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THE IMPORTANCE OF HR TO A COMPANY'S SUCCESS

STUDY CASE: SMES IN KOSOVO

L'IMPORTANZA DELLE RU PER IL SUCCESSO DI UN'AZIENDA

CASO DI STUDIO: PMI IN KOSOVO

RELATORE:

STEFANO STAFFOLANI

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ELITA AHMETI

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Astratto

Negli ultimi 20 anni, il settore delle PMI del Kosovo è cresciuto in modo significativo. Tuttavia, molte PMI in Kosovo non hanno la creazione e lo sviluppo di un dipartimento delle risorse umane nei loro piani strategici. Si pensa che ciò sia dovuto alla mancanza di comprensione da parte dei proprietari/leader della funzione critica che questo campo svolge per il successo dell'azienda. Essendo uno dei più importanti contributori allo sviluppo economico, le PMI devono riconoscere che le pratiche relative alle risorse umane sono uno dei pilastri più importanti per il successo dell'impresa.

Ecco perché ho scelto di concentrarmi sul ruolo e l'influenza delle pratiche delle risorse umane sulle piccole imprese del Kosovo. Lo studio si concentrerà sulla determinazione se le piccole imprese implementano o meno le procedure HR, identificando queste pratiche, qual è la loro opinione su questo argomento e quali ragioni influenzano la loro decisione su questo aspetto.

Parole chiave: Risorse Umane, PMI, Dipartimento Risorse Umane, Efficacia, Performance, Reclutamento, Supervisore, Formazione, Competenza.

Abstract

Over the past 20 years, the SME sector in Kosovo has experienced huge expansion. However, Kosovo's SMEs rarely incorporate the creation and expansion of a human resources department in their strategic plans. This is thought to be a result of the owners and management not understanding how important this industry is to the company's development. Because they are one of the most important contributors to economic development, SMEs must recognize that human resource management strategies are one of the most important pillars for the success of the business.

That is why I chose to focus on the role and influence of HR practices on Kosovo's small businesses. The study will focus on determining whether or not small businesses implement HR procedures, identifying these practices, what is their opinion on this topic, and which reasons affect their decision on this aspect.

Keywords: Human Resources, SMEs, HR Department, Effectiveness, Performance, Recruitment, Supervisor, Training, Expertise.

List of Terminology

HR – Human Resources

HRM – Human Resources Management

HRD – Human Resources Development

SMEs – Small and Medium Enterprises

EU – European Union

EC – European Commission

ARBK - Registration Agency of Kosovo's Businesses

ATK - Tax Administration of Kosovo

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1. Introduction:

1.1 Problem definition

Only a small number of SMEs in Kosovo are seen to value the implementation of HR practices, and the number of SMEs with an HR department within their firm is even lower.

The reasons why those SMEs have chosen to leave the HR department out of their strategic planning might vary. However, just because these businesses don't have an HR department doesn't imply they don't follow any HR practices.

It is self-evident that every company, whether or not it has an HR Department, must employ key HR practices such as staff recruitment, management of salaries/wages lists, checking the presence and absence of employees, and organizing and scheduling employee vocations in order to operate and achieve their objectives.

SMEs operating in Kosovo should be aware that, in addition to the aforementioned HR practices, a number of others are crucial to the growth of human capital and, consequently, to the success of the business. Examples of these practices include identifying staff needs, evaluating their performance, and the requirement to train and motivate them.

1.2 The purpose of the research

The purpose of this research is to determine what factors influence the decision of the SMEs in Kosovo to have/not have an HR department, as well as what HR practices they employ. Based on the survey's findings, I'll be capable of coming up with conclusions that will help me understand the current state of Kosovo's SMEs and, as a result, provide them with relevant and beneficial conclusions and ideas.

1.3 Research Questions

1. Which are the factor that affects the decision of the company to have/not have an HR department?
2. What are the benefits of having the HR department in the organization of the company?
3. How does the lack of an HR department affect employee turnover?

1.4 Hypothesis

1. Companies with a higher number of employees have the HR department in the organization of the company.
2. The longer the period of operation in the market, the higher the possibility of having an HR department in the company's organization.
3. Insufficiency of monetary funds affects the decision of SMEs in Kosovo to not have an HR department in their companies.
4. Considering the HR department as unimportant is a reason why SMEs in Kosovo decide to not have an HR department.
5. The lower staff in their companies affect the decision of SMEs in Kosovo to not have an HR department.
6. Being new in the market affects the decision of SMEs in Kosovo to not have an HR department.

2.Literature Review

2.1 Introduction of organizations

The most important aspect of an organization is that it is more than a structure or a set of rules; it is a social entity made up of individuals who plan and coordinate their activities in order to achieve specific goals in a given environment. (Daft, 2004)

Organizations have a variety of effects on our daily life. Their main contributions are the efficient use of resources to produce desired outcomes, which can be goods or services, the use of the most up-to-date manufacturing methods and technologies, the ability to adapt to a diverse environment and meet all of its challenges, and bringing value to the company's owner, customers, and employees. (Daft, 2004). The majority of the time, organizations produce goods or services because they can generate greater value than individuals working alone. (Gareth Jones, 6th Edt.).

Every company, according to Henry Mintzberg, has five components: technical core, technical support, administrative support, middle management, and top management.

People who participate in the transition of inputs to outputs make up the Technical Core.

Technical support is made up of people whose job is to understand the current environment (its opportunities and threats) and then find new ways to adapt to it. Engineers and researchers, for example, are members of this group.

Administrative support's job is to keep the organization moving forward. For example, human resources activities (staff recruiting, evaluation, training, and motivation), as well as physical things like building maintenance, are included in this category.

The responsibility for the organization's direction falls to the management. For the organization's well-being, top management must create plans, goals, and policies, while middle management is in charge of implementation and departmental collaboration.

Even so, in the day-to-day operations of an organization, this differentiation of activities is not necessary. Managers, for example, can handle administrative and technical assistance in addition to their primary responsibilities. (Daft, 2004). The organization's design must consider strategy, size, life cycle, and environmental contingencies. Organizational effectiveness will result from having the correct fit, whereas a bad fit will result in the organization's decline. (Daft, 8th Edt.)

2.1.1. Division of Labor

There are fewer challenges with activity coordination in a simple organization because only a few people normally do all of the organizational tasks. As a result of the low

division of labor, differentiation is minimal in this scenario. (Gareth Jones, 6th Edt.). Limited division of labor and low differentiation can lead to a variety of issues. To begin with, when there isn't someone whose primary responsibility is HR, other employees of the company, such as managers or even the owner, are obliged to take on these responsibilities and, as a result, have less time to focus on their main operations, which can include accounting, marketing, and sales, among other important business activities. (Jackson, 13th ed., (Ghassemieh, Thach, Gilinsky, 2005). When a number of various duties arise within the firm, they assign these activities to employees who are also accountable for something else within the organization, making it unclear who is responsible for certain tasks and to whom the employees must report. (Gareth Jones, 6th Edt.). Second, the concept of diffusion of responsibility suggests that when the responsibility of intervention is distributed among a group of people, they are less likely to assist someone who is in need. (Darley & Latané, 1968). If HR activities are not controlled by specific people, I believe the same thing will happen. As a result, if a single individual is not assigned to a specific task, shared responsibility will arise, and none of them will be able to focus successfully on that task.

For the reasons mentioned above, Smith's analysis of the division of labor is considered to be a highly important component of the company's growth. Different people are involved in different aspects of the manufacturing process instead of one person

performing all the tasks required to manufacture an item, which is referred to as the division of labor or specialization. (Smith, 1776).

To summarize, someone is called specialized when he or she concentrates on the manufacture of a single item or performs a specific duty. Specialization is crucial because it boosts production by maximizing the use of resources like land, labor, and capital.

Managers must decide how to manage differentiation as the company grows in order to achieve its objectives. (Gareth Jones, 6th Edt.). Differentiation is the process of allocating people and other required resources to organizational activities in order for the organization to fulfill its objectives effectively. (J.R.Galbraith, Designing Complex Organizations). It is, in other words, the process of establishing specialization of labor division. As a result, in a complex organization, differentiation, and labor division are both high. (Gareth Jones, 6th Edt.).

If the firm decides to delegate HR tasks to an individual who is unqualified for them, it may be viewed as a reward for that employee because it will help his or her professional development. If proper training is provided, the employee will be able to successfully implement these HR activities. (Ghassemieh, Thach, Gilinsky, 2005). Employees who have taken on HR tasks but aren't specialists in the field may lack

specific knowledge and abilities, making it difficult for them to respond appropriately to various scenarios. (Ghassemieh, Thach, Gilinsky, 2005)

As a result, in the case of a company organization, the division of labor is essential since each employee will have specific responsibilities inside the company, and everyone will be aware of each other's contribution to the company's overall growth. Specialization contributes to the growth of people's abilities and knowledge, which is perceived as the most important source of an organization's core competencies. (Gareth Jones, 6th Edt.).

When someone has specialized expertise, they wish to specialize in that subject so that they can be compensated appropriately for it. As a result, allocating specific duties to employees in which they specialize will increase their motivation, which will, in turn, increase their productivity.

2.2 The concept of SMEs/their characteristics

Because of the favorable impact that SMEs have on job creation, poverty reduction, and, very importantly, GDP growth, they have become an integral part of any economic system. (Muller, Gagliardi, Caliendo, Bohn, Klitou, 2014). Small firms, according to Peter Drucker, have become a vital part of social-economic advancement because of

their huge contribution to the attainment of the essential goals of any national economy's development agenda. (Druker, 2009)

In the EU, small and medium-sized businesses make up 99 percent of all businesses (SMEs). Whether a company is a small or medium-sized business is determined by the number of employees, the amount of turnover, or the balance sheet total. The European Union defines businesses as SMEs if they have less than 250 employees and less than \$50 million in yearly revenue. The table above displays the limits of each factor for each category. (EU, 2003)

Table 1. Definition of SMEs

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: EU, 2003

According to 2012 data, SMEs account for about 99 percent of all enterprises in Kosovo. The table below shows that the situation is nearly identical in each of Kosovo's regions. Micro firms with one to nine employees account for 93 percent of all businesses. Small businesses (10-49 employees) come in second, accounting for about

6% of the total. Meanwhile, organizations with 50 to 249 employees, or so-called medium enterprises, account for roughly 1% of all registered businesses in Kosovo. Large enterprises with more than 250 people are uncommon in Kosovo, as they account for less than 1% of all businesses, just as they are in other European nations.

The central region of Kosovo has the highest population (497,907) as well as the highest number of businesses 19,659, followed by the south region with 387,828 inhabitants and 9,432 businesses. The east region has a population of 346,559 and 12,441 businesses, the West with a population of 314,894 inhabitants and 9,614 businesses, and the North has a population of 232,833 and 8,103 registered businesses. The data from the table below present the fact that the four regions of Kosovo (North, South, East, and West) have almost the same percentages of each different category of business. Comparing to these four regions, it is the central part of Kosovo that contains a smaller percentage of micro-companies and more small companies.

Table 2. Structure of Kosovo's businesses based on their size by regions (in %)

	Micro- enterprises (1-9)	Small enterprises (10-49)	Medium enterprises (50-249)	Large enterprises (250+)
Center	89.0%	9.8%	0.9%	0.2%
North	93.8%	5.8%	0.4%	0.0%
West	92.9%	6.7%	0.4%	0.1%
South	94.0%	5.5%	0.4%	0.0%
East	94.1%	5.5%	0.3%	0.1%

Source: ATK, 2012

Besides their size, SMEs differ from large firms based on the type of uncertainty they have. For example, large firms tend to have more “internal” uncertainty, while the small ones deal more with “external” uncertainty. “Internal” uncertainty is a characteristic of large companies in the sense that there is always the fear of an ineffective delivery of the decisions made at the top through the other ranks of the organization. Also, in the case of a large organization, not always all people that are engaged in its activity have the same interests and that is when the concept of opportunistic behavior arises. Opportunistic behavior is considered the act when partners are led by the desire to maximize their self-interests which differ from the others' interests by cheating, withholding information, being dishonest, etc. Meanwhile, in a small organization, this problem is not highlighted as the owner or manager is closer to its employees. Regarding the “external” uncertainty which

characterizes more SMEs, we can say that it is a result of not having the power and influence on the market. (Casson (1982), Westhead and Storey (1996))

2.3. People as a Strategic Resource

As shown in the equation below, the employee's positive performance is based on three variables:

$$\text{Ability} \times \text{Support} \times \text{Effort} = \text{Performance}$$

As a result, every manager should remember that, in addition to an employee's talent and effort, their performance is also dependent on the support that the staff receives. To motivate their employees, every manager should establish a supportive and encouraging environment. (John R. Schermerhorn - Valuing human capital through positive leadership)

According to several experts, firms must build a set of core competencies in order to attain their intended success. Many examples have shown that people might be the most important resource affecting a company's core competencies.

A resource can obtain a persistent competitive advantage if it meets specific characteristics. These are some of the criteria:

1. High-value resources are required. People contribute to a company's competitive advantage when they can cut costs while offering the customers something unique.
2. The resources need to be uncommon. A source of comparative advantage is someone who possesses superior knowledge, skills, and talents.
3. Resources ought to be difficult to copy. We can say with certainty that individuals lead to comparative advantage if other firms are unable to imitate the contributions and capabilities that an employee brings to their organization.
4. Organizing the resources is necessary. When a company can assign new assignments to a worker with the right talent, it gains a competitive advantage.

(Snell, Bohlander, 15th Edt)

As a result, we can conclude that employees bring significant benefits to their employers, enabling them to compete more successfully by gaining a competitive advantage over their competitors. Because they are all involved in HR tasks, every manager in a firm, such as the sales manager, accounting supervisor, head nurses, and so on, can be called an HR manager.

However, because they are not specialized HR managers, we cannot expect them to perform well in this role. That is why many companies choose a human resources

department staffed by industry experts. For a small business, however, this may not be the case. (Jackson, 13th ed.)

2.4. Human Resource Management

Human capital refers to all of the company's personnel, as well as their knowledge, skills, abilities, perspectives, emotions, and behaviors, all of which are translated into physical and intangible values.

The following are the main components of human capital:

1. Competencies: This includes an employee's professional talents as well as their ability to communicate effectively with others.
2. Relationships: This refers to economic collaboration (relationships with colleges, clients, partners, and other professionals), which results in new market value creation.
3. Values: This relates to both individual and group values that employees bring to the workplace. No one may be deemed human capital if the knowledge and values that he or she provides to the organization are insufficient to justify the company's investment in them. (Havolli, 2014)

Human Resources Management is the role within a corporation that deals with the recruitment and management of human capital by guiding them to effective and efficient use of human resources in order to achieve organizational goals. (Opatha,

HHDNP, 2010). As a result, Human Resource Management encompasses the entire process of attracting, hiring, training, and keeping well-selected staff to help the organization achieve its mission and objectives. (Schermerhorn 2001)

According to previous studies, intangible assets account for 85 percent of a company's total assets, with HR competencies accounting for 43 percent. That is why assessing the costs and benefits of HR functions is critical. (Weatherly 2003).

Human resource management is separated into two sections: administrative and strategic. The first comprises more tactical activities such as payroll, benefits, compensation, and hiring paperwork. The strategic element of HR, on the other hand, is concerned with actions that bring value to the firm, such as talent management. (Davidson 2003)

"Managing personnel, their knowledge, and competencies in such a way that the organization can establish a long-term competitive advantage are critical." Effective human resource management will increase the company's ability to attract and retain qualified and motivated personnel, as well as the numerous benefits that come with having adequate competent employees. Higher profitability, lower rotation, higher product quality, reduced manufacturing costs, and faster acceptance and

implementation of the organizational plan are just a few examples. (Pablos P. & Miltiadis D. (2008).

The percentage of workers who leave a company within a predetermined time frame, incurring additional expenditures for the business, is known as the turnover rate. Finding qualified candidates for available positions can take some time, and leaving positions unfilled for an excessively long period of time might damage the company's bottom line. As a result, businesses are constantly working to reduce high turnover rates. To limit staff turnover, which saves money, increases productivity, and enhances business morale, businesses typically provide flexible working hours, offer training opportunities, and promoting personnel. (Staffolani, 2020)

Human resources departments have the instruments to effectively engage people at their disposal. They may minimize turnover and boost productivity in this way, two characteristics of the business that, when integrated, can help your company maximize earnings. Properly functioning HR departments work to shape your staff into high-level performers who care about the company's success and work to help to reach its objectives and don't think about quitting. (Reynolds M.)

There are several reasons why performance evaluation is crucial. First, it provides the management with a better understanding of human resource activities including

transfers, promotions, and terminations. Furthermore, it provides information on the importance of training and development. Finally, they offer feedback to employees on their performance, which is commonly used to determine reward allocations, like merit pay incentives. (Stephen P. Robbins, Timothy A. Judge, 15th Edt.)

Even a highly skilled employee's contribution can be limited if he or she is unable to design and structure his or her responsibilities in the most effective manner for him or her. HRM techniques, on the other hand, allow employees to engage in task organization and, as a result, have a positive impact on their firm's performance. Job rotation, cross-functional teams, and quality circles are examples of strategies employed. (Bailey, 1993)

2.5 Human Resources in SMEs

The recruitment process, training and motivation programs, remuneration and benefits, and the development of the appropriate tools that add extra value to human assets are the most significant HR functions. (Ghassemieh, Thach, Gilinsky, 2005).

Recruitment is the legal process of identifying the most competent candidates for an open position, with the goal of benefiting both, the organization and the employee in the short and long term. As a result, throughout the recruitment process, the company

seeks to choose the best candidate from among all the potential candidates to fill the vacancy. (Costello, D. 2006).

Employer recruitment is only one aspect of human resource management. It covers topics including employee performance reviews, training, and orientation programs. To maintain employee motivation within the organization, all of these practices should be employed. (Havolli 2014). As a result, even after employing the employee, the company faces challenges in terms of training and motivation, as a well-trained and motivated employee is important in surviving and expanding in a competitive economy. (Hornsby and Kuratko 2003: 2). Training includes all actions that improve a worker's professional development and boost productivity. (Staffolani, 2020). Small businesses, in general, provide less workplace training than large corporations. Employee satisfaction and turnover are both improved when training is implemented in the workplace. (Devins and Johnson 2003). When an SME improves employee satisfaction, it reduces turnover, absence, and the cost of lost productivity. In this way, SMEs have a better chance of establishing a competitive advantage and surviving. (Porter 1990; Appelbaum and Kamal 2000).

Apart from on-the-job training, employee autonomy, strong relationships, and trust among coworkers, as well as the organization's overall atmosphere, all contribute to

employee motivation. (Kamal and Appelbaum, 2000). As a result, SMEs should concentrate on strengthening these aspects of their businesses in order to boost employee enthusiasm. (Ghassemieh, Thach, Gilinsky, 2005).

SME owners and managers are focused on the compensation and benefits of their employees after they have been hired and trained. Hornsby and Kuratko (Hornsby and Kuratko, 2003). Year-end bonuses, profit-sharing schemes, stock options, and "gainsharing" are all used by many SMEs as part of their incentive strategy. (Welbourne et al. 1995; Graham and Welbourne 1999; Shutan 2003; Arbaugh et al. 2004; Welbourne et al. 1995; Graham and Welbourne 1999; Shutan 2003; Arbaugh et al. 2004)

Even highly talented workers will be limited in their effectiveness if they are not motivated to perform. Appropriate HRM policies, on the other hand, can positively impact employee motivation, causing them to work harder on their assigned responsibilities. Incentive compensation systems, internal promotions, and incentives that attempt to connect the interests of employees and shareholders to the highest merit employees based on their continuous evaluation are some of the tactics used to enhance employee motivation. (Mark A. Huselid, 1995)

In SMEs, establishing a strategic HR function is critical to maintaining a competitive advantage (Augustine and Wilson 1994; Huselid 1995; Klass et al. 2002). If SMEs wish to create an efficient HR management system, they must first determine what their business will require in the future and how to integrate HR practices successfully into their corporate structure. (Ulrich 1997; Klass 2003: 43)

The abovementioned activities are present also in companies that don't have an HR department in their organization. However, the possibility to neglect some of them, which may be seen as not very important when compared with other activities of the company is higher in companies when the division of labor is not very highlighted.

Small and medium-sized businesses usually try to figure out if they need to add a formal HR function to their administrative/overhead cost structures. (Ghassemieh, Thach, Gilinsky, 2005). The additional financial expenditure to train staff that is chosen to deal with HR practices is reasonable when analyzing its benefits such as an increment in sales, upgrade of technical skills as well as an increment in customer satisfaction. (Vinten et al.1997).

While not all small businesses can afford an HR department, they lack HR support. For instance, if a company has only a few employees and an owner, the owner is the one who deals with HR concerns. However, when the firm grows, even if there isn't a

formal HR support strategy, some HR functions, such as training, payroll, and worker's compensation insurance, should be included in the company, even if informally. (Ghassemieh, Thach, Gilinsky, 2005).

It is very usual in SMEs that a business owner or manager focuses on administrative responsibilities in addition to the execution of the business plan. So, if new personnel is needed, the supervisor or manager is in charge of recruiting, selecting and training them. By taking care of these tasks, supervisors and managers will have less time to focus on their major operations, such as sales and marketing, accounting, and other critical business functions. Taking into account their hourly compensation, this is typically inefficient; yet, running the firm is the only way they should spend their working hours within the organization. (Jackson, 13th ed., (Ghassemieh, Thach, Gilinsky, 2005). This is not to say that HR activities are unimportant; nevertheless, dividing their time between HR functions and other vital activities in which they specialize may have an impact on their effectiveness in their primary profession.

Although it may appear that organizing HR operations in the business is simple, some HR experience is required to properly complete HR activities such as knowing what questions to ask in an interview or how to negotiate working conditions with employees. (Ghassemieh, Thach, Gilinsky, 2005) (Wager and Langrock 2003b).

Assigning HR tasks to an employee who isn't trained in HR may be a problem for the company, but most SMEs provide some training to these individuals before they take on those duties. The additional investment in these individuals is a reasonable solution because it will help the organization from avoiding costly mistakes that can occur due to a lack of experience. Assigning HR activities to a specific employee, such as hiring, maintaining excellent working relationships, and responding to employee issues and dissatisfactions, will free the SMEs' management of these responsibilities, allowing him or them to focus on other vital aspects of the business. (Ghassemieh, Thach, Gilinsky, 2005).

When a firm has 80 to 100 employees, this is a sign that the organization will need to have a particular person to focus on HR management. Meanwhile, as the company grows and HR technology improves, additional HR positions will be created. (Jackson, 13th ed, Davidson 2003). This ratio has varied over time and among industries in which SMEs operate, but it emphasizes the importance of human resources in bringing value to the company, allowing managers to decide whether to see their staff as costs or assets. (Gering 2003)

HR professionals have studied and completed several training courses in order to be able to manage human resources as effectively as possible. (Anonymous 2004). Given

that HR tasks are becoming increasingly important when developing a company's strategy, we may conclude that hiring a full-time HR expert will help the company compete with other SMEs and large corporations. (Fitz-Enz and Davidson 2002; Davidson 2003; Becker et al., 2001). SMEs with HR specialists on staff will prevent HR mistakes since these professionals have the requisite knowledge and expertise. (Ghassemieh, Thach, Gilinsky, 2005). Having enough people to manage HR responsibilities results in a more efficient manner of organizing work within the company, as well as higher employee satisfaction. (Gelade and Ivery 2003; Mathis 2003; Shutan 2003).

The presence of HR functions in the company can avoid costly mistakes in two ways: Firstly, the risk is diminished if the HR functions are performed by specialists in this particular field, thus in this way they will be able for instance to calculate accurately the wage taxes, or to work in compliance with employment laws. Thus, taking into account the nature and the harshness of compliance laws, implementation and maintenance of HR functions by people with no expertise may be seen as a risky decision for SMEs. (Krieger 2003). Secondly, costly mistakes can be avoided if the employees of other areas are well trained. So, the HR specialist should detect the appropriate candidate for the open position, or in other cases when they are not ready for that particular position, the HR specialist has to deal with the training staff. For

instance, if in the company works a not well-trained employee who provides the customer with incorrect information can lead to loss of money or even worse they may direct a lawsuit to the company. Or in the other case, if the employee does not have information on simple safety rules, there is a higher probability of experiencing an injury, which will increase compensation and incurrence premium which will have to be paid. To address all these problems a well-designed HR function is needed in the company, and in this way, they'll be able to deal with training, compensation, and benefits as well as with creating a cooperative environment in the workplace. (Ghassemieh, Thach, Gilinsky, 2005).

However, each organization should implement its own strategy to fit in the best way with the external environment. Contingency theory which means "it depends" predicts that what works in a particular setting will not necessarily work in the same way with the other. Thus, implementing a unique structure rather than applying the same template as another organization is important. Also, being part of a changing environment, when there are a lot of uncertainties, concepts regarding organization theory and design are changing as well. So, every organization experience these changes in different ways that's why every company tries to choose what works best for them. (Daft, 2004)

Despite, the benefits that a specialized HR department has for the company, the decision of obtaining one is not that easy as employing extra specialized staff adds extra cost for the company. Additional costs are not the only reason why some companies hesitate to include the HR department in their company. The company may face information problems, in case of having an HR specialist who deals with the human capital activities as he/she might not have the right expertise for a particular department, thus this may lead to the employment of the wrong candidate. For instance, if there is an architect office that wants to hire a new employee, it will be hard for the HR specialist to be able to ask the right questions in the interview as well as to detect the right person for that specific position.

3. Methodology

To conduct my master thesis research, I have used two types of data: primary and secondary data. Regarding the general part about human recourses, I have used secondary data which I have collected from different books, and articles, as well as previously made studies and surveys in this particular field. As my research was more specific about the Human Resources in SMEs in Kosovo, I have used primary data as well, which has been provided by a self-made survey regarding the importance of Human Resources in the SMEs in Kosovo. I decided to use the quantitative survey

because I consider that in this way I would be able to collect a large amount of data as a quantitative survey make it easier for respondents to answer. On the other hand, I will also get results that are easier to measure.

3.1. Sample Selection

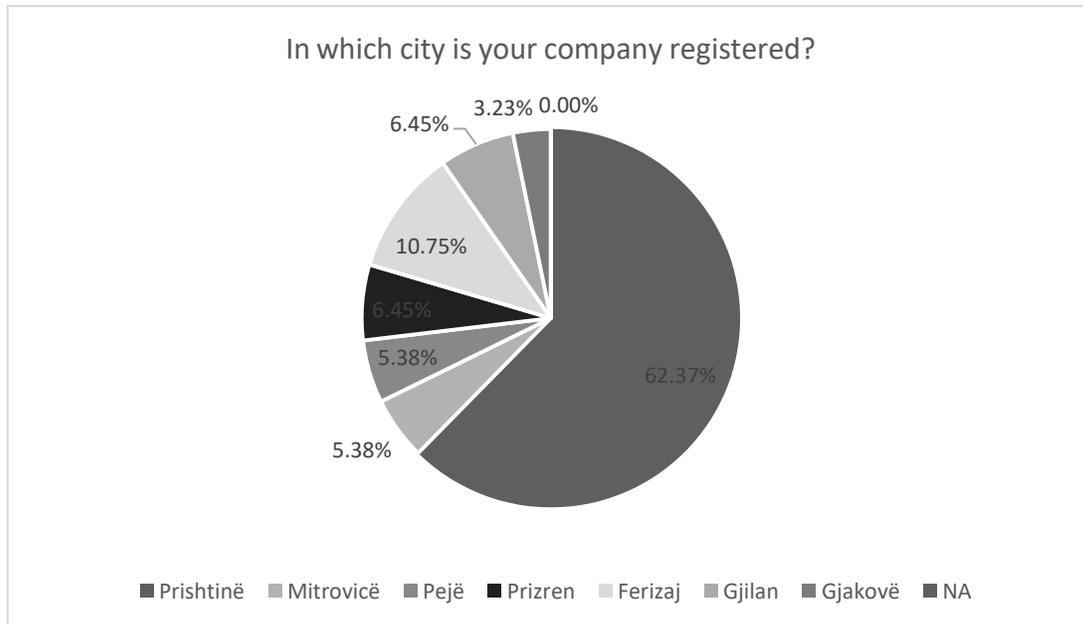
Based on the data of the Registration Agency of Kosovo's Businesses, there are 56,000 active SMEs in Kosovo. The survey sample which was randomly selected from ARBK includes 93 businesses.

3.1.1. Sample's characteristics

The survey sample is considered to be a good representation of the SMEs in Kosovo, as it includes SMEs that differ in terms of experience, size, sectors, as well as the cities they operate in. So, in other words, the sample includes SMEs of different sizes and cities of Kosovo that are engaged in different sectors such as production, services, and trade, and with different experience years in their relevant field.

3.1.1.1. SMEs differ in terms of city they are registered in (Question No.1)

Figure 1. Structure of SMEs in Kosovo based on the city they are registered in (in %)



Source: Survey (93 SMEs), April 2022

We've added some questions in the survey's second part (Enterprise Data) to help us figure out where the businesses we interviewed are located. The majority of the SMEs interviewed, 62.37 %, are registered in Kosovo's capital city. The remaining 35 SMEs who replied to the questionnaire are found in cities across Kosovo, including Gjilan, Gjakovë, Mitrovicë, Pejë, Prizren, Ferizaj.

3.1.1.2. *SMEs differ in terms of number of locations they operate in*
(Question No.2)

Figure 2. Structure of SMEs in Kosovo based on their locations (in %)

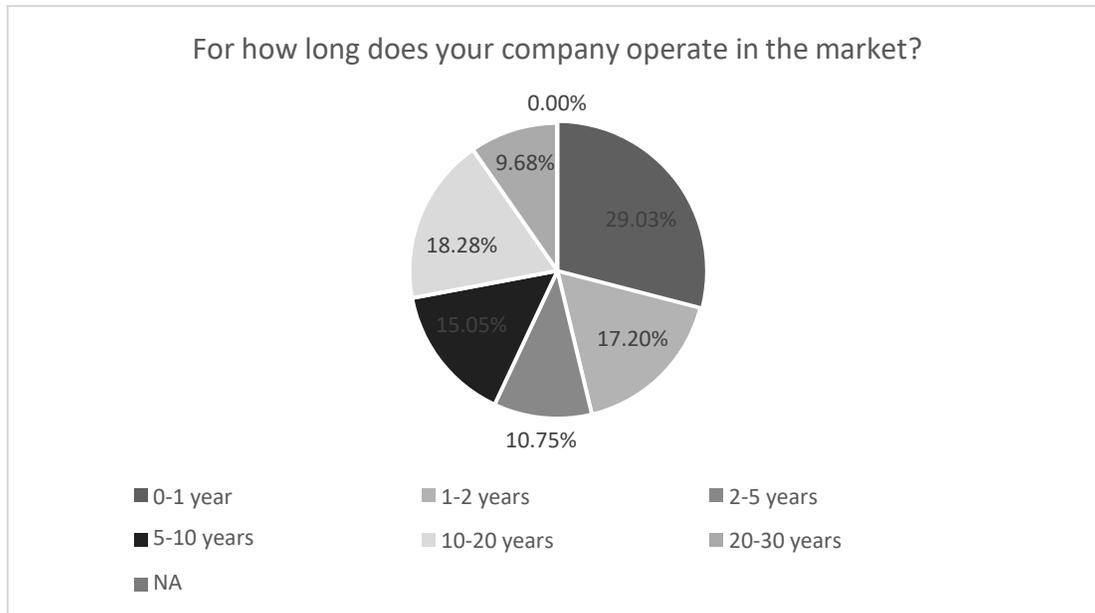


Source: Survey (93 SMEs), April 2022

The other question clarifies if the surveyed SMEs operate just in one location, in two or more, or, in the alternative, whether they also operate outside of Kosovo. We derived from their responses that, 59 SMEs, or 63.44 % of the total operate in just one place, the other 21 SMEs, or 22.58 % operate in two or more locations within Kosovo, and the third group of 13.98 % has operations both inside and beyond Kosovo.

3.1.1.3. SMEs differ in terms of experience in their relevant field
(Question No.3)

Figure 3. Structure of SMEs in Kosovo based on their experience (in %)



Source: Survey (93 SMEs), April 2022

We gathered information on the founding year of all the questioned SMEs to compare their experience in their respective fields. Based on the replies to this question, we may estimate that the majority of the SMEs that were part of the survey had 0-1 year of market experience. The most experienced company in the survey had circa 30 years of experience, while the newest one had just recently begun operations.

3.1.1.4. SMEs differ in terms of size

(Question No.4)

Figure 4. Structure of SMEs in Kosovo based on their size (in %)



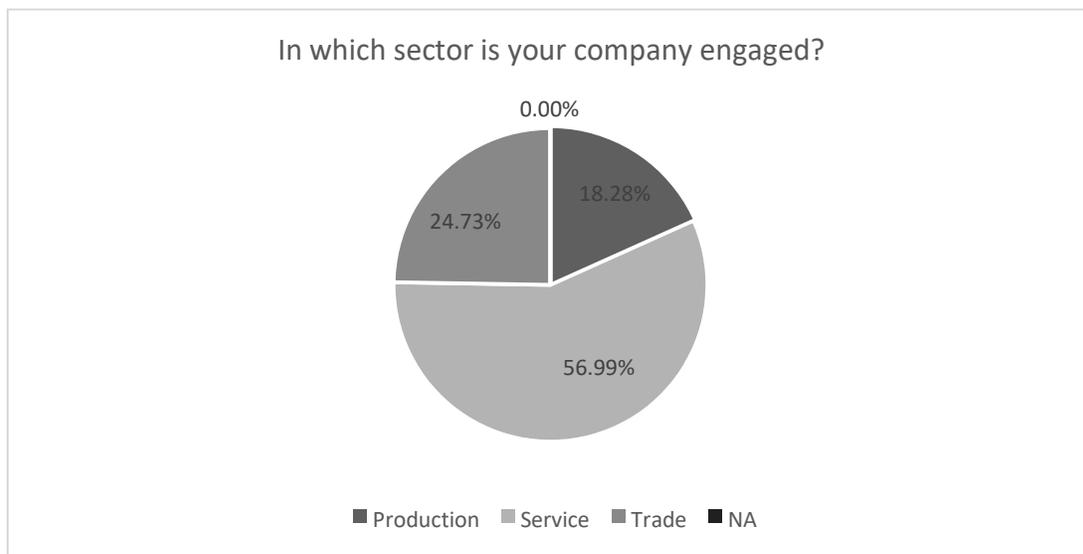
Source: Survey (93 SMEs), April 2022

Based on the results of the survey, specifically the question regarding the number of people employed at each company to which the survey was sent, we can state that of the 93 SMEs that replied, 10.75 percent of them correspond to the first category (micro-enterprises), meaning they have fewer than ten employees. 6.45% of the participants replied that they have more than 10 but fewer than 50 employees, putting them in the second category of SMEs (Small enterprises). Of the total number of businesses that

responded to the survey, 8.60 % stated that they fall into the third category (medium-sized enterprises), with a workforce of between 50 and 250 employees.

3.1.1.5. SMEs differ in terms of sector they operate in (Question No.5)

Figure 5. Structure of SMEs in Kosovo based on their sector (in %)



Source: Survey (93 SMEs), April 2022

The delivered survey contained three questions regarding the sector in which the respondents operate. I was able to classify the responses into three broad categories based on the first question of this type: manufacturing, commercial, and trade. 18.28 % fell into the first category, 56.99 % into the second, and the remaining 24.73 % into the third. As a result, we may say that the majority of Kosovo's SMEs are engaged in

this industry. I was able to separate the businesses into subcategories such as agro-industry, construction, transportation, tourism, and so on, in addition to their primary category.

3.2. The Questionnaire Structure

The survey includes different types of questions, to properly answer the above-mentioned research questions as well as test the hypothesis. The number of questions is not the same for those companies that have an HR Department and for those that don't, as we have some conditional questions (if/then). We have included this type of question in the survey since some questions are relevant for companies with HR departments and not for those that don't and vice versa. In the survey, I have used more multiple-choice questions where can be chosen more than one option as an answer. The last question is open-ended because I wanted to provide a question that does not limit the respondents only to the answer's options instead I wanted to take a broad thought of them in that particular question. After receiving the responses which due to the short answers were quite structured, I was able to continue with the analysis of the data.

There are a total of 15 questions in the survey. The answers to the first five questions include information about each company, such as the number of employees, their

market experience, the location and activity in which the company operates, and are the same for all surveyed companies.

In the sixth question, I asked whether or not the businesses have an HR department. Then, depending on their responses, they were divided into two groups, as I had chosen different questions for organizations with and without an HR department.

For example, in SMEs with HR departments, I was interested in topics such as how many employees are involved in HR activities, which HR activities they perform, what are the qualifications of the personnel in this department, and so on.

On the other hand, I requested some more responses from SMEs that do not have an HR Department, such as who handles HR operations if there are no HR professionals in the company, do they train staff who manage HR activities, the reasons for not establishing an HR department, and so on.

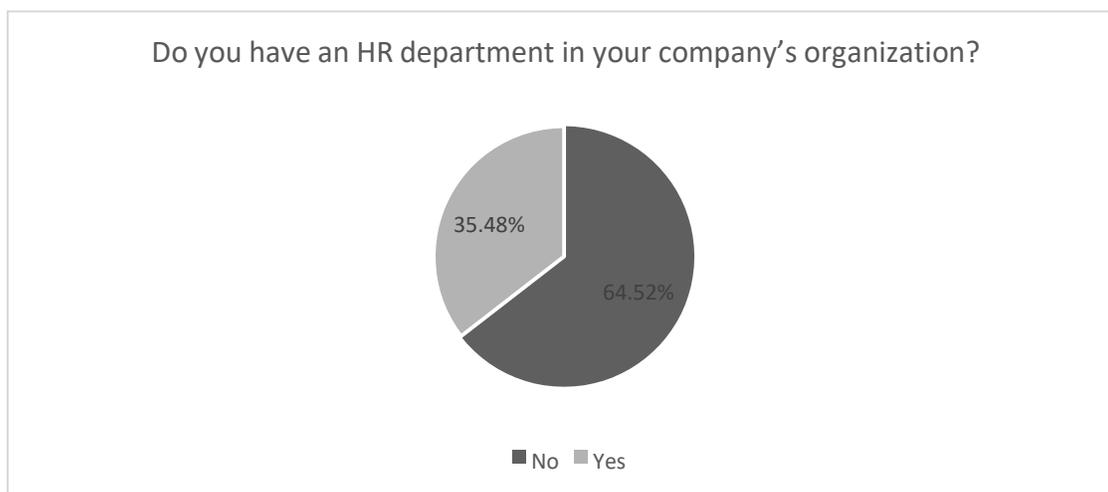
In the survey's final section, I asked SMEs in Kosovo whether they had any other thoughts on the Human Resources Department that weren't covered by the previous questions. Although not all survey respondents offered more information, some did express varying opinions on the HR department's importance.

The survey was in the Albanian language as the targeted sample were SMEs located in Kosovo, where the primary language is Albanian. Thanks to the ARBK's website (Registration Agency of Kosovo's Businesses), I was able to take the contact information of the SMEs in Kosovo, and in this way, I created a database of 900 SMEs. Since the sample was quite big, it was not possible for a personal interview with all the SMEs and that is why I sent the survey by email to those 900 SMEs, and 10.33% of them respond to the survey, so I got at disposal 93 responds to analyze. The survey was conducted in April 2022.

3.3. Survey's findings

(Question No.6)

Figure 6. "HR department in SMEs in Kosovo" (in %)



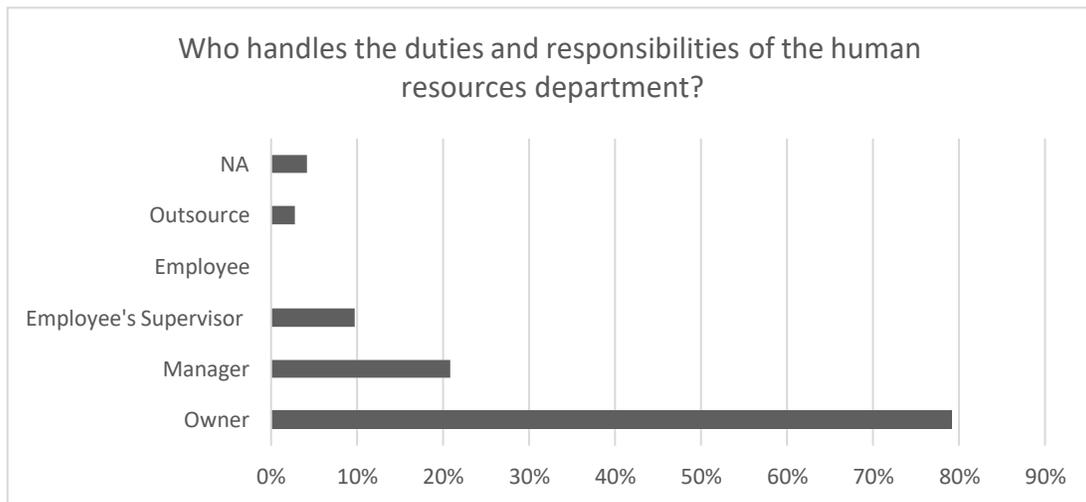
Source: Survey (93 SMEs), April 2022

There were 93 SMEs that took the time to respond to the survey's questions about how they organize HR activities within their businesses. The survey's sixth question directly asks respondents whether or not they have an HR department in their organization. Of all of them, 60 companies, or 64.52 %, did not have a separate HR department, but the remaining interviewed SMEs (33 companies, or 35.48%) considered HR to be important enough to have one in their organization.

(Question No.7)

The seventh question differs for the two types of SMEs, those who answered with yes and those with no when asked about the possession of the HR department in their companies. If the SME said no, we asked them to identify who in their company is in charge of human resources. The majority of respondents stated that the HR functions and obligations are handled by the company's owner. Another 20% indicated that the company's manager is the one who deals with these issues. Only a minority indicated they outsource their HR functions to specialized firms. Employees do not control HR processes in any of them.

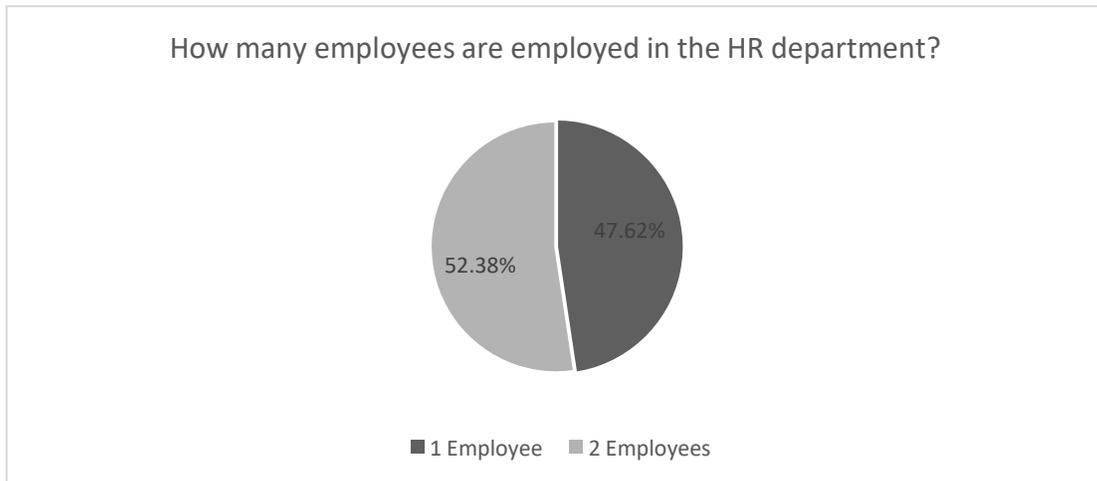
Figure 7. Responsible persons for human resource practices in Kosovo's SMEs (in %)



Source: Survey (93 SMEs), April 2022

If they say yes, we'd need to know how many employees work in this department. In the interviewed SMEs, the maximum number of staff working in this department is 2. In total, 52.38 % indicated they had two persons who work with HR operations, while 47.62 % stated they only have one employee in the HR department.

Figure 8. Number of employees employed in the HR Department in Kosovo's SMEs (in %)



Source: Survey (93 SMEs), April 2022

(Question No.8)

Figure 9. "HR practices applied by SMEs in Kosovo" (in %)

The survey's eighth question is a multiple-choice question that lists the HR practices that a company can apply to its personnel. This question has been asked to both categories, those who have and those who do not have an HR department. Some of these duties included: Recruiting, identifying employee needs, evaluating employee performance, motivating employees, evaluating the need for training, and calculating

bonuses. There was also an "other" option where the interviewed SMEs could add any other HR practices that they use but were not mentioned.



Source: Survey (93 SMEs), April 2022

(Question No.9)

Another question in the survey was to determine the qualifications of those in charge of HR in their firm. We can see that HR activities don't seem to have a major role in more than 20% of the organizations that don't have an HR department since they are handled by people with only a high school diploma. However, approximately half of

them said that their HR personnel has completed bachelor's degrees, and in the best situation, around 30% of these SMEs have HR professionals with master's degrees.

Figure 10. Qualifications of people who deal with HR practices in Kosovo's SMEs (with no HR Department) (in %)



Source: Survey (93 SMEs), April 2022

On the other hand, in companies with a separate HR department, no one with a high school diploma works in the human resources department. The majority of them have

completed their master's (approx. 85%) or bachelor's degrees (approx.70 %). Despite their studies, about a third of them have also completed human resources training.

Figure 11. Qualifications of people who deal with HR practices in Kosovo’s SMEs (with HR Department) (in %)



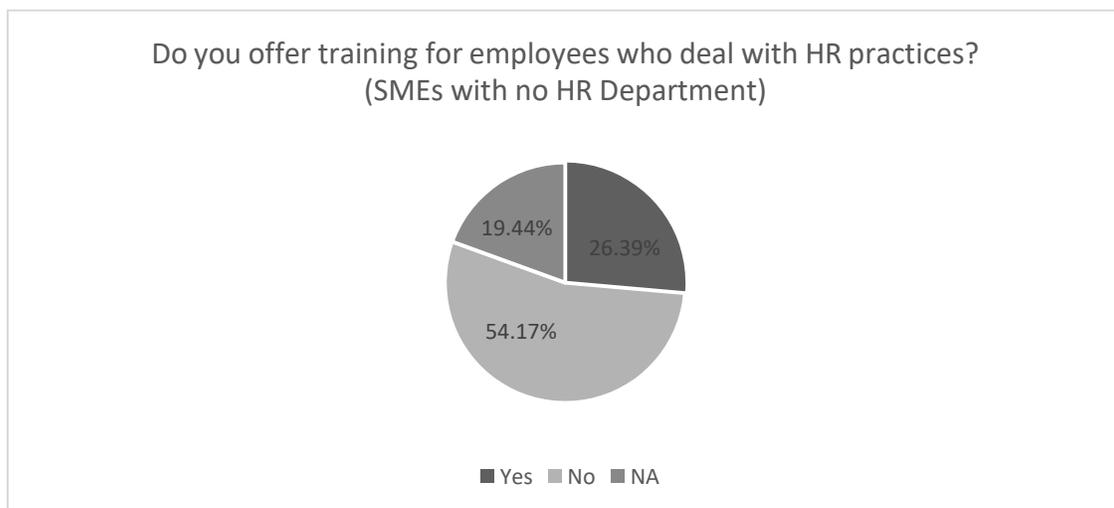
Source: Survey (93 SMEs), April 2022

(Question No.10)

The tenth question was regarding training that they offer for those who deal with HR tasks for both types of SMEs, those with and without HR departments. 65 % of the

SMEs surveyed said they don't have an HR department. When asked about the training they provide, nearly 55 % of these 60 SMEs claimed they don't provide training for personnel who deal with HR practices. Only 26% of them claimed they offer HR training to the persons to whom they allocate these obligations, despite the fact that they do not have a dedicated HR department. And the other 20 % decided to not answer this question.

Figure 12. Structure of SMEs in Kosovo based on the trainings they offer (with no HR Department) (in %)



Source: Survey (93 SMEs), April 2022

The responses of SMEs with HR departments differed significantly from those of SMEs without HR departments. Based on the findings of this question, we can

conclude that organizations that already have an HR department devote more attention to employee training. Approximately 77 % of the total train people who deal with HR practices, 19 % have never trained their staff, and 5% have not responded to this question at all.

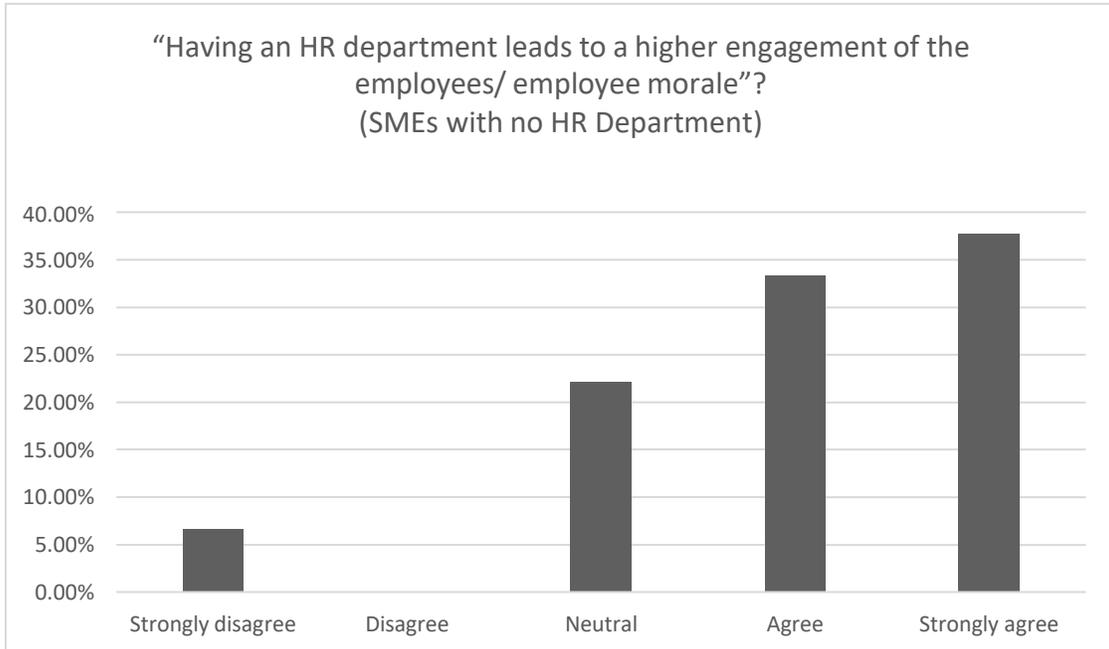
Figure 13. Structure of SMEs in Kosovo based on the trainings they offer (with HR Department) (in %)



Source: Survey (93 SMEs), April 2022

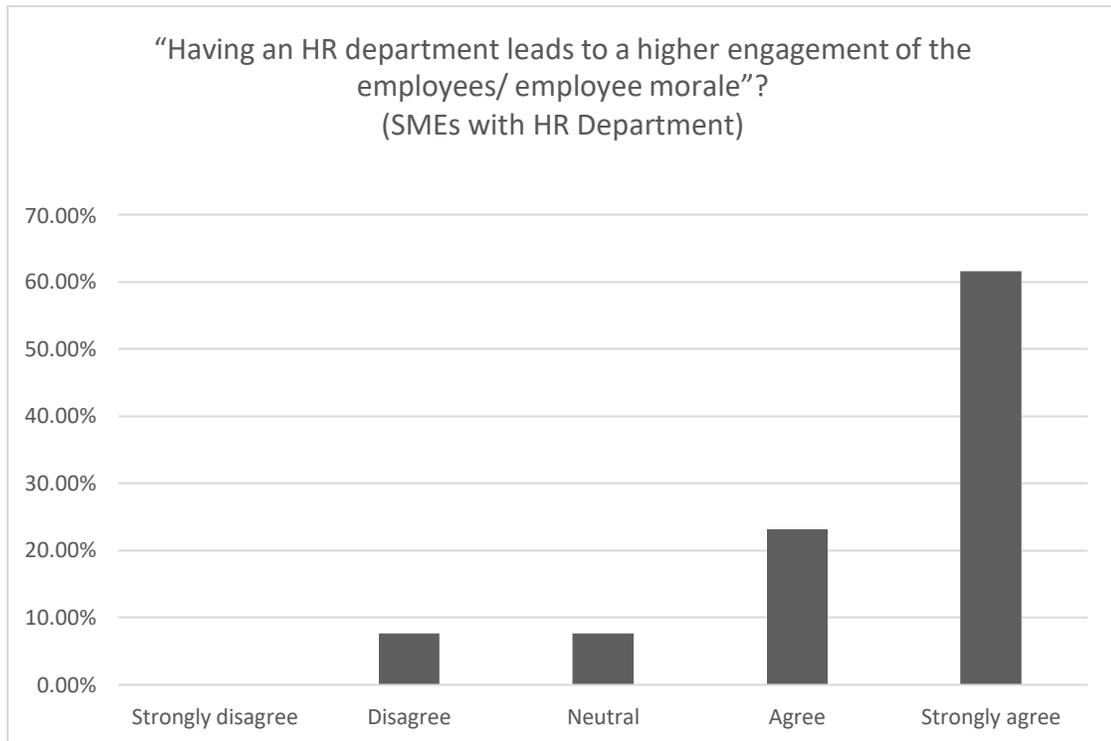
(Question No.11)

Figure 14. “Having an HR department leads to a higher engagement of the employees/ employee morale”? (SMEs with no HR Department) (in %)



Source: Survey (93 SMEs), April 2022

Figure 15. “Having an HR department leads to a higher engagement of the employees/ employee morale”? (SMEs with HR Department) (in %)



Source: Survey (93 SMEs), April 2022

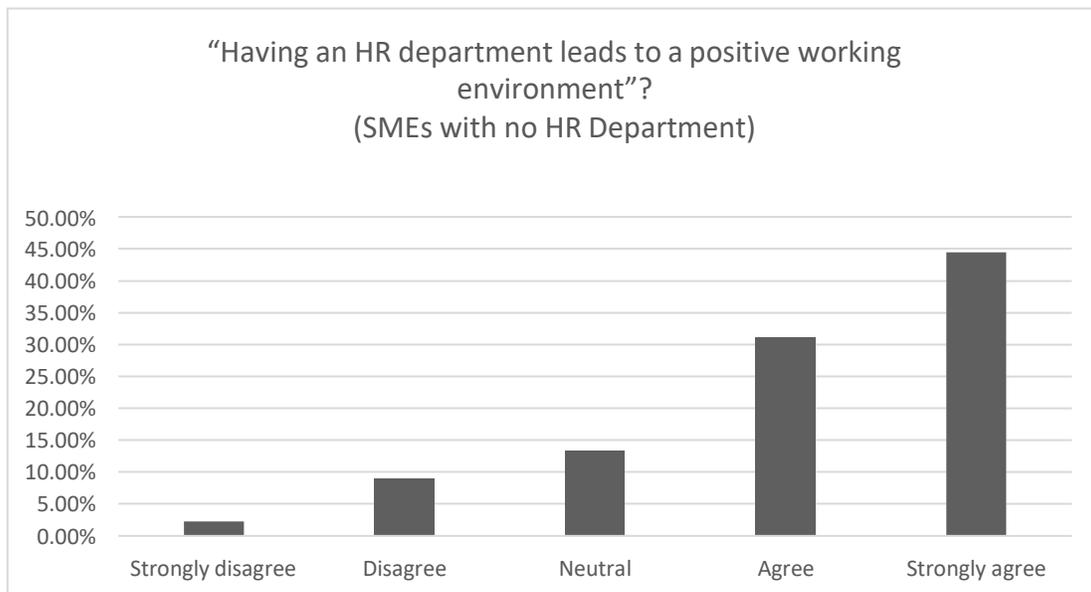
In the eleventh questionnaire question, I asked respondents to rank the statement that HR departments lead to better employee engagement in their businesses on a scale of strongly disagree to strongly agree. The first graph depicts the replies of businesses that do not have an HR department. Over 5% strongly disagree, while about 25% are

neutral. HR departments, on the other hand, have a positive impact on being more productive and involved in the workplace, according to the remaining SMEs.

The second graph presents the respondents' (SMEs with HR department) ranking on the same topic. In this situation, less than 10% of respondents disagree or are neutral about the statement. Others agree/strongly agree that an HR department leads to increased employee engagement.

(Question No.12)

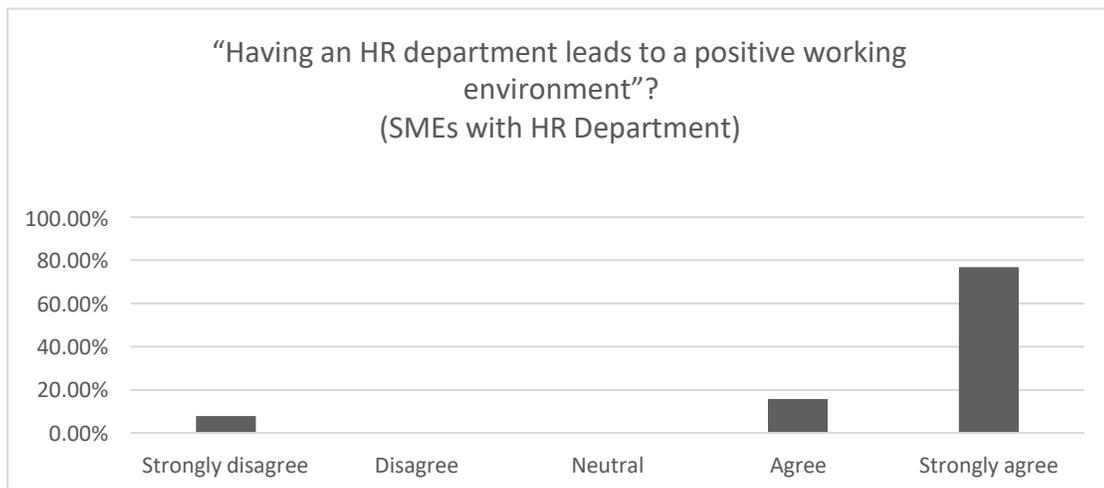
Figure 16. “Having an HR department leads to a positive working environment”?
(SMEs with no HR Department) (in %)



Source: Survey (93 SMEs), April 2022

I asked respondents whether having an HR department leads to a positive work environment in the questionnaire's twelfth question. The responses from the organizations can be seen in the graph above. A workplace that is productive will be directly affected by an HR department, claim nearly 45% of participants. A little over 30% of respondents agree that having an HR department makes a positive difference in the workplace, while 15% disagreed. Around 10% of participants doubt the importance of an HR department to a productive workplace. It is clear from the graphic above that the majority of companies agree that an HR Department can have an impact on the work environment.

Figure 17. “Having an HR department leads to a positive working environment”?
(SMEs with HR Department) (in %)

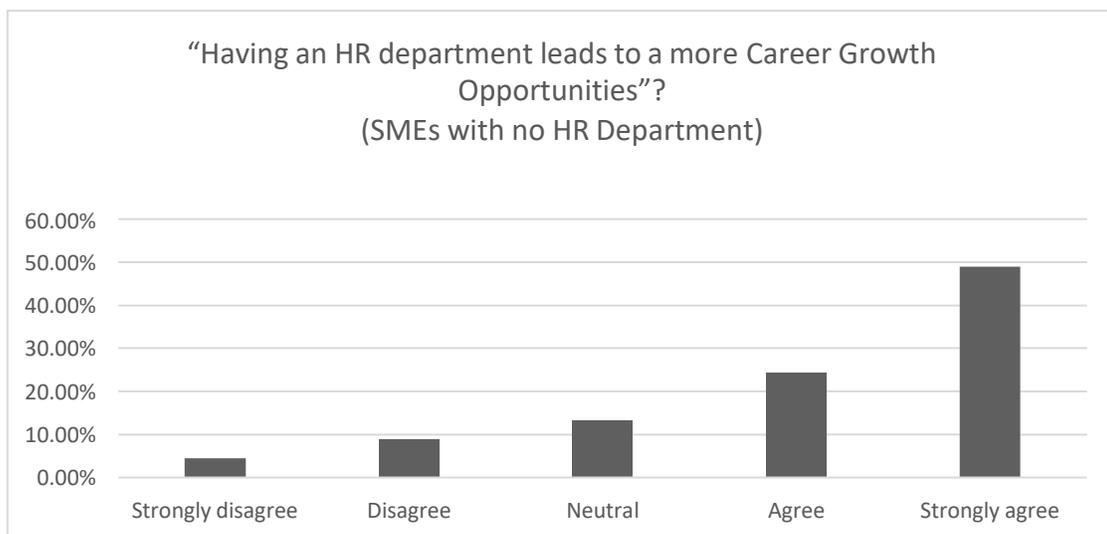


Source: Survey (93 SMEs), April 2022

I asked respondents if having an HR department helps foster a healthy work environment. The graph above displays the replies from the businesses with an HR division. Less than 10% of respondents dispute the HR Department's contribution to a pleasant workplace environment. However, just 15% of respondents feel that an HR department plays a significant role compared to the other 80 percent who strongly agree.

(Question No.13)

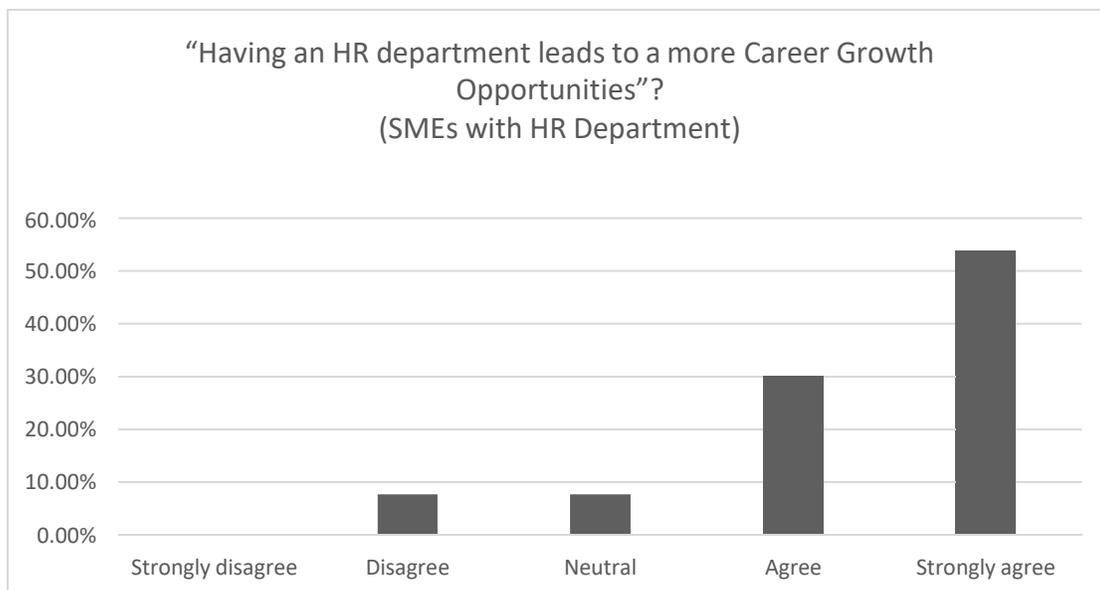
Figure 18. “Having an HR department leads to a more Career Growth Opportunities”? (SMEs with no HR Department) (in %)



Source: Survey (93 SMEs), April 2022

Around 75% of SMEs without an HR department agree/strongly agree that having an HR department leads to increased career opportunities. The rest of the group is either neutral or disagrees. However, it is clear that the majority of them agree with this assertion.

Figure 19. “Having an HR department leads to a more Career Growth Opportunities”?
(SMEs with HR Department)(in %)

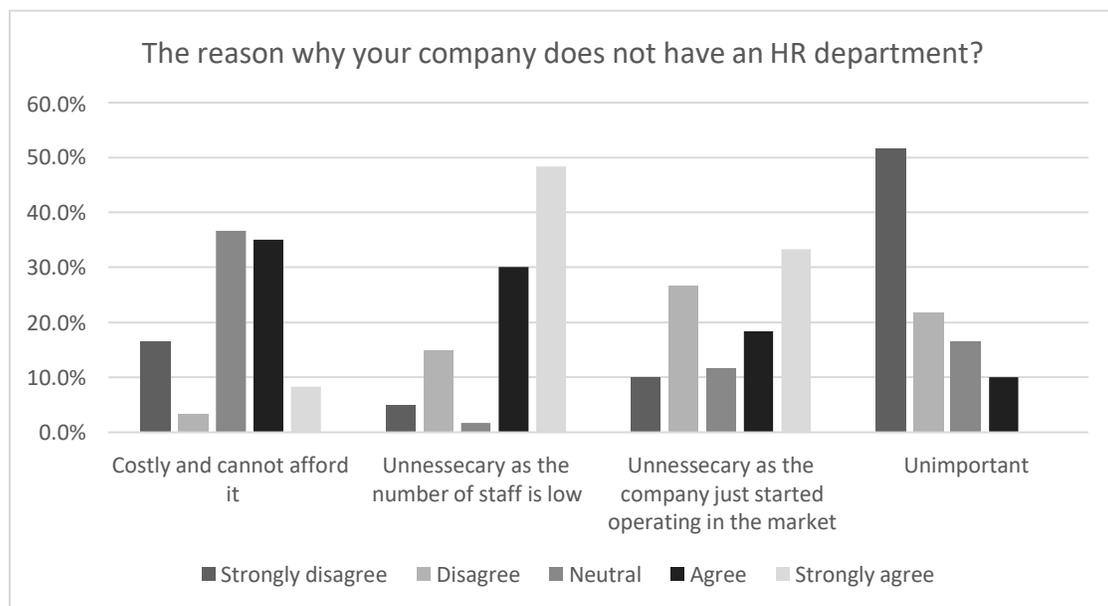


Source: Survey (93 SMEs), April 2022

Of the SMEs with an HR department, none strongly disagree that HR affects career growth opportunities. Less than 10 % disagree or are neutral about this topic. More than 80 % strongly believe in the positive correlation between having an HR department and increment in career growth.

(Question No.14)

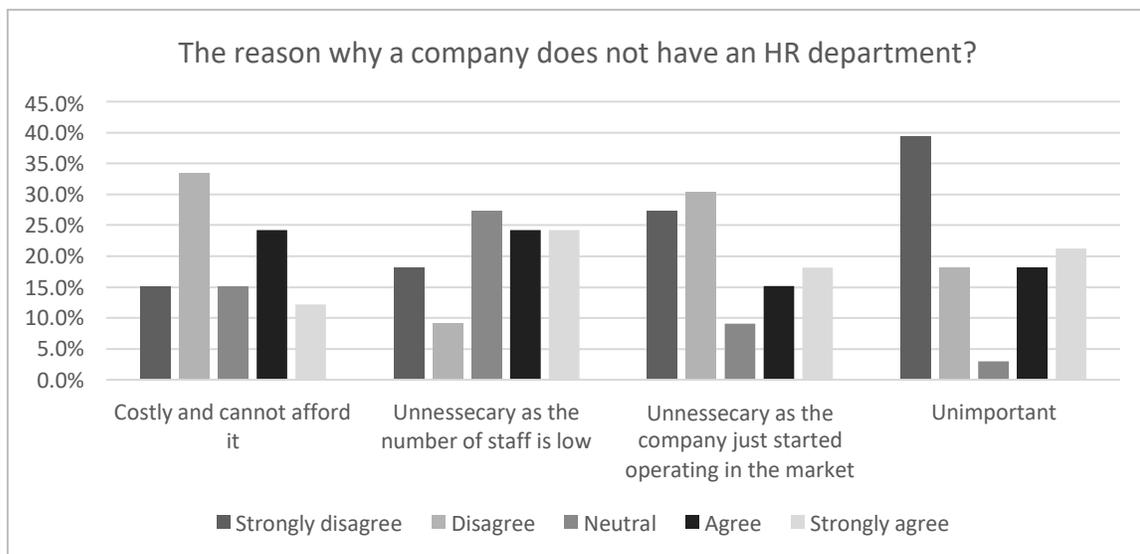
Figure 20. “The reason why your company does not have an HR department”? (SMEs with no HR Department)(in %)



Source: Survey (93 SMEs), April 2022

I asked the SMEs without an HR department to list the reasons for not having a separate sector that deals with HR functions on a scale of strongly disagree to highly agree. The graph above shows that half of these SMEs do not have an HR department, not because they believe it is unnecessary, but because of the other three reasons indicated. Around 40% (strongly agree/agree) of them stated they cannot really afford the costs of having a separate HR department, roughly 70% said they don't need one because their personnel number is low, and almost half said they don't have one because they are new to the market.

Figure 21. “The reason why a company does not have an HR department”? (SMEs with HR Department)(in %)



Source: Survey (93 SMEs), April 2022

We also requested the SMEs with HR departments about the factors that they believe influenced the enterprises that do not currently have an HR department to make this decision. The responses from this graph are tough to categorize because they all have differing viewpoints on the subject. It's evident that more than half of respondents don't believe other organizations don't have an HR department because it's unimportant, but rather because of costs and other factors.

(Question No.15)

In the fifteenth question, I requested respondents to provide any additional comments about how HR activities are organized within their companies that weren't covered by the multiple-choice questions.

For instance, a company with an HR department has determined that any enterprise with more than 20 employees must have an HR department, otherwise, it would not succeed in the market. This company has been in business for 10 to 20 years and employs 101 to 250 people.

Another firm, which employs 50-100 people and has been in business for 10-20 years, claims to have an HR department that is just as important as the rest of the company's departments.

I received interesting feedback from a company that recently launched an HR department. This company is very satisfied with the progress they've witnessed in their employees' actions, as they were more likely to talk about their requirements with the HR Specialist. As a consequence, they were more inspired to work harder because the company had fulfilled their demands.

On the other hand, I've received some additional feedback from businesses that don't have an HR department for a variety of reasons.

One of them, which has only 1-2 people, claimed that they had not considered adding an HR department because they are a startup (0-1 year experience). However, based on his personal experience, he believes that unfortunately, Human Resources activities in Kosovo are mostly focused on hiring and firing.

Another organization (Individual Business) agrees that the HR department is critical to the company's success. They mentioned that their company is willing to establish an HR department in the future if they grow as a company, as they currently employ only 1-2 people.

In contrast, one polled company claimed that, due to the nature of their business, they do not have an internal HR department and instead outsource HR functions.

4. Testing Hypothesis

1. Companies with a higher number of employees have the HR department in the organization of the company.

H1o: There is a significant positive relationship between the number of employees in a company and their decision to have/not have an HR department in their company's organization.

H1a: There is not a significant positive relationship between the number of employees in a company and their decision to have/not have an HR department in their company's organization.

In my research, I only focused on SMEs or businesses with less than 250 people. However, I asked these firms for their specific number of employees in order to evaluate if the number of employees has an impact on the decision to have or not have an HR department.

Figure 22. Correlation analysis for the first hypothesis

Correlations			
		HR Department	Number of employees
HR Department	Pearson Correlation	1	.914**
	Sig. (2-tailed)		.000
	N	93	93
Number of employees	Pearson Correlation	.914**	1
	Sig. (2-tailed)	.000	
	N	93	93
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Survey (93 SMEs), April 2022 – SPSS

The correlation analysis test results indicate that the tested variables have a high positive correlation (of the second degree), which is statistically represented with a correlation level of $r = 0.914$ and a significance level of $\text{Sig} = 0 < 0.05$ (lower than the value of "p"). The analysis demonstrates that as variable X increases, so does variable Y, implying that the higher the number of employees in SMEs in Kosovo, the greater the possibility of having an HR department in its organization, and vice versa.

As a result, according to this analysis, we accept the null hypothesis.

2. The longer the period of operation in the market, the higher the possibility of having an HR department in the company's organization.

H2o: There is a significant positive relationship between the period of operation in the market and their decision to have/not have an HR department in their company's organization.

H2a: There is not a significant positive relationship between the period of operation in the market and their decision to have/not have an HR department in their company's organization.

I gathered information about the experience of the interviewed firms on the market from the third question. Because there were respondents with a variety of experiences in the survey, I was able to determine from the analysis how the length of operation in the market influenced the company's decision to establish an HR department.

Figure 23. Correlation analysis for the second hypothesis

Correlations			
		HR Department	Experience
HR Department	Pearson Correlation	1	.848**
	Sig. (2-tailed)		.000
	N	93	93
Experience	Pearson Correlation	.848**	1
	Sig. (2-tailed)	.000	
	N	93	93
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Survey (93 SMEs), April 2022 – SPSS

The correlation analysis test results indicate that the tested variables have a high positive correlation (of the second degree), which is statistically represented with a correlation level of $r = 0.848$ and a significance level of $\text{Sig} = 0 < 0.05$ (lower than the value of "p"). The analysis demonstrates that as variable X increases, so does variable Y, implying that the longer the period of an SME operating in Kosovo's market, the greater the possibility of having an HR department in its organization, and vice versa.

Consequently, according to this analysis, we accept the null hypothesis.

3. Insufficiency of monetary funds affect the decision of SMEs in Kosovo to not have an HR department in their companies.

H3o: There is a significant positive relationship between the Insufficiency of monetary funds and their decision to not have an HR department in their company's organization.

H3a: There is not a significant positive relationship between the Insufficiency of monetary funds and their decision to not have an HR department in their company's organization.

I included a Likert Scale Question in the survey, asking the participants to rate the factors that influence their decision to have or not have an HR department. I included four factors in this question: 1. The HR Department is too expensive for our firm; 2. The Company recently entered the market; 3. The Company has a small staff; and 4. the firm does not consider the HR Department essential to the company's performance, to which companies responded from strongly agree to strongly disagree. I can now identify the things that significantly influence a firm's decision based on its rates.

Figure 24. Correlation analysis for the third hypothesis

Correlations			
		HR Department	Number of employees
HR Department	Pearson Correlation	1	.749**
	Sig. (2-tailed)		.000
	N	93	93
Number of employees	Pearson Correlation	.749**	1
	Sig. (2-tailed)	.000	
	N	93	93
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Survey (93 SMEs), April 2022 – SPSS

The correlation analysis test results indicate that the tested variables have a high positive correlation (of the second degree), which is statistically represented with a correlation level of $r = 0.749$ and a significance level of $\text{Sig} = 0 < 0.05$ (lower than the value of "p"). The higher the insufficiency of monetary funds, the higher the probability of not having an HR department in their company's organization.

Consequently, according to this analysis, we accept the null hypothesis.

4. Considering the HR department as unimportant is a reason why SMEs in Kosovo decide to not have an HR department.

H4o: There is a significant positive relationship between the fact that companies consider the HR department unimportant and their decision to not have an HR department in their company's organization.

H4a: There is not a significant positive relationship between the fact that companies consider the HR department unimportant and their decision to not have an HR department in their company's organization.

Figure 25. Correlation analysis for the fourth hypothesis

Correlations			
		HR Department	Unimportant
HR Department	Pearson Correlation	1	.874**
	Sig. (2-tailed)		.000
	N	93	93
Unimportant	Pearson Correlation	.874**	1
	Sig. (2-tailed)	.000	
	N	93	93
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Survey (93 SMEs), April 2022 – SPSS

The correlation analysis test results indicate that the tested variables have a high positive correlation (of the second degree), which is statistically represented with a

correlation level of $r = 0.874$ and a significance level of $\text{Sig} = 0 < 0.05$ (lower than the value of "p"). The analysis demonstrates that the more SMEs think that the HR department is unimportant there is more possibility that SMEs to not have an HR department, and vice versa.

As a result, according to this analysis, we accept the null hypothesis.

5. The lower staff in their companies effect the decision of SMEs in Kosovo to not have an HR department.

H5o: There is a significant positive relationship between the fact that companies have low staff ant and their decision to have/not have an HR department in their company's organization.

H5a: There is not a significant positive relationship between the fact that companies have low staff ant and their decision to have/not have an HR department in their company's organization.

Figure 26. Correlation analysis for the fifth hypothesis

Correlations			
		HR Department	Low staff
HR Department	Pearson Correlation	1	.682**
	Sig. (2-tailed)		.000
	N	93	93
Low staff	Pearson Correlation	.682**	1
	Sig. (2-tailed)	.000	
	N	93	93
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Survey (93 SMEs), April 2022 – SPSS

The correlation analysis test results indicate that the tested variables have a high positive correlation (of the second degree), which is statistically represented with a correlation level of $r = 0.682$ and a significance level of $\text{Sig} = 0 < 0.05$ (lower than the value of "p"). The analysis demonstrates that as variable X increases, so does variable Y, implying that the lower is the staff in an SME there is more possibility for that SME to not have an HR department, and vice versa.

As a result, according to this analysis, we accept the null hypothesis.

6. Being new in the market effect the decision of SMEs in Kosovo to not have an HR department.

H6o: There is a significant positive relationship between the fact that the company is new in the market and the decision to not have an HR department in their company’s organization.

H6a: There is not a significant positive relationship between the fact that the company is new in the market and the decision to not have an HR department in their company’s organization.

Figure 27. Correlation analysis for the sixth hypothesis

Correlations			
		HR Department	New in the market
HR Department	Pearson Correlation	1	.830**
	Sig. (2-tailed)		.000
	N	93	93
New in the market	Pearson Correlation	.830**	1
	Sig. (2-tailed)	.000	
	N	93	93
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Survey (93 SMEs), April 2022 – SPSS

The correlation analysis test results indicate that the tested variables have a high positive correlation (of the second degree), which is statistically represented with a correlation level of $r = 0.830$ and a significance level of $\text{Sig} = 0 < 0.05$ (lower than the value of "p"). The analysis demonstrates that as variable X increases, so does variable Y, implying that the newer the SME in the market number the greater the possibility of not having an HR department in its organization, and vice versa.

As a result, according to this analysis, we accept the null hypothesis.

5. Conclusion

- The survey included SMEs from several cities in Kosovo, however, the majority of respondents (62.37 %) were from Prishtina.
- The majority of them (66.34 %) operate at just one location in Kosovo, while some (22.58 %) operate in multiple locations across the country as well as outside of Kosovo (13.98 %).
- Approximately 29% of the SMEs in the survey had been operating for less than a year, while 10% were longstanding businesses with 20 to 30 years of market experience.
- Individual Businesses with 1 to 2 employees accounted for 35% of all SMEs questioned, while medium enterprises with 101 to 250 employees accounted for about 12%.
- Around two-thirds of the SMEs that answered to the survey were engaged in the service sector. The remaining SMEs were operating in the production and trade sectors.
- When asked if their companies have an HR department, 65 % of all SME respondents answered no. The remaining 35% of respondents claimed their companies have an HR department.

- Of the 65 % of SMEs without an HR department, 80 % responded that the owner is responsible for HR activities in their businesses. According to the other SMEs, these obligations are handled by either the manager or the employee's supervisor. Meanwhile, of the 35 % of SMEs with an HR department, 52 % indicated that this department has two employees, and 48 % claimed that this department has only one employee.
- Recruiting is the most common HR practice utilized by SMEs in Kosovo. We can see from the data that not all HR techniques are adopted by businesses, yet evaluation of employee performance and motivation play an essential role in the HR department of these businesses.
- HR operations are organized by employees who have completed their bachelor's degree in around half of the SMEs that do not have an HR department. However, it is likely that even people with a high school diploma are responsible for these activities in some situations. On the other hand, about 85% of SMEs with an HR department have completed master's degrees.
- More than half of SMEs without an HR department said they don't provide HR training for employees who work in these areas. Around 80% of companies with an HR department provide training to their HR department workers.

- When SMEs without an HR department were asked about the statement "Having an HR department leads to increased employee engagement/morale," despite the fact that 72 % agreed with it, there were also SMEs who were neutral (20 %) or even disagreed/strongly disagreed with it (7 %). SMEs with HR departments responded differently to the same statement, with 85 % agreeing/strongly agreeing, 8% neutral, and 8% disagreeing/strongly disagreeing.
- In response to the statement "Having an HR department leads to a positive working environment," 76 % of SMEs without an HR department agreed/strongly agreed, 13 % neutral, and 11 % disagreed/strongly disagreed. SMEs with HR departments responded differently: 92 % agreed/strongly agreed, 8% disagreed/strongly disagreed, and none were neutral.
- In response to the statement that "having an HR department leads to more Career Growth Opportunities," SMEs without an HR department provided the following responses: There are 74% who agree/strongly agree, 13% who are neutral, and 13% who disagree/strongly disagree. The following are the responses from SMEs with HR departments: 85 % agree or strongly agree, 7% neutral, and 8% disagree or strongly disagree.

- Four reasons were given in the survey about why SMEs in Kosovo chose not to establish an HR department. The first is that this department is costly, and these businesses are unable to finance it. Around 40% of SMEs agree/strongly agree that this is a significant factor influencing their decision. The other 30% disagree/strongly disagree that the cost of this department is a reason to not have one, while 30% are indifferent on the subject. The second reason is that they believe it is unnecessary due to the small number of employees. Approximately 67 % agree/strongly agree that this is a crucial aspect in selecting whether or not to create an HR department, 10% are neutral, and the remaining 23% do not believe it is a valid reason to affect their decision. The survey's third factor stated that some businesses choose not to establish an HR department because they are new to the market. 45 % believe this is an important factor to consider when selecting whether or not to establish an HR department, 10% are neutral, and 45 % disagree/strongly disagree. The fourth point is that SMEs do not include HR in their organizations because they believe it is irrelevant and so has no impact on the company's success. Approximately 21% agree/strongly agree with this viewpoint, 12% are neutral, and roughly 47% believe that HR is necessary but that there are other reasons for the firm's decision to not have an HR department.

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Sitography:

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(Reynolds M.)

Annex 1

Introduction:

- The target audience involves SMEs in Kosovo.
- The findings of this questionnaire will be used only for academic purposes (research for Master's thesis "The Role and Impact of HR Practices in SMEs of Kosovo").
- The survey does not require personal information, and the results will be analyzed generally, not individually.
- The average time to complete the questionnaire is about 15 minutes.
- You can choose more than one option as your answer.

Thank you for your time!

SURVEY:

1. In which city is your company registered? (choose an alternative)

- | | |
|------------------------------------|------------------------------------|
| <input type="checkbox"/> Prishtinë | <input type="checkbox"/> Gjilan |
| <input type="checkbox"/> Pejë | <input type="checkbox"/> Mitrovicë |
| <input type="checkbox"/> Gjakovë | <input type="checkbox"/> Prizren |
| <input type="checkbox"/> NA | <input type="checkbox"/> Other |

2. Location of the activity? (choose an alternative)

- Only in one location in Kosovo
- Two or more locations in Kosovo
- In Kosovo and abroad
- NA

3. For how long does your company operate in the market? (choose an alternative)

- | | |
|------------------------------------|--------------------------------------|
| <input type="checkbox"/> 0-1 year | <input type="checkbox"/> 5-10 years |
| <input type="checkbox"/> 1-2 years | <input type="checkbox"/> 10-20 years |
| <input type="checkbox"/> 2-5 years | <input type="checkbox"/> 20-30 years |

NA

Other

4. How many employees work for your company? (choose an alternative)

1- 2 employees

11-50 employees

3-5 employees

50-100 employees

5-10 employees

101-250 employees

NA

Specify _____

5. In which sector is your company engaged? (choose an alternative)

Production

Service

Trade

NA

6. Do you have an HR department in your company's organization? (choose an alternative)

Yes

No

7. If you don't have an HR department, who handles the duties and responsibilities of the human resources department?

- Owner
- Manger
- Employees' Supervisor
- Employee
- Outsource
- NA

7. If you have an HR department, how many employees are employed in the HR department?

- 1 Employee
- 2 Employees
- More than 2 employees_____
- NA

8. Which HR practices does your company apply?

- Recruiting
- Identifying the needs of the employees
- Evaluation of the staffs' performance
- Motivation of the staff.
- Evaluation the need of staff for training
- Calculation of bonuses
- Other: [Click here to enter text.](#)
- NA

9. Which are the qualifications of people who deal with HR practices?

- PhD
- Master Studies
- Bachelor Studies
- Human Resources Training
- High School Diploma

NA

10. Do you offer training for employees who deal with HR practices?

Yes

No

NA

11. “Having an HR department leads to a higher engagement of the employees/
employee morale”?

Strongly agree

Agree

Neutral

Disagree

Strongly disagree

12. “Having an HR department leads to a positive working environment”?

Strongly agree

- Agree
- Neutral
- Disagree
- Strongly disagree

13. “Having an HR department leads to a more Career Growth Opportunities”?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

14. The reason why a company does not have an HR department is because it is considered to be very costly and cannot afford it?

- Strongly agree
- Agree

- Neutral
- Disagree
- Strongly disagree

14. The reason why a company does not have an HR department is because they consider that they don't need one as they have just a few employees?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

14. The reason why a company does not have an HR department is because they have just started operating in the market?

- Strongly agree
- Agree
- Neutral

- Disagree
- Strongly disagree

14. The reason why a company does not have an HR department is because they don't consider it very important?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

15. Do you have any other comment regarding Human Resources in your company?
