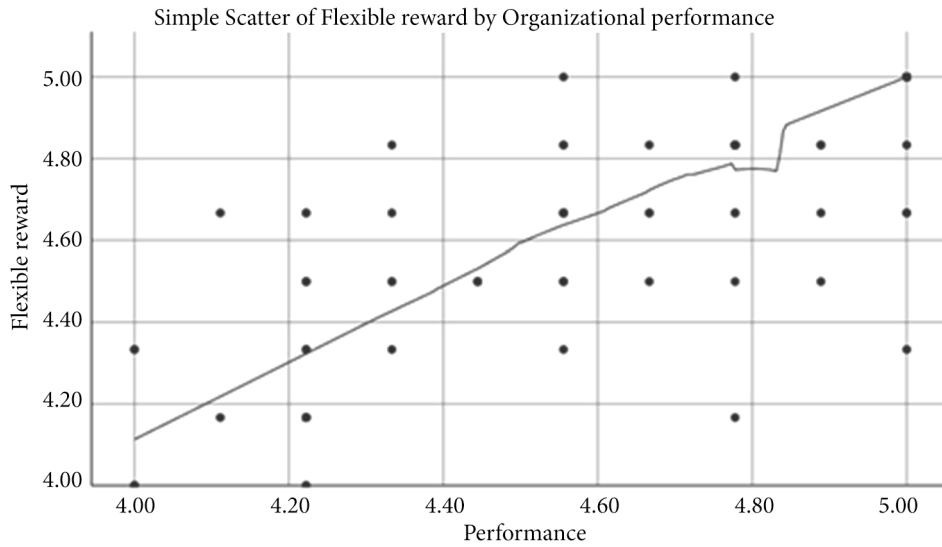


Figure 5. The correlation chart between flexible rewards and organizational performance (source: developed by the authors)

performance, so it is a very important factor that affects the organization’s performance (Figure 4, 5).

H4. Participation has significant relationship with organizational performance.

To prove the hypothesis above, we used the correlation method, Spearman’s correlation. From the results on Table 6 we see that there is a high correlation between participation and performance ($\rho = .785^{**}$, $p = .000 < .01$).

Based on that, we say that employee participation of employees has a statistically significant relationship with the organization’s performance.

H5: Work conditions has significant relationship with organizational performance.

To prove the hypothesis above, we used the correlation method, Spearman’s correlation. From the results on

Table 6. Correlations of employee’s participation with organizational performance (source: developed by the authors)

		Participation	Organizational performance	
Spearman’s rho	Participation	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.000	
		N	100	
	Organizational performance	Correlation Coefficient	.785**	1.000
		Sig. (2-tailed)	.000	.000
		N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

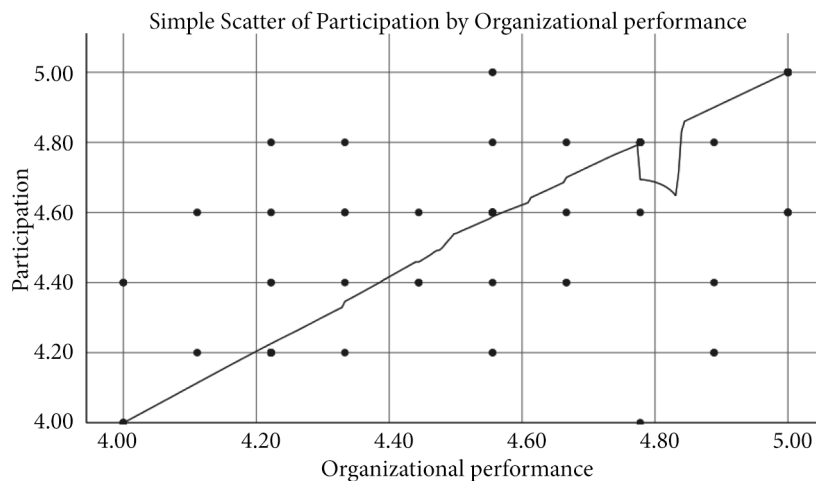


Figure 6. The correlation chart between employee’s participation and organizational performance (source: developed by the authors)

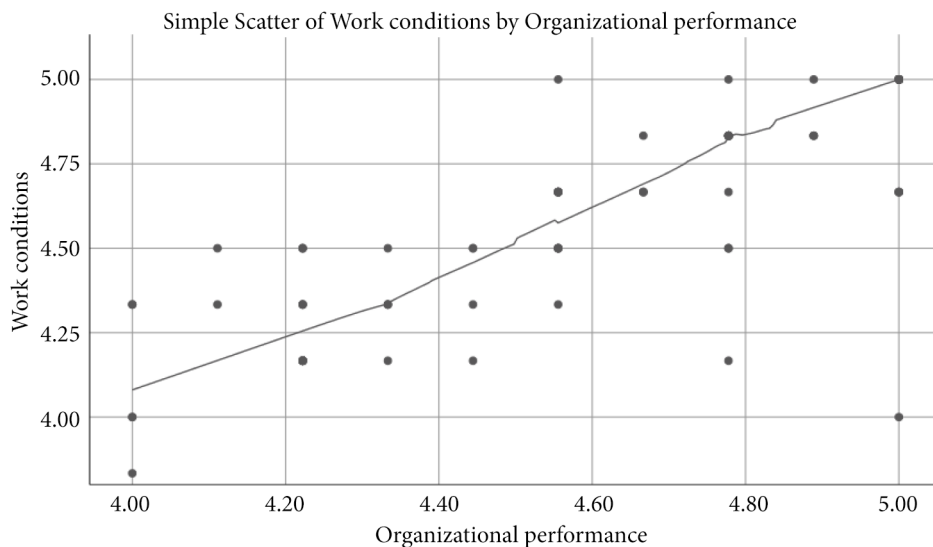


Figure 7. The correlation chart between the working conditions and organizational performance (source: developed by the authors)

table 7, we see that there is a high correlation between working conditions and work performance ($\rho = .835^{**}$, $p = .000 < .01$).

Table 7. Correlations of work conditions with organizational performance (source: developed by the authors)

			Work conditions	Organizational performance
Spearman's rho	Work conditions	Correlation Coefficient	1.000	.835**
		Sig. (2-tailed)	.	.000
		N	100	100
	Organizational performance	Correlation Coefficient	.835**	1.000
		Sig. (2-tailed)	.000	.
		N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Based on that, we say that working conditions have a statistically significant relation to the organization's performance, so working conditions are a very important factor that affects the performance of the organization (Figure 6, 7).

Discussion and conclusions

By knowing that the most valuable assets in an enterprise are employees, this paper presents the condition of Kosovo's manufacturing enterprises in terms how they manage their employees by using specific practices.

From our results we can see that the managers of those 100 enterprises in Kosovo recognize the importance of

having qualified employees and they use HRM practices to make them feel equal and motivated for work.

Interpretation of the correlation analysis shows that each of the selected practices for the study has a significant relationship with performance.

Based on the results of our research we suggests that HR practices should be implemented with the intent of maximizing employee's results that in turn will enhance the organizational performance through transparent recruitment & Selection, Training & Development opportunities for employees, performance based reward of competent employees, participation of employees on the strategic objectives and decision making process and work conditions which will help the employees to feel secure and motivated to work.

Also, previous empirical studies have indicated that there is an increasing link of between HRM practices and performance. This study matches with Wright et al. (2005) who emphasize that HRM practices are strongly related to the firm's performance.

Of course, this study has its limitation, first this study is depended on cross sectional data which are generally limited by the virtue of being collected at one point in time and do not give sequence of events.

Secondly, due to the difficulty of collecting data, we did not consult the voices of employees who experience the HRM practices and are so intimately involved in translating practices into performance. Future research on manufacturing firms in Kosovo should not only consult the implementers of policies, but it should also consider the voices of employees.

In this study only quantitative methods have been used in empirical research, while according to Creswell and Clark (2007) the mixed method provides a better understanding of research problems than a single method.

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