



REPUBLIC OF MACEDONIA
University St. Kliment Ohridski- Bitola
Faculty of Economics - Prilep



**THE ROLE OF STRATEGIC HUMAN RESOURCE
MANAGEMENT ON SMEs PERFORMANCE: *Case Study -
KOSOVO***

Submitted by

Osman D. Sejfiqaj

From Republic of Kosovo

Research Supervisor

Prof.Dr. VasilikaKume

Prilep, 2017

Acknowledgements

There are a great number of people I have worked with, whose contributions to this research have been important in various ways. It is a pleasure to convey my gratitude to all the members of the Economic Faculty at Prilep, in particular to Prof. Dr. Marika Baseska-Coordinator of the DOSMES Project, members of Dardania College in Prishtina and all members of DOCMES project.

Prof. Dr. Vasilika Kume deserves special thanks for not only being a caring mentor throughout my research, but also being a role model of business and ethical behavior across cultures. Her attitudes toward integrity, work-family-balance, and leadership have inspired me. Furthermore, her motivational support helped me achieve this success.

I would like to thank Prof. Dr. Snezana Mojsovska and Prof. Dr. Dobri Petrovski for admitting me as their doctoral student and for steering my thoughts towards a unique and impactful direction. They were both receptive to new ideas yet did not hesitate to challenge them.

Next and importantly, I would like to thank one hundred Kosovo SME executives for their trust, for sharing the information on their management practices and the innovations to discuss strategic topics. This research would not have been possible without them. Gaining access to SME executives was challenging.

I would like also to thank my family, my parents with their support especially my wife Shqipe, my daughter Sara and my sons Haris and Enes.

My friends, who have supported me during this research, their mental support and personal attitudes in business and academic life have helped me to stay motivated and focused through my research.

Thank you, to all of you!

Author

Statement of original authorship

I certify that the substance of this thesis has not currently been submitted for any degree and has not previously been submitted for any other degree. I also certify that to the best of my knowledge any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

Signed

Date: _____

Contents

Statement of original authorship.....	3
Index of figures	7
Abstract.....	12
CHAPTER I	13
1. Introduction.....	13
1.1. Contribution.....	14
1.2. Problem statement.....	15
1.3. Research objectives and hypothesis	15
1.4. Importance of the study.....	17
1.5. Outline of this research	19
Chapter II	21
2. LITERATURE REVIEW.....	21
2.1. Strategic Human Resources Management.....	21
2.2. Approaches to Strategic Human Resource Management.....	24
2.2.1. Resource-based theory	24
2.2.2. Strategic fit	29
2.2.3. High-performance management	32
2.3. Human resource management defined.....	34
2.3.1. Characteristics of HRM	39
2.3.2. HR Management Activities	43
2.3.3. HRM vs. SHRM.....	46
2.4. The concept of strategy	48
2.4.1. The formulation of strategy.....	52
2.4.2. Strategy implementation.....	55
2.5. Learning and development strategy.....	57
2.6. Improving organizational performance through SHRM.....	61
2.7. How SHRM concepts impact on practice	64
2.8. Employee relation strategy.....	65
2.9. Performance Management.....	69
2.9.1. Performance management defined	70
2.9.2. Performance management as a process.....	74

2.9.3. Performance management concerns	79
2.9.4. Performance appraisal and performance management	80
2.9.5. Performance measure and assessment.....	84
2.9.6. Performance indicators.....	87
2.9.7. Reviewing performance.....	93
2.9.8. Improving performance at the organizational level	95
2.9.9. Improving team and individual performance	100
2.9.10. Performance management and reward.....	102
2.9.11. Performance management roles.....	106
Chapter III.....	109
THE BUSINESS ENVIRONMENT IN KOSOVO	109
3.1. Introduction	109
3.2. Business environment challenges	113
3.3. Firm infrastructure.....	117
3.4. Legal issues and regulations	118
3.5. Why invest in Kosovo	121
3.6. SMEs and the labor market.....	122
Chapter IV	124
RESEARCH METHODOLOGY.....	124
4.1. Approach to business research	124
4.2. Data collection	126
4.2.1. Questionnaires	127
4.2.2. Interviews.....	129
4.3. Sample	129
4.4. Research objectives and hypothesis	131
4.4.1. Independent variables.....	136
4.4.3. Control variables.....	137
Chapter V.....	140
RESULT ANALYSIS.....	140
5.1. Descriptive sample characteristics.....	141
5.2. Analytical approach and construct measurements	143
5.3. Analysis of the objectives and hypotheses	154

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

5.3.1. Analysis of objectives.....	154
5.3.2. Analysis of hypothesis	161
5.3.3. Summary.....	173
5.4. Interviews.....	174
5.4.1. Reflection of interview results	179
Chapter VI	181
Conclusions and recommendations.....	181
6.1. Managerial implications in the narrow sense.....	181
6.2. Strategic recommendations for Kosovo SME-s.....	181
6.3. General recommendations	182
6.4. Recommendations for managers and business leaders	183
Chapter VII	186
Summary and research direction.....	186
7.1. Summary of findings.....	186
7.2. Study Contributions.....	187
7.3. Limitations and further research.....	187
Bibliography.....	189
Appendix 1	205
QUESTIONNAIRE.....	205
Appendix2.....	210
INTERVIEW GUIDE OVERVIEW	210
Appendix 3.....	213
THE TABLES.....	213

Index of figures

Figure 1. Steps in designing an effective strategic control.....	56
Figure 2. Implementing strategy through organizational design.....	57
Figure 3. Performance management process.....	74
Figure 4. Performance cycle.....	90
Figure 5. KirkPatrick model.....	97
Figure 6. Major constrains for doing business percentage SME-s.....	116
Figure 7. The numer of new enterprises and those terminated by respective quarters.....	121
Figure 8. Share (%) of SME-s facing major problems with respective personel by size categories.....	123
Figure 9. Conceptual Framework on SHRM, Resource based view and organizational performance (Author’s Design).....	138

Index of tables

Table. 1. The attributes od resources and capabilities that lead to competitive advantage.....	20
Table.2. Differences between HRM and SHRM.....	46
Table.3. HR factors affecting organization learning.....	57
Table.4. Comparison of management by objectives performance appraisal and management....	82
Table.5 . Drive –objective.....	87
Table.6 Factor which impact organizational performance.....	98
Table.7. Compensation culture matrix.....	102
Table.8. Responsibilities in a performance appraisal system.....	107
Table.9. Obstacles to business.....	113
Table.10. Strategic orientation of SMEs: low costs vs. improving quality, by sectors.....	115
Table.11. Number of new enterprises by quarter 2012-2015, and section of economic activities.....	119
Table.12. Research objective.....	134

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Table.13. Percent of respodent’s age.....	141
Table.14. Respodents gender data.....	141
Table.15. Respodent level of education.....	142
Table.16. Current job level of respodents.....	142
Table 17. Number of employees on SME-s.....	142
Table.18. The repodents by sectors.....	143
Table.19. Role of SHRM on Organizational performance.....	143
Table.20. Participation in defining the business strategy.....	144
Table.21. Spending time in strategic isuess.....	145
Table.22. Participatin in business planning.....	146
Table. 23. Invovement of employees in team work.....	146
Table.24. HRD-explanation and implementation.....	148
Table.25. Performance appraisal enhances clarity in organization.....	150
Table.26. Significance of ranking in the performance	151
Table.27. Top management and periodic discussion.....	151
Table.28. Coefficients of significance of discussion and level of productivity.....	152
Table.29. Reward/Performance.....	152
Table.30. Interpersonal skills.....	153
Table.31. Innovative practice.....	154
Table.32. Level of productivity.....	155
Table.33. Growth rate and revenue.....	155
Table.34. Financial strength.....	156
Table.35. Market share.....	157
Table 36. Innovations.....	157
Table.37. Employee development.....	158
Table.38. Employeee satisfaction.....	159
Table.39. Customer satisfaction.....	159

Table.40. Engagement of employees in HR strategic issues.....	160
Table.41. Financial strength.....	161
Table.42. Anova analysis: Development of innovation practice.....	162
Table. 43. Coefficients innovation.....	162
Table.44. Coorrelation innovation.....	167
Table.45. Correlations training employee development... ..	165
Table.46. Patricipation in the process of defining business planning.....	166
Table.47. Aligining HR strategy and business strategy.....	166
Table.48. I participate in the process of defining business strategy.....	168
Table 49. Participating in businesss planning.....	168
Table.50. Performance appraisal enhanced clarity in organization.....	169
Table.51. Ranking and performance appraisal coefficients.....	170
Table.52. Coefficents-Reward and interpersonal skills.....	171
Table.53. Anova analysis and interpersonal skills.....	171
Table.54. Annova analysis: Reward, achievement employees satisfaction.....	172
Table.55. Anova –Involvement of employees-satisfaction.....	172
Table.56. Coeficient –employee satisfaction.....	173

Index of abbreviations

SHRM	Strategic Human Resource Management
HRM	Human Resource Management
HR	Human Resource
BSCK	Business Support Centre Kosovo
CBAK	Central Banking Authority of Kosovo
CBK	Central Bank of Kosovo
EU	European Union
FDI	Foreign Direct Investment
MEF	Ministry of Economy and Finance
MTI	Ministry of Trade and Industry
OECD	Organization for Economic Cooperation and Development
SME	Small and Medium Enterprises
TAK	Tax Authority of Kosovo
UNMIK	United Mission in Kosovo
RBV	Resource Based View
HP	High Performance
OP	Organizational Performance
HRD	Human Resource Department
TQM	Total Quality Management
CEO	Chef Executive Officer
L&D	Learning and Development

SHRD	Strategic Human Resource Development
OD	Organizational Development
LO	Learning Organization
PM	Performance Management
PP	Planning Performance
PA	Performance Appraisal
KRIs	Key Result Indicators
PIs	Performance Indicators
SMESA	Agency for SME Support
WB	World Bank
EZ	Economic Zone
KIESA	Kosovo Investment and Enterprise Support Agency
CEED	Center for entrepreneurship & Executive Development
ICK	Innovative Centre Kosovo
ARBK	Kosovo Business Registration Agency
CEFTA	Central European Free Trade
SAA	Stabilization and Association Agreement
KAS	Kosovo Agency of Statistics
KBRA	Kosovo Business Registration Agency
VAT	Value Added Tax

Abstract

This study investigated the impact of Strategic Human Resource management on the performance of small and medium enterprises in Kosovo. Many of those small and medium organizations encounter serious human resource problems. At the same time these human resources play a crucial role in developing and sustaining their competitive advantage.

This study extends the resource based view of the firm to give an overview of the importance and connections between resources and competition, explaining competitive advantage through human resource and organizational performance. Strategic human resource management is concerned with the creation of a linkage between the overall strategic goals of business and the human resource strategy and implementation.

Managing human resources is very challenging compared with other resources. Organizations need an effective HRM system. HRM practices refer to organizational activities and ensuring that the resources are engaged to fulfill organizational objective-goals. Performance management systems serve a strategic purpose because they link employees' activities with the organization's mission and goals.

The significance of this research and especially of the result gained from this research is to add value to the further development of the SME sector in Kosovo, to suggest specific knowledge in HRM and to enlighten the best practices of SME in Kosovo.

From an HRM perspective, the key argument is that the interaction of HRM practices at the organizational level, and employee attitudes at the individual level, is central to our understanding of the links between HR and performance (Paauwe, 2009).

The results obtained from the analysis showed that there is a strong positive correlation between strategic HRM and organizational performance in SMEs.

CHAPTER I

1. Introduction

“The word “Impossible” is not in my dictionary”

Napoleon Bonaparte

The purpose of this study is to determine the relationship between Strategic Human Resource Management (SHRM) practices and organizational performance. To achieve the main objective, the cross-section descriptive surveys are used to investigate 150 best performing SME-s, where human resource managers and employees answered questions about management practices and organizational performance. The data collected are analyzed and interpreted in line with the objectives of the study.

SHRM practices are based on the key functions: recruitment and selection, training and development, training effectiveness, employee relation practices, consultative performance appraisal, innovation practices and human resource planning. Organizational performance is conceptualized through performance indicators such as: level of productivity, operating efficiency, growth rate of revenues/sales/level of activity, financial strength, liquidity, reserves, borrowing capacity, market share, innovation (new quality standards, new products, process, managerial systems) employee satisfaction, customer satisfaction.

The findings revealed that SHRM practices based on the key functions are practiced in most of the SMEs that participated in the study, but the extent varied amongst the SMEs. The study analyzed the relationship between strategic human resource management practices and organizational performance, using Pearson moment correlation technique and regression. The results revealed a positive correlation ranging between 0.2 and 0.6, meaning that with the improvement in strategic human resource practices, organizational performance also increased. Thus, the findings support the resourced based view –universalistic perspective. Organizations must improve and increase their performance by reducing costs, innovating products and processes, and improving quality, productivity, developing their human resources, motivating them and achieving customer satisfaction.

1.1. Contribution

In line with the extant view from literature, this research predicts a direct effect on SME-s performance through the strategic alignment with human resources. Strategic alignment is important because it reflects the organization's capability to initiate the desired behavior of its human resources and to execute strategy at a process level (H.R.Chenhall, 2005).

The chosen theme is one of great interest because human resources remain the key in organizations. The human potential in the Republic of Kosovo has not yet been put into action and the malfunctioning state of these organizations show how management systems are lacking in their daily activities. It requires the identification of causes, especially in strategic human resource management, to ensure performance and highlight the scientific facts and arguments that increase the role of human resource management.

From a SME perspective the study of strategic human resource management is relevant for several reasons. First, SMEs in Kosovo prioritize their HRM problem. Second, HRM is one of the main interests of SMEs, because human resources play a vital role in developing and sustaining competitive advantage (Lado.A. and M.C.Wilson., 1994). Moreover, as a direct result of this specific work, each individual employee in these organizations represents a substantive part of the organizational workforce.

The theoretical research of organizations was designed and developed on the basis of specific objectives set for this study. Questions were raised regarding the key issues related to strategic human resource management, in order to increase the performance of national organizations.

To collect information through on-the- ground research we used a questionnaire. The sample for this research was made up of national organizations, small and medium, in the Republic of Kosovo.

Starting from scientific theory and the need to achieve optimum results in finding the relationship between strategic human resource activities and organizational performance, we focused on specific objectives and hypotheses.

1.2. Problem statement

A major challenge for SHRM is to establish a clear, coherent and consistent construct for organizational performance. This research will primarily focus on presenting the overview of strategic and human resource practice in the SME sector in general, and specifically for Kosovo SMEs. The developed opinions support the facts that SMEs in Kosovo are still in the initial stages of developing sustainable and modern policies and strategies in developing human capacities, which would result in growth and social development. Kosovo has enormous potential for organizational development. The fact is that SMEs in Kosovo are not using their human resources and management to pay full attention to the organization's most valued assets. The first condition for improving the organizational performance in business is to recognize the role of human resources and to adapt appropriate strategies.

1.3. Research objectives and hypothesis

The aim of this research is to give a modest contribution on the contemporary challenge of theory development and to contribute to the field by investigating the strategic human resource aspects of entrepreneurial activity in Kosovo. The central research question addressed in this dissertation is: ***What can we learn and improve upon from the entrepreneurial strategic human resource management practices of Kosovo SMEs and what are the implications in organizational performance?***

The main objective of this research consists in *identifying managerial strategies which contribute to the improvement of organizational performance, and the extent to which they are used in managerial practice.*

The specific objectives, derived from the main objective, are defined at the theoretical level as well as applicative level:

At the theoretical level, through research we will try to:

- To determine the level of influence and commitment of SMEs in the adoption of strategic human resource management practices.

- To analyze the activities of human resource management which are influenced and in turn influence the process of performance assessment.
- To establish the moderating effect of a resource based approach on the relationship between strategic human resource management and organizational performance of SMEs in Kosovo.

At an application level, through research we will try to:

- Analyze the characteristics of the assessment process in SMEs in Kosovo that have been studied.
- Validate the quantitative analysis instruments, applied questionnaires and interviews.
- Identify the existing differences between the perception of managers and employees regarding ways to improve performance.
- Identify the connections between the education level (training) of employees and the preference for certain strategies for the improvement of their own performance.
- Identify the causes which lead to a decrease in organizational performance and the improvement measures taken by managers.

The aim of study will be tested through one main hypothesis and the five sub-hypotheses:

H0: *Is the strategic human resource management and organizational performance of SMEs positively correlated?*

H1: *Strategic HRM has a positive effect on workforce innovation.*

H2: *There is a significant impact of HR development on organizational performance.*

H3: *Employee empowerment has a positive effect on organizational performance.*

H4: *The best practices of HRM will have a positive impact on organizational performance.*

H5: *Employee satisfaction is correlated with job involvement and job performance.*

The study will use descriptive design to support results from the questionnaire and interviews. The method of research will be quantitative and qualitative. The purpose for using descriptive surveys is to collect detailed and factual information that describes an existing phenomenon.

In order to reach the main objective formulated previously, the research paradigm will be quantitative; the questionnaires are created separately for two target groups. One of the questionnaires addresses the leading staff, the managers and the other questionnaire the employees, in order to capture their perspective regarding various characteristics of the assessment process taking place within the firm and the ways to improve their own performance at the work place. The objective of the research, will examine the correlation between HR capabilities and organizational performance; it will also examine the correlation between HR innovation strategy and organizational performance. Every variable is described in order to make up a relationship with the hypothesis. For example, training is directly related with the positive change in organizational performance.

1.4. Importance of the study

This study is significant for a number of reasons. Kosovo companies are perceived to have a cheap and dispensable labor supply. However, increases in the local standard of living and the increasing minimum wage mean a more expensive and less dispensable labor source. So far, the link between strategy and human resource management in Kosovo appears to have excited little interest from researchers. It seems pertinent to question if western practices or models are being applied in the Kosovo business context and if so, whether such practices are transferable and appropriate in such a different political, economic, cultural and social setting. It would also open up new opportunities to increase the performance of other SMEs that have not embraced strategic human resource management.

This study aims to give an insight into the role of SHRM in enhancing the performance of an organization. Understanding the role human resources play in Kosovo organizations will allow a much greater understanding of the factors influencing the success of strategic human resource formulation and implementation. The growth in competition, liberalization of the economy and environmental changes place additional challenges on SMEs.

It is important to know whether western models may be adapted or applied within the Kosovo context, or indeed if they are even being adopted. If they are not, there is also a possibility that Kosovo organizations have been developing and implementing their own strategic human resource models. Understanding which factors is being utilized offers not only a significant contribution to our knowledge of the strategy human resource link, but will also have significant implications for SHRM practice in the Republic of Kosovo.

This study presents a model that shows how the HRM systems enhance organizational performance and presents how organizational performance can be measured in different organizations. The research questions are critically important for human resource practitioners. They can provide a better understanding of how each HRM practice can be used in order to construct competitive HRM systems that can improve organizational performance. In terms of theory, this study is expected to provide partial, but significant, empirical evidence for the extant theory of the strategic human resource management field based on rigorous examinations of human resource characteristics between HRM policies and practices and organizational performance.

The determination to obtain the primary data for this research on SMEs in Republic of Kosovo has a specific importance. There is lack of theoretically grounded understanding of the strategies underlying organization success. SMEs in Kosovo are the main generator of economic revival in the post war period. The majority of enterprises are SMEs and they account for a high proportion of created jobs.

Studies from developed and developing countries have examined the concept of strategic human resource management in the context of SMEs and findings generally suggest that they have emerged into critical components for increasing SME performance.

From a practical point of view, the importance of the chosen theme is to draw conclusions and suggestions in order to clarify and broaden the theoretical aspect of human resource management, as well as of managerial structure within Kosovo SMEs.

1.5. Outline of this research

Based on these contributions and the underlying research questions, the structure of this research study is outlined in the following:

Chapter I – The introductory chapter comprises the background of the study, the statement of the problem, research questions and hypothesis. This chapter argues that Kosovo has faced specific conditions in the context of transition economies. It also covers the significance of the study and the sequential arrangement of the study.

Chapter II- Literature review –The first section will represent a general insight into the definition of Strategic Human Resources Management: strategy, human resource management and the evolution of strategic human resources management. The study will show human resources role as strategic partner. It will also show the impact of human resource management practice on organizational performance and modern indicators of human resources performance.

The context in which human resources are being discussed and identified are the key elements of the concept and the link to other complementary forms of resources: notably intellectual, social, and organizational. The link between human resource and organizational performance is based on a resource based view (RBV), of the model that sees resources as a key to superior organizational performance, as an approach to achieve competitive advantage.

The case is examined for human resources to make an impact on organizational performance. Evidence is growing for this concept. Mechanisms are also explored for measuring human resource performance.

The second section focuses the definition of performance management, performance management as a process, the roles of performance management, concerns, performance appraisal, performance measure and assessment, review of the performance process and rewards. This chapter extends the discussion with the theoretical exploration of entrepreneurship, focusing on the determinants of strategic human resource management and characteristics of performance management of entrepreneurs in Kosovo.

Chapter III- continues the discussion with an overview of entrepreneurship and SME development in Kosovo after the post conflict period, the business environment and cultural characteristics regarding the business environment. It includes descriptions of Kosovo during the transition period, specifying economic and political features and the various challenges it faces.

*Chapter IV-*This chapter will present the research methodology followed by the data analysis and sample of the study which covers the 150 best performing SMEs in Kosovo, in different sectors.

*Chapter V-*This chapter introduces research questions and hypotheses to be tested, verified, and responded to through research questions. This chapter describes the methods and techniques used to gather the information to analyze and test the formulated hypotheses.

This chapter presents the research data from the survey as well as the interviews conducted in the best performing SME-s in Kosovo. This research study has used the statistical methods of regression and Pearson correlation coefficient to find the correlation between organizational performance elements and SHRM in Kosovo organizations.

Chapter VI – This chapter uses the findings to present recommendations for practitioners. Managerial implications are provided based on the quantitative evidence of the study.

The most common question of practitioners is addressed: How can SMEs adopt measures with regards to their requirements? The concrete steps are outlined to help SMEs identify relevant measures and integrate them into managerial process.

Chapter VII - Finally this chapter unites the findings of the study and answers research questions. It closes with a discussion of limitations and outlook for further research.

Chapter II

2. LITERATURE REVIEW

2.1. Strategic Human Resources Management

In a knowledge-based economy, the variety of globalized forces and technological disruptions are causing a rethink in the way SMEs do business and remain profitable (Valerij Dermol Anna Rakowska, 2014).

Strategic Human Resource Management (SHRM) is an approach that defines how an organization's goals will be achieved through HR strategies and integrated HR policies and practices(Armstrong M. , 2008). SHRM emphasizes the need for HR plans and strategies to be formulated within the context of overall organizational strategies and objectives, and to be responsive to the changing nature of the organizational external "environment" (i.e. its competitors, national and international arenas)(Alan Nankervis, Robert Compton, Marian Bird, Jean Coffey, 2011).

SHRM can be regarded as a mindset underpinned by certain concepts rather than a set of techniques (Armstrong M. , 2008). SHRM is not just about strategic planning: it is concerned with the implementation of strategy and the strategic behavior of HR specialists working with their line management colleagues daily to ensure that the business goals of the organization are achieved and its values are put into practice(Armstrong M. , 2008).

SHRM is largely about integration and adaption, it ensures that:

- 1) Human Resources (HR) management is fully integrated with the strategic needs of the firm.
- 2) HR policies cohere both across policy and across hierarchies and
- 3) HR practices are adjusted, accepted and used by line managers and employees as a part of their everyday work (Randall, 1992).

The fundamental aim of SHRM is to generate organizational capability by ensuring that an organization has the skilled, engaged, committed and well-motivated employees it needs to achieve sustained competitive advantage (Armstrong, Michael, 2010).

SHRM has three main objectives: First, to achieve integration-vertical alignment of HR strategies with business strategies and the horizontal integration of HR Strategies. The second, to provide a sense of direction in a turbulent environment so that the business needs of the organizations and the individual and collective needs of its employees can be met by the development and implementation of coherent and practical HR policies and programs. The third is to contribute to the formulation of business strategy by drawing attention to the ways in which business can capitalize on advantages provided by the strength of human resources (Armstrong, Michael, 2010).

To be successful, organizations must align their human resource strategies and objectives with environmental opportunities and business strategies. When strategic human resource planning is done correctly it provides both direct and indirect benefits for the organization.

Organizations in contemporary environments are faced with much more complex, competitive and challenging business environment. In this complexity many of these challenges directly target human resources in an organization.

According to Dana, (Robinson G. Dana., 2005), facing this complexity has implications for HR functions. Leadership must consider the following:

- Organizations must retain and optimize talent. The goal is to have the right person in the right job at the right time, and to act globally.
- Successfully managing organizational change is a key factor for a good performance in business. The human part of the organization knows how to integrate change successfully in an organization.

The organization should not follow just one methodology it should create conditions that will fit its needs and achieve their own objectives. Human resource management has to make the right steps that will support strategic business objectives.

SHRM covers organizational effectiveness, competitive advantage and organizational performance. The concept of competitive advantage is central to business around the world. According to Siedel et.al, (George Siedel and Helena Haapio., 2011) “Your goal in business is to gain an advantage over your competitor.”

Top management must incorporate employees into an organization's plans; integrate them into a business strategy, to define growth conditions and alignments in Human Resources.

Zeqiri, (Izet Zeqiri., 2006), has pointed out that many authors have made various studies on the role, importance and value of strategic management as a proactive process of realizing the goals of anticipated environmental conditions. The author reflects on the role and importance of the strategic management:

- It provides all employees with a clear concept of what the organization strives to achieve.
- Helps management to isolate those elements of the environment that are relevant to the organization.
- Helps to build organizational unity, because all employees at all levels have similar concepts of what the organization is, what is important and what is not.
- Enables the organization to be proactive and not reactive, by observing the changes in its surroundings.

The author emphasizes the importance of the analysis of each element in the strategic management process. For example changing technological factors will affect the mission of the organization.

The author's work also indicated that the teams need to be supplied with a clear mission and vision. A company vision has been described as a way to make concrete aims, to provide a road map for the future and a framework for future development. An organization's vision is important in human resource development because it allows people on all organizational levels to identify what is important.

According to Hill et.al, (Charles W. Hill & Gareth R. Jones., 1998), the mission sets out why the organization exists and what it should be doing. The authors explain that the meaning of the mission helps to clarify what the organization hopes to fulfill in the medium to long term.

Strategic management is defined as the summation of the decisions and action that belong to the formulation and implementation of the strategies to achieve the organizational goals.(Izet Zeqiri., 2006). Human resource development in personnel depends on what people think is important for management of organization. The implementation of the vision is planned in the strategy.

2.2. Approaches to Strategic Human Resource Management

There are five approaches to strategic human resource management according to Armstrong, these consist of:

1. Resource –based view
2. Achieving strategic fit
3. High-performance management
4. High-commitment management and
5. High-involvement management (Armstrong Michael, 2006).

2.2.1. Resource-based theory

This study extends the resource based view of the organization to give an overview of the importance and connections between resources and competition. It explains competitive advantage through human resource and organizational performance. The Resource- based view Ability, Motivation and Opportunity theory appear to be the most popular theories applied in studies that link human resource management (HRM) and organizational performance(Jaap Paauwe and Paul Boselie., 2005.). The resource- based theory (Barney, 1991, 1995) is accepted overall as background for understanding the relationship between SHRM and organizational performance. This theory argues that human resources are one of the organization’s resources; a subset enables them to achieve a competitive advantage and leads to better long term organizational performance (Barney J. , 1995). Organization and competition are clearly important in shaping strategy and organizational performance, the resourced- based view theory is based on the notion that an organization’s HRM system can be used as a source of competitive advantage.

A resourced -based view is a dominant contemporary approach to the analysis of sustained competitive advantage and organizational performance in terms of the business environment in Kosovo.

The resourced- based view emphasizes the organization’s resources as the fundamental determinants of competitive advantage and organizational performance. The main premise of the resource- based view addresses the question of why organizations are different and how

organizations achieve and sustain competitive advantage by deploying their resources. At the micro level, resourced-based theory points to human capital as a major source for sustained competitive advantage for small and medium enterprises.

Organizations in the knowledge-based economy have many challenges in meeting the demand for trained employees. Because of these challenges, managing human resources is more important than ever. Research focusing on knowledge intensive organizations and professionals observed that these individuals bring unique and heterogeneous skills to their organization, and a major task of the organizations is developing, sustaining, coordinating and leveraging these skills.(Amy Edmondson and Bertrand Moingeon., 1996).

Researchers, both academics and practitioner-managers, have pretended to understand the factors that have determined the performance of the organization for many years.

Resource- based theory expressed as the resource- based view states that competitive advantage is achieved if organizations' resources are valuable, rare and costly to imitate. It is claimed that HRM can play a major part in ensuring that a firm's human resources meet these criteria (Michael Armstrong & Stephen Taylor, 2014).

The resource-based view is founded on the ideas of Penrose. A firm is an administrative organization and collection of productive resources. Penrose saw resources as a bundle of potential services. Penrose saw organizations as having a heterogenous set of resources both physical and human. (Penrose .E, 1959). Penrose's (1959) Theory has become the basis for the resource- based view and was adapted later by strategic management scholars such as Werner felt (1984), Barney (1986, 1991) and others (Besnik A. Krasniqi., 2012). Krasniqi highlighted Penrose's (1959) theory of the firm growth which postulates that the expansion of the firm is primarily determined by the availability of the firm's knowledge. Organizations can achieve this growth by accumulating knowledge in two ways: By learning to use the existing knowledge within the organization more efficiently or alternatively by opening productive opportunities or the creation of new knowledge from external sources. But it is conditional upon the internal absorption capacities of organizations. The author pointed out that according to Penrose's view, organizations engaged in the same type of activities, using the same equipment and number of staff, will have a different output level depending on their unique teamwork, knowledge and experiences. However, the management has

an important role in creating a sustainable competitive advantage such as: low prices, better services, innovation, better capital equipment, skills of employees etc. In addition, another author, (Besnik A. Krasniqi., 2012) presents the view of Sidneyet.al, (Sidney G. Winter., 2003), (Ruiz-Ortega. J. M & Garcia-Vilavarde.M.P., 2008), that an organization's performance depends not only on specific resources developed but also on the ability to readjust their resources portfolio in response to rapid changes.

The resource- based view (RBV) has proven to be an influential and useful analytical structure in many strategic issues (Foss N J & T. Knudsen., 2000). Resources were defined as “anything that has an enabling capacity” (Hunt S, 1991). Three basic types of resources can provide competitive advantage (Barney J. , 1991):

- Physical capital resources-including organization equipment and finances.
- Organizational resources consist of the structure of organization, planning, and control and human resources systems.
- Human resources capital include: skills, judgment, and intelligence of the organization's employees.

(Barney J. , 1991), argued that sustained competitive advantage is achieved not through an analysis of an organization's external market position but through a careful analysis of its skills and capabilities, characteristics that competitors find themselves unable to imitate. Barney's conception of the resources of an organization is widely drawn to include all of its strategic assets, these include its organizational attributes, capabilities, knowledge and the processes that it uses to make and implement strategy (Millmore, Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow., 2007). Barney identifies three categories of resources:

- Physical
- Human
- Organizational (structure and systems for planning, coordinating and controlling).

In the table below are the attributes of resources and capabilities that lead to competitive advantage, developed from Barney 1991, 1995.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Valuable	Resources and capabilities that allow an organization to develop strategies to exploit available opportunities and neutralize evident threats will be valuable. Valuable resources and capabilities provide the basis for competitive advantage.
Rare	Resources and capabilities also need to be rare or unique to a particular organization, in order to create situation of competitive advantage. Commonly available resources and capabilities that are valuable may help an organization survive but will not ensure competitive advantage.
Inimitable	Resources and capabilities that are valuable and rare are likely to lead to competitive advantage. Such an advantage will be eroded where other imitate or copy those resources and capabilities. For this advantage to be sustained these resources and capabilities will need to be inimitable-that is they cannot be imitated or copied. Such resources and capabilities are then labeled imperfectly imitable- they cannot be copied successfully.
Non-substitutable	An alternative means to challenge an organization's competitive advantage where its resources and capabilities remain inimitable would be to use an alternative approach to implement the same strategy, where this is possible. Where inimitable resources and capabilities can be substituted that will allow a competitor to challenge an organizations competitive advantage, ether completely or partially depending on the nature of the substitutability of this alternative approach.
Effectively organized	In addition to possessing valuable, rare, inimitable and non-substitutable resources and capabilities, an organization will need to be effectively organized to realize its potential competitive advantage and sustain this.

Sources: (Millmore, Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow., 2007) developed from Barney 1991, 1995.

Table 1. The attributes of resources and capabilities that lead to competitive advantage

The basic logic of the RBV starts with the assumption that an organization has a unique resource (Barney J. B., 1997), and management has an important role in creating a sustainable competitive advantage and improving performance based on distinctive competencies.

In terms of a simple SWOT analysis, the resourced- based perspective emphasizes the strategic importance of exploiting internal strength and neutralizing internal weaknesses.

Barney argues that four characteristics of resources and capabilities: value, rarity, inimitability. Effective organization and Non-substitutability are important in sustaining a competitive advantage. From this perspective collective learning in the work place for both managers and non-managers is a strategic asset.

Because of its recognition of the potential for the human resources of an organization to provide better organizational performance, many authors applied RBV to understand the role of human resources in organizations. Wright, McMahan, and McWilliams, used the RBV framework to examine how an organization's human resources can be sources of sustainable competitive advantage and organizational performance (Wright, P., McMahan, G., McWilliams, A, 1994).

The resource- based approach stresses the need for a specific HRM strategy which seeks to achieve competitive advantage by increasing the commitment and competence of the workforce. The resource- based view of strategy regards resources and capabilities as the main source of competitive advantage; organizations need to focus on what they are good at as a means of differentiating themselves from their competition. Their human assets improve organizational performance (Rainer Feurer., 1995).

The strategic HR function is connected to the resourced based view theory. It can be argued that competitive advantage can be achieved through creating and developing core competencies that are better than rivals. The central proposition of the RBV is that organizations are heterogeneous in terms of strategic resources they own and control. Resources have been classified as: Tangible (financial or physical), or intangible (employees knowledge, experience, skills, reputation).

The RBV of the firm shares important characteristic with industry analysis. It puts capabilities and resources at the center of organization's competitive position. Management must take all necessary steps to ensure that all employees understand the organization's chosen mission and vision. When this is successfully done, everyone will be able to reflect upon their decisions and take responsibility.

Organizations gain competitive advantage by adapting faster to change that occurs in their environment. This requires planning long term organizational flexibility and innovation, which

comes from people who work in the organization, its human resources. There is a need to think and develop a set of activities that connect to HR practices on the strategic level.

HRM is a strategic process because the management of human resources plays a decisive role in determining the future success or failure of employee and organizational performance. The HR strategy has to be aligned with the organizational strategy. Contemporary strategic HRM trends suggest that: first, there is a strong relationship between HR systems and organizational performance. Second, strategic HRM is more likely to be adopted in privately owned organizations rather than state owned.

Mintzberg (Henry Mintzberg., 1998)asked how can an organization know which resources are strategic? Meaning how do they know which resource offers the greatest sustained benefits in the face of competition.

Therefore the RBV highlights strategic choice, loading the management with the important tasks of identifying, developing and deploying key resources to maximize organizational performance.

Resource -based view theory was analyzed because of its recognition of an internal resource as a potential source for achieving competitive advantage and better organizational performance. Kosovo SMEs and their management teams need deeper analysis regarding their internal resources, in particular human resources.

Competitive advantage is obtained if an organization can develop HR that enables it to learn faster and to apply its learning more effectively than its rivals.

2.2.2. Strategic fit

The HR strategy needs to be aligned to the business strategy. HR strategy as a part of the business strategy will contribute to business planning. Strategic fit expresses the degree to which an organization matches the resources and capabilities with the opportunities in the external environment. As explained by (Wright, PM &McMahan, GC, 1992), strategic fit refers to the two dimensions that distinguish strategic HRM:

1. Vertically, it entails the linking of HRM practices with the strategic management process of the organization. Activities range from attracting high quality employees, placing them in

appropriate positions, training them, and motivating them to devote more energy to organizational goals.

2. Horizontally, it emphasizes the coordination among the various human resource management practices.
 - (Armstrong M. , 2011), confirmed that strategic fit is fundamental to SHRM: The primary role of strategic HRM should promote a fit with the demands of a competitive environment (Wright and Snell, 1998: 758).
 - By strategic we mean that HR activities should be systematically designed and intentionally linked to an analysis of the business and its context (Schuler et al, 2001).
 - The skills and behaviors of employees must fit the strategic needs of the firm in order for the workforce to be a source of competitive advantage (Allen and Wright, 2007).
 - The central premise of SHRM theory is that successful organizational performance depends on a close fit or alignment between business and the human resource strategy (Batt, 2007).
 - Shuler, (1992), stated that SHRM is largely about integration and adaption. Its concern is to ensure that:
 - a) HRM is fully integrated with strategy and strategic needs of the firm.
 - b) HR policies cohere both across policy areas and across hierarchies.
 - c) HR practices are adjusted, accepted and used by line managers and employees as part of their daily work.

The aim is to achieve a coherent approach to managing people in which the various practices are mutually supportive (Michael Armstrong, 2006).

Strategic fit is related to the RBV of the firm which suggests that the key to profitability is, not only through positioning and industry selection, but rather through internal focus which seeks to utilize the unique characteristics of the organization's resources and capabilities. Most important human resource strategies improve organizational performance and increase the effectiveness and efficiency of management activities.

Strategic coordination between human resource strategies with organizational strategy is not easy to achieve:

1. The variety of processes, levels and styles of strategic planning.
2. The complexity of strategic planning: designing and implementation as a complex process that is strong influenced by environmental factor.
3. The nature of strategy development; human resource strategy must constantly evolve.
4. Lack of strategies.
5. Qualitative nature of human resource issues, such as the allocation of resources and skill or qualitative issues such as commitment, motivation.
6. Integration with what? The concept of SHRM means that human resource strategy must be integrated into the company's strategy.(Hossein Janatifar et al., 2014).

The positive performance impact of an alignment between the environment and strategy of a business is an important theoretical proposition in strategic management (Vankatraman N, Prescott J, 1990). The life and success of an individual depends on his/her innate capability to cope with the environment and the survival and success of a business depends on its innate strength to adapt to the environment (Baisya, 2010). Baisya argued that organizations need to carefully consider the environment as it will have an impact on their performance. Environmental factors greatly influence an organization's strategic direction.

(Corinna M Lindow., 2013), expressed that strategic fit can be viewed from a contingency or a configurationally theoretical perspective; both theories represent an oppositional school to the universalistic school. Those theories assume that it is possible to identify factors that will to some degree determine organizational performance.

2.2.3. High-performance management

Managing employee performance is a key part of the effective leadership of organization. Managers who engage in effective performance management achieve better business results compared with those who do not. In high performance organizations managers behave with integrity, show commitment, enthusiasm and respect. In those organizations they have an open culture. This area is very important for high organizational performance. Management values the opinion of employees and involves them in organizational processes. Making mistakes creates an opportunity to learn and develop new ideas aimed at increasing performance.

The effective manager therefore balances the need for activity and achieving objectives with the need to create an effective team and the need to build the confidence and competence of each employee in the team (Sarah Cook., 2009). Cook proves that a good manager is focused on creating a high performance team who are motivated and committed to achieving organizational objectives and in order to do this he or she will:

- Establish and communicate team goals.
- Agree ground rules for working together as a team.
- Ensure the correct balance and composition of the team.
- Help team members to get to know each other and the strength they bring to the team.
- Establish clear roles and responsibilities.
- Consult with the team, listen and act on ideas for improvement.
- Anticipate and resolve conflict and disagreement.
- Facilitate and ensure effective communication both within and outside the team.
- Identify and meet development needs.
- Review the overall progress of the team and recognize success.

High-performance management aims to make an impact on the performance of the organization through its people in such areas as productivity, quality, and levels of customer service, growth and the delivery of increased shareholder value. High-performance management practices include rigorous recruitment, selection procedures, relevant training, management development activities, incentive pay systems and performance management processes (Michael Armstrong, 2006).

High performance organizations grow through partnerships with suppliers and customers. They create a safe and secure workplace. The organization continuously improves, simplifies and aligns its processes and develops new products and services, thereby creating sources of competitive advantage to respond to market changes.

A high performance organization gathers a diverse and complementary management team and a flexible workforce. Employees are encouraged to develop their skills to accomplish results and are held responsible for their performance. As a result creativity increases leading to better results.

Analyses have shown that several characteristics have a direct relation on performance management:

- The organization is performance driven.
- Management focuses on achieving results.
- Everything that is connected to the organization's performance is reported.
- Management plays the coach's role and inspires organization members to achieve the planned objectives.

Theoretically and practically a correlation between performance management and a high performance organization can be expected. The high performance factor workforce feels responsible for their results. Another high performance factor is openness and action orientation. Employees spend a lot of time on dialogue, knowledge exchange and learning in order to make the organization more successful. When performance management is implemented correctly with the specific objectives tied to the strategic and operational plan, organizational performance will be successful. Employees that achieve organizational goals are rewarded with favorable reviews and bonuses in line with their performance and contribution to the organization.

2.3. Human resource management defined

The professional world has become increasingly demanding and turbulent (Burke Ranold J. and Cooper, 2006). Ulrich (1997) lists eight major challenges facing organizations: globalization, responsiveness to customers, increasing revenue and decreasing costs, building organizational capability, change and transformation, implementing technology, attracting and developing human capital and implementing change.

HRM is the process an organization uses to manage people in order to achieve its goals. Management involves achieving organizational objectives. Achieving results is important, but the means must never violate people's dignity (Vinod N. Patel., 2007). The author goes further with this concept of individual dignity meaning that people must be treated with respect, no matter what their position in the organization.

Juran et.al, (Joseph M. Juran & Blanton Godfrey., 1998), defines human resource as a collection of people, associated networks and structures which work together to make a collective contribution to quality.

The objective of any human resource department is to make sure the organization has and retains employees with the skills to accomplish the organization's goals. HRM as the combination of strategic workforce oriented policies, procedures and processes that effectively manage an organization's human assets and relationships to provide a positive impact on organizational performance goals while integrating individual and organizational goals (Ashok Chanda. Jie Shen., 2009). This definition recognizes both the functional and strategic role of the HRM.

HRM is defined as a strategic and coherent approach to the management of an organization's most valued assets –the people working there, who individually and collectively contribute to the achievement of its objective (Armstrong M. , 2008).

Human resource management can be described as “the work of management and people toward desired ends”. (Boxall, P F, Purcell, J and Wright, P, 2007).

HRM is focused on resources, driven mainly by management's need to provide necessary human resources to the organization. (Izet Zeqiri., 2006).

The policy goals for HRM have been identified by (Caldwell, 2004):

1. Managing people as assets that are fundamental to the competitive advantage of the organization;
2. Aligning HRM policies with business policies and corporate strategy;
3. Developing a close fit of HR policies, procedures and systems with one another;
4. Creating a flatter and more flexible organization capable of responding more quickly to change;
5. Encouraging team work and cooperation across internal organizational boundaries;
6. Creating a strong customer-first philosophy throughout the organization;
7. Empowering employees to manage their own self development and learning;
8. Developing a reward strategy designed to support a performance –driven culture;
9. Improving employee involvement through better internal communication;
10. Building greater employee commitment to the organization;
11. Increasing line management responsibility for HR policies;
12. Developing the facilitating role of managers as enablers.(Armstrong M. , 2008)

HRM operates through human resource systems that are brought together in a coherent way:

- HR philosophies describing the overarching values and guiding principles adopted in managing people.
- HR strategies defining the direction in which HRM intends to go.
- HR policies, which are the guidelines defining how these values, principles and the strategies should be applied and implemented in specific areas of HRM.
- HR processes consisting of formal procedures and methods used to put HR strategic plans and policies into effect.
- HR practices comprising informal approaches used in managing people.
- HR programmes, which enable HR strategies, policies and practices to be implemented according to plan.(Armstrong, Michael, 2006).

In management terms, “human capital” refers to the traits that people bring to the work-place intelligence, aptitude, commitment, tacit knowledge and skills, and the ability to learn (John Bratton, Jeff Gold, 2012).

Human capital covers the knowledge, skills and experience of a member of an organization. The main question is: Do we have the right employee? And what is the plan to develop them for future success?

HRM is the management of people and its purpose is to get the best effort from the labor resource of an organization.

The concept of HRM according to Martin et al, (Martin & Bach, 2013) basically contains three elements that refer to successful employee management: The first is human; HRM is mainly about people at work. The second is the assumption that workers can be powerful sources of success. The third is that worker attitudes and behaviors can be influenced and affected by managerial interventions.

Robinson (Robinson G. Dana., 2005), describes the role of strategic business partners which play a human resource function:

- Partner with middle and senior level managers, developing a deep knowledge of business requirements; a strategic business partner develops access, credibility and trust with these leaders.
- Identify and partner with their clients to support strategic projects that directly address business needs.
- By performing the two accountabilities effectively some strategic business partners will earn the right to sit “at the table” with their clients.

They also describe the four concepts that are relevant to a strategic business partner:

1. HR functions support three kind of work: transactional, tactical, and strategic.
2. The Need Hierarchy is the key tool for a strategic business partner to define and align these needs.
3. Translating business needs into human performance requirements and initiatives.
4. Identifying the true client. Using appropriate criteria to determine the specific individuals with whom to partner is critical.

Machado&Melo (2014) said that Boselie et al. (2005) reviewed 104 articles linking HRM practices and organizational performance. The top four practices included in these studies were:

- Training
- Contingent pay and reward
- Performance appraisal.
- Recruitment and selection.

Major HRM functions include the attraction and retention of talent, training and development of employees including: competency development, employee's growth and promotion, performance and potential appraisal, various mechanisms, compensation and reward management, employee database, retrieval and social security management, health safety and welfare management and internal communication (Ashok Chanda. Jie Shen., 2009).

HRM responsibilities:

- Staffing- making sure you have the right number of people with the right type of skills to achieve the goals of organization.
- Human resource development- developing your employee to maximize their effectiveness.
- Compensation and benefits-HRD is responsible for designing an organization's compensation system.
- Employee relations-build direct communication channels and support quick information flow.
- Safety-employers have to provide a safe work environment.

In these studies a wide range of performance variables were considered such as: sales growth, productivity, innovative capacity, entrepreneurial behavior, job quality, employee commitment.

French industrialist Henri Fayol wrote that all managers perform five management functions: planning, organizing, commanding, coordinating, and controlling (Stephen P. Robbins, Timothy A. Judge, 2013). So if we ask: What do managers do? The answer is that they plan, organize, lead, and control.

Functions of HRM such as recruitment and selection, performance, rewards and training have been considered strategic because they are theoretically or empirically related to overall organizational performance (John E. Delery ., 1996).

Human Resource Management activities aim to achieve two sets of objectives: (J. Bratton and Gold, 1999)

- Improve employee performance and
- Enhance organizational effectiveness.

The strategic objective of HRM is translated into the capacity of organizational functions to attract, retain, and develop human resources to ensure the efficient and effective materialization of organizational vision and goals (Valerij Dermol Anna Rakowska, 2014).

Without effectiveness there is no performance, no matter how much intelligence and knowledge goes into the work, no matter how many hours it takes (Drucker, 2002). The author explains the means of effectiveness throughout an organization. Effectiveness of the individual depends increasingly on his or her ability to be productive in an organization. The effectiveness of a modern society and its ability to perform perhaps even its ability to survive depends increasingly on the effectiveness of the people who work as executives in the organization. In the same book Drucker concludes that an effective executive is fast becoming a key resource for society, and effectiveness as an executive is a prime requirement for individual accomplishment and achievement.

(Drucker, 2002), explains that intelligence, imagination, and knowledge are essential resources, but only effectiveness converts them into results. Who is an executive?- Drucker uses the definition that every knowledge worker in modern organization is an executive, if by virtue of his position or knowledge, he or she is responsible for a contribution to perform and to obtain results.

There are essentially five practices- five habits of mind that have to be acquired to be an effective executive:

1. Effective executives know where their time goes. They work systematically at managing their time
2. Effective executives focus on outward contributions. They gear their efforts to results rather than to work. They start out with the question, “What results are expected of me?”, rather than with the work to be done, let alone with its techniques and tools.

3. Effective executives build on strength-their own strength, the strength of their superiors, colleagues, and subordinates and on strengths in the situation, that is, on what they can do. They do not build on weakness.
4. Effective executives concentrate on the few major areas where superior performance will produce outstanding results. They focus on setting priorities and sticking with their chief decisions.
5. Effective executives finally make effective decisions. They know that this is systemic. They know that an effective decision is always a judgment based on dissenting opinions rather than on consensus. And they know that to make many decisions fast means making wrong decisions. What are needed are a few but fundamental decisions. What is needed is the right strategy rather than razzle-dazzle tactics.

The aim of this study is to increase understanding of HRM practices within SMEs in Kosovo. SME sized enterprises differ from each other in their application of HRM practices. The impact of HRM practices is important in organizational performance. Maintaining the competitive advantage based on human resources requires management that makes these resources stay competitive, difficult to imitate and to substitute.

2.3.1. Characteristics of HRM

HRM doesn't have universal characteristics. Many models exist and practices in different organization are diverse. Boxall *et. al* remarks: HRM covers a vast array of activities and shows a huge range of variations across occupations, organization level, business units, firms, industries and societies (Boxall, P F., Purcell, J and Wrigt, P, 2007).

There no best way to manage people and no manager has formulated how people can be best managed because it is not straightforward (Senyucel, 2009).

Managers are in charge of others and are responsible for the correct execution of action which serves to obtain the objective and achieve successful performance. Managers get things done through other people, make decisions, allocate the resources and direct others to obtain goals.

Employees in the organization can be differentiated as a line employee or staff. A Line employee is directly involved in production or delivering their services.

Human resources can effect an organization's competitive position by improving quality, reducing and controlling costs, and creating the distinctive capabilities.

The authors (Alan Waiss and Nancy MacKay ., 2009) try to answer the question: What do we hear from CEOs searching for top talent?

- Employees are our biggest source of competitive advantage;
- Finding and grooming talented people is our biggest challenge;
- We have all the top talent in our industry;
- We don't have enough internal people to grow the business;

They argued that strong people are confident enough to surround themselves with strong people, and weak people surround themselves with weak people.

At the same time, global capital markets are pressuring organizations to innovate and reduce cost, all those trends are pushing organizations to manage their assets as effectively as possible especially their human assets (Wright, 2008).

To improve quality, many organizations have implemented the total quality management (TQM). Total Quality Management is designed to improve quality of all processes in the organization.

Juran et. al (Joseph M. Juran & Blanton Godfrey., 1998), highlighted employee empowerment as an advanced form of employee involvement. An empowered employee has the knowledge, skills, authority, and desire to decide and act within prescribed limits; they take responsibility for the consequences of their actions and for their contribution to the success of the organization. In empowered organizations, the authors explain, that employees take action to respond to the needs and opportunities they face every day regarding: customer satisfaction, safe operations, quality and value of products and services, environmental protection, business results, and continuous improvement processes and products. This is realized when employees align their goals with the organization's purpose.

Human resources represent the most important costs in many organizations. The pay system is the important mechanism that firms and managers can use to motivate, attract and retain employees to support organizational objectives. Firms can reduce and control costs through compensation plans.

Total compensation represents the package of quantifiable rewards an employee receives for his/her labors. It includes three components: base compensation, pay incentives and indirect compensation (Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy, 2012).

Creating distinctive capabilities represents the proactive way to gain organizational competitive advantage using people with distinctive capabilities. Strategic human resources planning will help an organizational development, a focused set of strategic objectives, the difference between where we are today and where we want to be.

As (David Ulrich & Dale Lake, 1990) remark: “HRM systems can be the source of organizational capabilities that allow organizations to learn and capitalize on new opportunities.

(Armstrong Michael, 2006) says, HRM is concerned with achieving objectives in the areas mention below:

- Organizational effectiveness.
- Human capital
- Knowledge management
- Reward management
- Employee relations
- Meeting diverse needs
- Rhetoric and reality

The distinction between the “hard and soft” version of human resource management was made by (Storey, 1989). The hard version of HRM emphasizes that people are important resources through which organizations achieve competitive advantage. The soft version emphasizes communication, motivation and leadership. As described by (Storey, 1989), it includes “treating employees as valued assets, as sources of competitive advantage through their commitment, adaptability and high quality.

The importance of HRM has increased with globalization. The rapid increase in the globalization of business has created a highly competitive environment where the only effective way to remain competitive is to develop and improve your workforce. As a result there is a greater need for recruiting and retaining a skilled workforce with multiple competencies. Employee commitment and loyalty to the organization are also problematic management issues to be solved.

Employees are now the key people responsible for increasing the performance of the organization, thus giving a competitive edge to the organization (Ashok Chanda., 2007).

The importance of HRM is recognized on national and international levels. The European Union (EU) and Republic of Kosovo have issued legislation, of which the main aim is to be the most competitive knowledge based economy and the most dynamic information society in the world. The member states and the Republic of Kosovo (of which is still not a member), reduced the power of managers in the areas of hiring and firing, promotion and payments through various legislation that gave greater rights to employees, employee protections against age, gender, racial discrimination.

However, the greater need for flexibility has forced organizations to have flatter structures to adapt to consumer demands and changing market conditions in knowledge based industries. Today, more people are working on project based jobs, in flexible hours, and often working from home. The changing nature of careers and work demand changes in the way human resources are managed. This demand increases the importance of HRM and makes HR an essential function not only on an organizational level but also on strategic levels.

There are four main points that HR managers need to analyze in order to establish a healthy and effective strategic HR function (Bloisi, W., Cook, C. W., Hunsaker, P.L., 2007):

- Current state of the workforce: what is the current situation of our workforce? Is our workforce doing what it needs in order to achieve our goals?
- Internal strength and weaknesses: What are our capabilities and sources of our workforce for competitive advantage? How can we train, develop and retain our employees? What is the limitation of our workforce?

- External opportunities and threats: How can we take advantage of the current situation in the business environment? What plans do we have for our workforce if the current market changes?
- The path: How do we know we are on the right path? Are we meeting our deadlines? Are we on schedule?

It is important to have HRM at the strategic level because it provides a broader range of solutions to complex problems generated by the changing nature of work, employee diversity, changing customer needs and globalization.

The HRM of SMEs is known to be less structured and planned, in contrast to the formal human resource practices of large organizations (Wright P., 1992; Kotey B. &, 2005). Because SMEs do not commonly have an HRM department and do not use HRM practices as large organizations, SMEs still depend on an unstructured mix of training, compensation, recruiting and selection of employees (Kotey B. , 2007).

2.3.2. HR Management Activities

Human resource management deals with some employee related activities in small and medium organization, it is important that HR managers to find the right kind of talented employee to do a specific job, to perform in the best way to accomplish the set goals.

What are the functions of human resource management?

The role of HRM is to plan, develop policies and programs for achieving the best result and increase employee and organizational performance. The major areas in human resource management are:

- a) Planning-Human resource planning focuses on analyzing an organization's HR needs as the organizational conditions change, and then supplying strategies to help respond proactively to those change over time.(William J. Rothwell & H.C. Kanzaz., 2003). Human resource planning is linked in several ways with strategy formulation and implementation, one such linkage is its developmental role (Charles R. Greer., 2001).

- b) Staffing-includes any action or movement that gets people into, around, and out of an organization in a planned way including retention. Staffing includes recruiting, hiring, transfers, promotions, redeployment, outsourcing, retirements, terminations, and retention (Tom Bechet., 2008).
- c) Employee development- Human resource development (HRD) is a relatively young academic discipline. The purpose of HRD is to focus on the resources that humans bring to the success equation, both personal success and organizational system success (Richard A. Swanson & Elwood F. Holton III., 2009).
- d) Employee maintenance-This involves, recording, maintaining, and retrieving employee related information for a variety of purposes. Records must include application forms, health and medical records, employment history, earnings, absences, and other employee data.

2.3.2.1. Recruitment and Selection

Staffing is important to organizations and can be critical in aiding survival and growth; employees are the core asset of any organization and its performance and commitment of staff that differentiates organizations (Bernard O'Meara & Stanley Petzall., 2013). According to the authors recruitment refers to an organization's ability to:

- Attract a suitably qualified pool of applicants for a vacancy.
- Attract staff in a cost effective manner.
- Attract staff in a timely manner so that appointments are made quickly.
- Provide a short list of candidates to proceed to the selection phase.

Recruitment and selection processes can be defined as searching, evaluating and assigning candidates to a defined job, and it encompasses all organizational practices and decisions that affect either the number or types of individuals who are willing to apply for, or accept a given vacancy (Huselid, 1995). An affective and robust recruitment and selection process are vital activities within any organization, having the right people in the right jobs are essential to the success and growth of the organization (Sarah Cook., 2009).

According to Zeqiri, (Izet Zeqiri., 2006), recruitment is a process by which management of the organization attracts or develops qualified candidates who will fill job vacancies. The author defines selection as the candidate sorting process to discover whether they have the qualifications necessary for the company. Finding qualified candidates is more difficult because of changing demographics, new work values, the volatile economy and global competition. All of these factors join together to make recruiting one of the most difficult activities business people face today (Mary F. Cook., 1992). Before, any organization engages in the recruitment and selection process, it needs to undertake a number of important steps: human resource needs, the specification of individual job requirements and the identification, and use of appropriate channels.(P.B. Beaumont., 1993).

According to Cook, (Sarah Cook., 2009), effective recruitment and selection takes time, and managers need to manage seven steps in this process:

- Reviewing the needs of organization.
- Creating the job description
- Advertising
- Short listing
- Selection
- Making an offer
- Induction

Those steps are recommended for SMEs in Kosovo, to increase their organizational performance.

Selection procedures are essential for obtaining a workforce that can become a source of competitive advantage. This is one of the main obstacles faced by Kosovo SMEs. If an organization can attract, retain and develop the best people available within budget constraints then it can gain employee commitment by providing staff with support and motivation strategies including the following:

- Holistic development opportunities.
- Training and education.
- Challenging and meaningful work.

- Career development opportunities.
- Experiential learning.
- Constructive feedback.
- Recognition.
- Remuneration, benefits and incentives
- Negotiate between the short, medium and long term goals of the organization with those of staff where possible.(Bernard O'Meara & Stanley Petzall., 2013).

The author argued that the more strategic people oriented organizations not only attract better applicants for vacant positions, they also become employers of choice. As a marketing strategy adapted for recruitment and selection it can be a very effective means of differentiation between organizations when people choose which firms they wish to apply for a position.(Wickham, 2009).Organizations often has shortages in their numbers of minorities and females, recruiting in this area are affected by an organization's public image. Organizations that have created positive public images, through their leadership in developing diverse workforces, have an advantage in attracting females and minorities (Charles R. Greer., 2001).

Here is another recommendation for Kosovo SMEs to move forward with promoting diversity in their organizations.

2.3.3. HRM vs. SHRM

Human Resource management is the organizational function that deals with the recruitment, selection, training and development, compensation, employee development. The purpose of HRM is to improve the productive contribution of people. Today the concept of HRM has changed; it now has a strategic and associated approach in the organization. Globalization and the competition for the knowledge, skills and a prepared workforce has shifted the focus of HR from administrative functions to a strategic and critical human resource function for employee selection, development, and employee retention. Knowledge workers are important and valuable for what they do and how they act in their organization.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Strategic management is the process whereby managers establish an organization’s long term direction, set performance objectives, develop strategies to achieve those objectives. The aim is to help organizations achieve competitive advantage and ensure success for the organization.

Strategic Human Resource management is primarily concern with integrating the organizational strategy with HRM practices (Anand Chand & Suwastika Nidu., 2013). According to (Pandian, 2010), the authors defined SHRM as: The process of aligning HR strategies with business strategies to accomplish performance goals through the employee’s competency and commitment. This table shows the differences between HRM and SHRM.

Differences	
HRM	SHRM
Focuses on HR level outcomes	Focuses on business level outcomes
Reactive and follows the market trends	Proactive and sets the market trends
Develops the competencies at the functional level	Integrates organizational functions and develops overall strategic competencies
Recognizes that HRM is an independent system	Integrates organizational functions and realizes that HRM is dependent on the other functions of the organizations
HR managers usually work at the functional level in an organization	SHRM managers usually work at higher levels in an organization
HRM achieves the goals established by the business strategies	HRM strategies and business strategies are dependent on each other
Managing employees	Gaining competitive advantage by recognizing that employees are sources of competitive advantage.

Sources: (Anand Chand & Suwastika Nidu., 2013).

Table 2. Differences between HRM and SHRM.

HRM practices have been defined in various ways.(Schuler R S & Jackson S. E., 1987), defined HRM practices as a system that attract, develops, motivates, and retains employees to ensure effective implementation. From (Delery J E & Doty D H., 1996) HRM practices are conceptualized as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contributes to the achievement of its business objectives. Minbaeve, (Dana B. Minbaeve., 2005), views HRM practices as a set of practices used by organizations to manage human resources through facilitating the development competencies that are specific for the organization to produce social relations and generate organizational knowledge to sustain advantage.

An organization's human resources are utilized more frequently as sources of competitive advantage. Human resource development will become more central to the strategic human resource. Organizations that are developing a critical mass of employees who are knowledgeable or skilled in a particular technology may gain a potential source of competitive advantage (Charles R. Greer., 2001).

2.4. The concept of strategy

The word strategy is so influential, but what does really mean? Strategy is a pattern, consistency in behavior over time (Henry Mintzberg., 1998).

In the Oxford English Dictionary the term strategy is defined as: "The art of a commander in chief; the art of projecting and directing the larger military movements and operations of a campaign."

Strategy can be explained by two fundamental meanings. First, it is looking forward, deciding where you want to go and how you plan to get there. Strategies define long term goals and objectives. The second meaning is the concept of strategic fit, focusing on the organization and the environment. Success in business depends on being able to use collective thinking power and job knowledge of all of our people to become and remain the best in our business (David Hutchins., 2008).

Strategy has been defined by many authors in different ways:

A strategy is an internally consistent configuration of activities that distinguishes a firm from its rivals (Porter, 1985).

A strategy is a specific pattern of decisions and actions that managers take to achieve an organization's goals. For most, if not all, organizations, an overriding goal is to achieve superior performance (Charles W. Hill & Gareth R. Jones., 1998). The primary objective of strategy is to achieve a competitive advantage; organizations need to pursue strategies that build on their existing resources and capabilities. The authors highlight that capabilities refer to an organization's skill at coordinating its resources and putting them to productive use. They conclude that for an organization to have distinctive competencies it must have:

1. Unique and valuable resources and capabilities (skills) necessary to exploit those resources.
2. A unique capability to manage common resources.

Strategy is the determination of basic long term goals and objectives of an enterprise. The adoption of a course of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962).

Strategy involves a constant search for ways in which an organization's unique resources can be redeployed in changing circumstances (Rumelt, 1984).

Beaumont in his book (Beaumont, 1993) argued with Beer and Spector that an organization has two types of strategy and they must be linked:

- External strategy- a way of competing in the market place
- Internal strategy-a strategy for how its internal resources are developed, deployed, motivated and controlled.

Business strategy is concerned with the match between the internal capabilities of the organization and its external environment (Kay, 1999).

Strategy maps help organizations define and subdivide broad strategic objectives into manageable projects and action plans that can likely be accomplished (Cokins, 2004).

An organization's human resource strategy is a long term plan to ensure that there are the right people to fulfill and develop the business strategy. The human resource strategy describes the

human resource goals for the strategy period. This strategy is supported by personnel policy. Personnel policy answers questions like: What kind of personnel is needed? How will employees be recruited? How will personnel be rewarded, supervised and supported in their development?

The concept of strategy is based on associated concepts:

- Competitive advantage
- Resource based
- Distinctive capabilities
- Strategic intent
- Strategic management
- Strategic goal and strategic plans (Armstrong M. , 2008).

When human resource strategy has been planned it supports the implementation of organizational strategy. In a contemporary environment, a strategic organization's activities are informed by the consumer, globalization, networking, efficiency and power of information.

Basically any strategic process has two phases:

1. Strategy formulation
2. Strategy implementation

Strategic formulation is concerned with making decisions to define the organization's vision and mission. It establishes long and short term objectives to achieve the organization's vision and selects the strategy to be used in achieving the organization's objective.

In order to accomplish their missions, organizations formulate requirements for returns on investment, scan the environment for opportunities and threats, formulate strategies, plan human resource requirements and then implement their strategies (Charles R. Greer., 2001).

The process of strategy formulation begins with the analysis of the main factors in an organization's internal and external environment and ends with a functional strategy design.

Strategy formulation combines a future- oriented perspective with concern for an organization's internal and external environment.

The vision statements answer the question, “Where do we want to go? In terms that describe a desirable future state for the organization. It incorporates it all, as these examples demonstrate:

- President John F. Kennedy: “We will put a man on the moon.”
- Microsoft Corporation (1990s): “A computer on every desk top.”
- Microsoft Corporation (21st century):”Information anywhere, anytime.”(Cokins, 2004).

A mission statement defines what an organization is, why it exists. At minimum, a mission statement should define who your primary customer is, identify the products and services your organization produces, and describe your geographical location. The mission statement should reflect every facet of your business, the nature of your product, quality, market position, and your relationship with your customer, employees, competitors and community.

Strategic implementation is concerned with aligning the organization’s structure, systems, and processes with the chosen strategy. It involves making decisions to match strategy, and organizational structure. It provides the leadership pertinent to the strategy and monitors the effectiveness of the strategy in achieving the organization’s objectives. Implementation and control of organization are the two last phases in the strategic management process.

Effective organizational strategy can be set if resources such as people, money and technology are taken into account. Organizations need to know their employees’ capabilities and their own financial and technological capacities before laying down any plans for the future.

The organization’s strategic objectives must be clearly communicated within the organization, so that everyone contributes equally to produce success.

2.4.1. The formulation of strategy

The process of formulating strategies and establishing objectives is basic for a successful organizational performance. Every member of the organization needs to be engaged in supporting the strategic vision of the business, to find the way to contribute in strategic values, helping strategic opportunities and overcoming barriers to success. Employees who like strategic business partners work strategically with business leaders in three ways:

- Contribute to the formation of business strategies and plans
- Integrate the HR strategic plan and initiatives to the business plan.
- Implement people initiatives in support of the business plan (Robinson G. Dana., 2005).

Strategies should help the organization better explore opportunities and to struggle against environmental threats. Being successful with strategy, organizations have to be clear about what success is important, or what means to them. They have to define the future outcomes they want to achieve and determine their key measure of effectiveness.

The authors (Millmore, Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow., 2007), emphasize that Schuler at all 2001, identified strategy formulation as being composed of three linear elements:

1. Establishing an organization's vision, mission, values and general strategy and then identifying the human resource management implication that arises from these activities.
2. Identifying a range of strategic business issues and establishing strategic business objectives, which also then lead to the identification of human resource implications that arise from these particular activities?
3. Crafting specific plans to achieve the vision, mission, values and objectives which lead to identifying the human resource implications of such business strategies.

The importance of strategy has been established in the business environment. It is a continuously evolving field and it needs constant attention. New challenges to the business environment are presenting new opportunities and challenges for HR managers and practitioners on a strategic level. These opportunities and challenges need to be addressed and new HR strategies need to be formulated to keep up with the growing competition and performance pressures.

A clearly defined structure and organized strategic options that go along with the strategy gives the employee in their organization greater clarity about what is expected from them. Organizations need a strong and capable strategic leader who can motivate, inspire and coach the employee to do strategic work that will help ensure the organization's success. All structure in the organization looks to their leader for direction about how the future will unfold and how they can add value to the organization and ensure its success.

Businesses exist to create value for owners, customers and stakeholders, so employees must understand the context of the strategy, objectives and opportunities that will help organizational transformation and be better positioned in the future.

The formulation of organizational strategy can be defined as a process for developing a sense of direction, the formulation of strategy can never be as rational and linear a process as some writers describe it and as some managers attempt to make it (Armstrong Michael, 2006).

According to the authors (David Weiss and Vince Molinaro., 2005) the process of developing a business strategy has five phases:

- Architect strategy- Leaders who are able to build a business strategy rely on their own and their team's ability to think strategically.
- Balance priorities- one of the primary challenges in a developing business strategy is to balance forces for growth with the forces for efficiency and economies of scale.
- Contingency scenario- involves planning for the worst and knowing how to respond to those scenarios if they occur.
- Deploy plans- the strategic deployment is a continuous process that should be discussed as you design the business plan and when it is completed and announced. It should also be discussed on an ongoing basis afterwards to ensure it is implemented effectively.
- Evaluate outcomes.

The stages of strategy formulation process are described by Armstrong and they consist:

- Define the mission

- Set objectives
- Conduct internal and external environmental scans.
- Analyze existing strategies.
- Define in the light of this analysis the distinctive capabilities of the organization.
- Define the key strategic issues emerging for the previous analysis.
- Determine the organizational and functional strategies for achieving the competitive advantage , taking into account the key strategic issues.
- Prepare integrated strategic plans for implantation strategies.
- Implement strategies
- Monitor implementation and revise existing strategies or develop new strategies as necessary.(Armstrong Michael, 2006).

From (Mintzberg, 1987), it was pointed out that strategy formulation is not necessarily a rational and continuous process. In theory, he says strategy is a systematic process: first we think and then we act; we formulate and then we implement.

From (Whittington, 1993), are presented four ways of strategy formulation:

- Classical- strategy formulation as a rational process and it's seen as separate from the process of implementation.
- Evolutionary-Strategy formulation as an evolutionary process that is a product of market forces.
- Process based- Strategy formulations an incremental process that evolves through discussion and disagreement.
- Systematic-Strategy formulation as shaped by the social system. Choices are constrained by cultural and institutional interests.

Authors (Millmore, Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow., 2007), emphasize that (Schuler et al, 2001) says, strategy implementation in their model includes developing and implementing HR plans that are based around what they call the four task model of HRM, and these four tasks require an organization to:

- Engage in human resource planning

- Develop required employee competences
- Ensure required role behaviors and
- Promote employee motivation.

2.4.2. Strategy implementation

When the organization chooses its strategy to achieve goals, that strategy then has to be implemented. Charles et. al (Charles W. Hill & Gareth R. Jones., 1998), divide strategy implementation into four main components:

1. Designing appropriate organizational structure - implementation of strategy requires the allocation of roles and responsibilities for different aspects of strategy to different managers and sub units in the organization. A company organizational structure maps out roles and responsibilities, along with reporting relationship.
2. Designing a control system – alongside the organizational structure, an organization needs to establish an appropriate organizational control system. It must decide to assess the performance and control the action through the process. Also an organization needs to decide what kind of reward and incentive systems to set up for employees.
3. Matching strategy, structure and controls- if it wants to succeed an organization must achieve a fit among its strategy, structure and controls.
4. Managing strategic change-because the change is so pervasive organizations that succeed in long run are those that are able to adapt their strategy and structure to changing world.

The authors of the same book, but in the 10th edition (Charles W. L. Hill and Gareth R. Jones., 2010)add that strategy implementation involves the use of organizational design, the process of deciding how a company should create, use and combine structure, control systems, and culture to pursue a business model successfully. The authors remarked that strategic control systems are the formal target setting, measurement, and feedback systems that allow strategic managers to evaluate whether the organization is achieving goals and implementing its strategy successfully. This system of control should be:

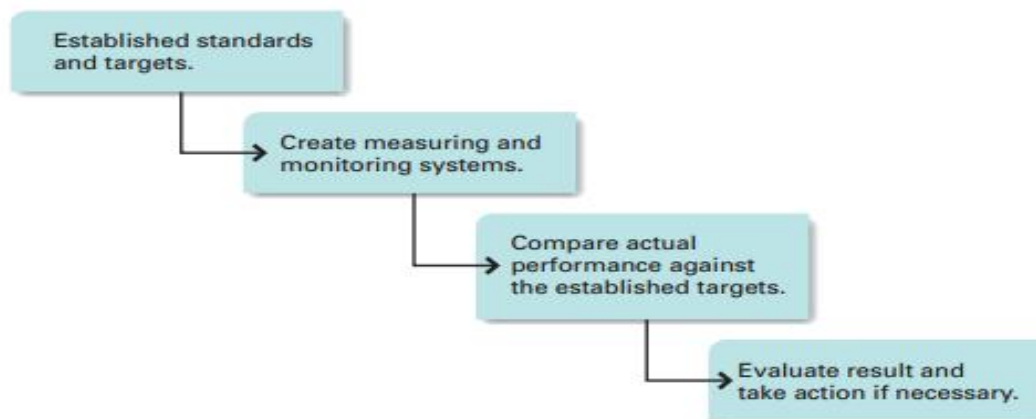
- flexible enough to allow managers to respond as necessary and to unexpected events;

- It should provide accurate information about organizational performance and
- Should supply the manager with information in a timely manner.

According to the authors, this strategic system control requires four steps: establishing standards and targets, creating, measuring and monitoring systems, comparing performance against targets and evaluating the result, the steps are present in the figure 1.

The authors explain that these components in contemporary business have advanced. Organizational structure assigns employees to specific value creation tasks and roles and specifies how these tasks and roles are to be linked together in a way that increase efficiency, quality, innovation, and responsiveness to customers. Naturally the employees need to be motivated by certain incentives. They add that the purpose of a control system is to provide managers with:

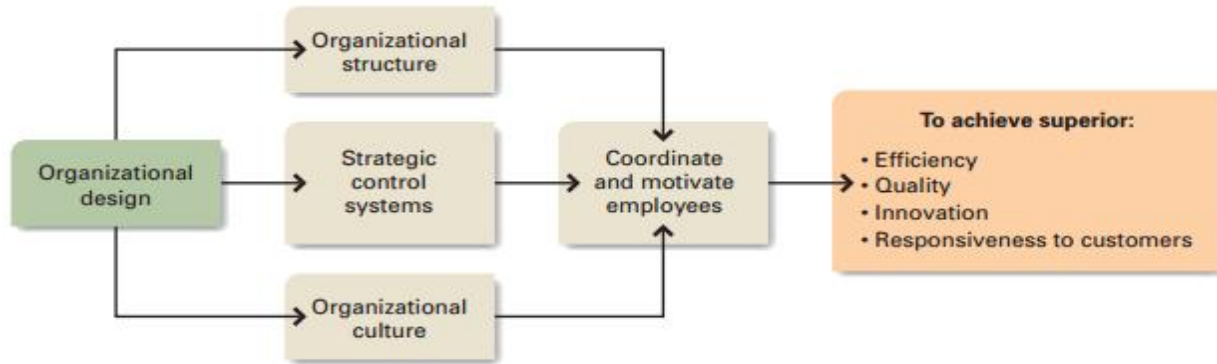
1. A set of incentives to motivate employees work toward increasing efficiency, quality, innovation and responsiveness to customers.
2. Specific feedback on how well an organization and its members are performing and building competitive advantage.



Source:(Charles W. L. Hill and Gareth R. Jones., 2010)

Figure 1. Steps in designing an effective strategic control

The authors add a third element of organizational design: organizational culture, a specific collection of values, norms, beliefs, and attitudes that are shared by people and groups in an organization. The figure below shows the implementing strategy through organizational design.



Sources: (Charles W. L. Hill and Gareth R. Jones., 2010)

Figure 2. *Implementing strategy through organizational design.*

Armstrong (Armstrong M. , 2011), remarked that the aim of implementation is to make strategy an operating reality by building the capacity of the organization to put into practice the intentions worked out in the planning stage.

2.5. Learning and development strategy

Human resource development is one of the key drivers for any country's economic needs and other areas of development. The value of learning and development for an organization is to ensure that an organization's employees are able to carry their role. Learning and development can be a source of competitive advantage where employees gain appropriate new knowledge and skills, which provides a strong argument for organizations to invest in their employees so that they can reap the benefits and differentiate themselves from their competitors (Towlre, A.J and Dipboye, R.L, 2009).

Learning and development strategies enable activities to be planned and implemented to ensure that the organization has the talented and skilled employees it needs and that individuals are given the opportunity to enhance their knowledge and skills and levels of competency(Armstrong M. , 2008).

(Jim, 2003)stated that Strategic Human Resource Development combines three things:

- a) An awareness of complexities of change management;

- b) A desire to rescue the concept of human resource development from a mundane existence in the depths of training programmes;
- c) A new perspective which provides direction for the twenty first century.

Organizational development is about changing organizations and about long-term change; it is focused on a group or an entire organization rather than one person (William J. Rothwell., 2003).

Organizational learning is more than just human resources providing training and development for all employees. The HR department must support managers to build a culture of learning, where employees use their creativity to perform their jobs better and share their ideas with others across the organization. Definitions of organizational learning found in the literature include: encoding and modifying routines, acquiring knowledge useful to the organization, increasing the organizational capacity to take productive action, interpretation and sense-making, developing knowledge about action outcome relationships, and detection and correction of error. In this array of definitions, some primarily involve individual human actors, while others take place at the organizational level of analysis (Amy Edmondson and Bertrand Moingeon., 1996).

Training and development managers collaborate with senior HR executives to determine the role that training plays in the strategic direction of HR and overall performance in organization.

There are a number of reasons why organizations need to evaluate their learning and development strategies and this includes the following:

- Helping decision making about what interventions should or should not be taken in the future.
- To provide the evidence of investment in their human resource
- Demonstration of the values that interventions bring to the organization (H.Burket, 2005).
- Enabling training departments to justify their expenditure.
- As a part of business efficiency
- To reinforce the importance of an evaluation process.
- To assist in determining who should attend training programmes.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

- To allow organizations to identify whether there are better ways to achieve things rather than through the provision of formal learning and development interventions(Simpson.L, 2002)
- Organizations can demonstrate the job relatedness of training programmes, (Man.S, 1996).

Learning and development can provide the link between an organization’s human resource strategy and overall business strategy by ensuring that the organization’s employees have the relevant skills and knowledge needed to be able to execute the human resource strategy (Mabey,C., G. Salaman., J. Storey, 1998).

It is clear from a number of papers that researchers have identified the importance of linking learning with overall strategies and business objectives, in particular where their people are one of their sources of competitive advantage. Their research objective is to identify managerial action to improve organizational effectiveness.(Amy Edmondson and Bertrand Moingeon., 1996).

In the table below we will represent the human resource factors affecting organizational learning as described by (Kirwan, 2013),

Lin and Kuo (2007)	Perez et al.(2006)	Cabrera and Cabrera(2005)
Staffing	Selective hiring	Staffing
Appraisal		Performance appraisal
Training and development	Training	Training and development
Work flow		Work design
Rewards and compensation	Compensation and reward	Compensation and Reward
	Employee participation	
		Culture
		Technology

Table 3.Human resource factors affecting organizational learning

Organizations that are good at fostering organizational learning tend to attract new employees who will contribute to learning within the firm. Kosovo organizations should take this as a recommendation for improving their organizational performance.

As described by (Seeong S. and Lewis G.B., 2009), the purpose of performance appraisal systems is to improve organizational productivity by providing developmental feedback and to link rewards to performance.

According to Cabrera et. Al (Cabrera E.F and Cabrera A., 2005), work design helping knowledge sharing should emphasize interdependency, frequency of interaction and work flow. The authors suggest that the way to achieve this is to think of work in terms of assignments on which employees collaborate rather than individual jobs.

In terms of Human Resources practice that improves organizational performance and organizational learning, training and development activities have a relevant role to play.

As strategies are updated or refocused it will be necessary to review the learning and development process. An ongoing dialog between those responsible for learning and development and senior management is needed.

According to (Garvin, 1993) a learning organization is an organization skilled at creating, acquiring, transferring knowledge and at modifying behavior to reflect new knowledge and insights. He suggests that a learning organization is good at doing five things:

1. Problem solving.
2. Experimentation.
3. Learning from past experience.
4. Learning from others.
5. Transferring knowledge quickly and efficiently through the organization.

Harrison (Harrison.Rosemary, 2000) describes Strategic Human Resource Development (SHRD) as development that arises from a clear vision about people's abilities and potential and operates within the overall strategic framework of the business.

SHRD aims to produce a coherent and comprehensive framework for developing people through the creation of a learning culture and the formulation of organizational and individual learning strategies, its objective is to enhance resource capability in accordance with the belief that a firm's human resources are a major source of competitive advantage(Armstrong M. , 2008).

2.6. Improving organizational performance through SHRM

Human resources researchers and managers have maintained that the human resources function plays an important role in the organizational performance. In fact, they reported that human resources are its most important asset.

Strategic human resource development is defined by (Walton, 1999) as introducing, eliminating, modifying, directing and guiding processes in such a way that individuals and teams are equipped with the skills, knowledge and competences they require to undertake current and future tasks required by the organization.

In her book (Diane Arthur., 2004), describes the five key HR manager competencies from studies conducted by Wayne Brockbank and David Ulrich in order to stay current and make impact on their organization:

1. Strategic contribution- managers need to focus on culture management, facilitate change, and identify the problems in business strategy while suggesting alternative solutions.
2. Personal credibility-survey respondents felt strongly that successful HR managers need to establish a successful track record to “HR counterparts and business line managers whom they serve.”
3. HR delivery-HR managers are expected to deliver in the areas of staffing, development of challenging work experience, career planning, and internal communication.
4. Business knowledge-the ability to apply that knowledge-contributing to strategic decision making, developing competitive culture, making change happen fast.
5. HR technology-HR managers are expected to use the technology to deliver HR services.

The basic reason for providing learning and development is to ensure that an organization’s employees are able to carry out their current role.(Brockbank, 1997), argued that in a competitive, changing market executives are quickly learning this side of the business can be their best friend or their worst enemy depending on how the human and organizational issues are managed. Under such conditions he describes that competitive advantage resides in a human organization which can:

1. Develop new technologies

2. Implement strategies more quickly, effectively and more accurately
3. Improve operating technologies
4. Constantly adjust to customers changing buying habits.

Learning and development strategies are the active components of an overall approach to strategic learning and development. They express the organization's intentions on how the activities will take place and provide guidance on how these activities should be planned and implemented (Michael, 2012).

So, a learning and development strategy needs to be business led in the sense that is designed to support the achievement of business goals by promoting human resource advantage. It is concerned with creating the learning culture that will encourage and provide the basis for planning and implementing the learning activities.

Organizational learning strategies aim to improve organizational effectiveness through development and acquisition of knowledge, understanding, insights, techniques and practices (Michael, 2012).

(Reynold, 2004)suggests that for the creation of a learning culture it is necessary to develop organizational practices that give employees a sense of purpose in the work place, grants employees opportunities to act upon their commitment and offer support for learning. He proposes the steps for the creation of a learning culture:

1. Develop and share the vision-belief in a desired and emerging future.
2. Empower employees- provide autonomous support; freedom for employees to manage their work within certain boundaries (policies and expected behaviors) but with support available as required.
3. Provide employees with a supportive learning environment, where learning capabilities can be discovered and applied: for example, peer networks, supportive policies and systems, protected time for learning.
4. Use coaching techniques to draw out the talents of others by encouraging employees to identify options and seek their own solutions to problems.

5. Guide employees through their challenges and provide them with time, resources, and crucially feedback.
6. Recognize the importance of managers acting as role models.
7. Encourage networks-communities of practices.
8. Align system to a vision-get rid of a bureaucratic system that produces problems rather than facilitates work.

The learning organization, is one where people continually expand their capacity to create the results they desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together(Senge, 1990).

As (Harrison, 2000) comments, the notion of the learning organization remains persuasive because of its rationality, human attractiveness and presumed potential to aid organizational effectiveness and advancement.

In Kosovo organizations, HR executives fail to direct the human resources activities toward developing the characteristics of a learning organization. Integration between human resources management and business strategy is one the most important demands in contemporary strategic human resources management.

Michael (Michael, 2012), says the individual learning strategies of an organization are driven by its human resource requirements and should cover:

- How learning needs will be identified.
- The role of self-managed learning.
- The facilitation of workplace learning.
- The support that should be provided for individual learning in the form of guidance, coaching, mentoring, learning resource centers and internal or external training programmes and courses.

2.7. How SHRM concepts impact on practice

Strategic Human Resource development sees its role as the development of people in organizations, and combines:

- a) An awareness of the complexities of change management.
- b) A desire to rescue the concept of human resource development.
- c) A refined organizational development perspective to provide future direction (Jim, 2003).

The author describes the four central characteristics which are at the center of the strategic human resource development:

- Needs to see human resource development as a business strategy. Strategic human resource development views the development of human resources as a strategic advantage, through business strategy both organizational and employee development is facilitated.
- The need to develop and devolve responsibility to line managers-as facilitators in the development of their staff, line managers are required to stimulate and develop creativity either as mentors or as change agents.
- The need to replace the concept of training with learning. Learning in this sense is required to go beyond the passive stimulus and response principles of training programmes.
- The need to emphasize workplace learning. However, a much greater emphasis is needed in the development of organizational learning, and the continuous development processes and activities within the organization.

According to (Dehler G.E and Welsh M.A., 1994), strategic human resource management views its role as a dynamic process of modifying patterned behavior in four styles:

1. An initiative;
2. This initiative requires change to critical organizational processes;
3. These critical organizational processes influence individual behaviors;
4. Individual behavior impacts on organizational outcomes.

(Millmore, Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow., 2007), give an overview of main stands of SHRM, where Sisson (1990:5), describes his assessment of the four principles of SHRM, which are:

- A stress on the integration of personnel policies to form a coherent package, and with business planning more generally.
- The locus of responsibility for personnel management no longer resides with specialist managers but is now assumed by senior line management.
- The focus shifts from management-trade union relations to management employee relations, from collectivism to individualism.
- There is stress on commitment and the exercise of initiative, with managers now assuming the role of enabler, empower and facilitator.

The notion of an HR philosophy has become increasingly important to many organizations in recent years and is often based on a well-known mission statement (Millmore, Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow., 2007).

In conclusion, this would be recommended for Kosovo SMEs to increase their competitive advantage and organizational performance.

2.8. Employee relation strategy

The employment relationship has been conceptualized in the global contemporary environment in different ways. The employment relationship describes relations between employees and their workplace. According to the International Labor Organization (ILO), the employment relationship is conceived as involving full time work, under a contract of employment for unlimited duration with a single employer and protected against unjustified dismissal (Rohit.L, Ricardo.B., Stephen.O., Thomas.M, & R., 2010).

Every organization needs an employee relations strategy. Building an employee relation strategy involves creating an environment that delivers what employees want now or what is expected in

the future. Employees need to feel good about what they do, where they work and they want to feel good about overall performance.

Employee relations refer to the relations shared among the employees in an organization. They must share good reports with each other and strive hard to achieve organizational goals.

The immediate objective of human resource management is to achieve healthy relations throughout the organization. Healthy relations are relations which are open, positive and efficient, they contribute to the employee's sense of ownership, to good business results and even to what Deming (1986) called "joy in the work place" (Joseph M. Juran & Blanton Godfrey., 1998)

The employment relationship may be regulated in three ways:

- Unilaterally-by the employer.
- Bilaterally- by the employer and the trade unions, through a process of collective bargaining.
- Trilaterally-by employers, trade unions and statutes through the intervention of the governments or state (Carola Frage&John Kelly., 2013).

Employee relations is defined as that part of managing people that enables competent management to balance, within acceptable limits, the interests of employers as buyers of labor services and those of employees as suppliers of labor services in the labor market and workplace(Farnham, 2000). According to (Armstrong M. , 2008), employee relations strategies define the intentions of the organizations about what needs to be done and what needs to be changed in the ways in which the organization manages its relationship with the employee and their unions. Employee relations strategy is concerned with how to:

- Build stable and cooperative relationships with employees that minimize conflict;
- Achieve commitment through employee involvement and communication processes;
- Develop a mutually common interest in achieving the organization's goals through the development of organizational culture based on shared values between management and employees.(Armstrong M. , 2008).

In SMEs it is common for employment relations to be dealt with by an owner-manager than a personnel executive. SME managers with responsibility for employment matters are less likely to have a formal qualification in personnel management. Those cases are common in SMEs in Kosovo.

The employee relationship is fundamental to human resources as it brings the formal agreement, the employment contract. HR professionals recognize the need to understand employment law, but it is only there because the challenges of ensuring a good employment relationship (Aylott, 2014).

Employee relation management refers to managing relations between the employees in an organization. Why are employee relations important in an organization? Let us go through some steps for a healthy relationship in the organization:

- Involve team members-they should feel important in the organization.
- Encourage individuals to share their work with others-people tend to talk, discuss the job, a team manager should intervene only in case of conflict and misunderstanding.
- Encourage effective communication among the employees- poor communication leads to confusion.
- Morning meetings are an effective way to improve relations among employees.
- Organizing parties for employees.
- Encourage group activities at the work place.

The manager or team leader in organization plays an important role in promoting and building good relations at an organization. The manager must ensure that all important information is shared in an organization and he should know what team members are up to.

Information is a strategic resource that both measures business success and also provides opportunities for diversification. Small and medium enterprises are part of the information society and need to access and use information strategically if they are going to compete effectively (Mergy Levy and Philip Powell., 2005). These authors argued that SMEs have little interest in providing input for long term strategic thinking, to use knowledge as the strategic role of information needs to be understood.

The author (Fitzwater, 1999), says when the organization or its management executes its employee relation strategy it must first test the expectation for change. This test is explained through the steps:

- Prepare the group for change
- Provide the support for this new philosophy.
- Participate with the group.
- Practice the arts of communication, delegation, and empowerment.

Further, the author explains if an organization wants to have good, interactive relationships between management and staff they must have:

- An open door policy- a system that allows an individual to see any person, at any time, for any reason.
- A complaint procedure-a system that allows an employee to be heard and to voice his or her opinion on procedures, work hours, and the other issues of concern.
- Progressive discipline-a system of action steps that precede termination.
- A two way communication system-a good communication network system can make or break the organization because it relates to employee satisfaction. Communication and information sharing are integral parts of every staff.
- Performance review system- The review will basically contain three parts: what is good about their performance; what needs improvement; and a mutually agreeable action plan on how to improve performance.

In a contemporary business environment employees are looking more for human centered organizations with autonomy and flexibility. They want an experience of work that is aligned with their shared values; they want a work place forged in the image of their identities, not a workplace that tries to define them.(Paul Miller & Paul Skidmore., 2004).

2.9. Performance Management

In the first decades of the twenty first century organizations are more interested in identifying, developing and promoting performance. Theorists and managers are clarifying and developing ideas, policies and strategies for this purpose, creating the basics of a science of performance management.

Based on these considerations and directions, this part of chapter addresses some specific aspects of performance concepts, performance management and its assessment.

The process of organizational performance is accompanied by a wide range of possible effects, presented as competitiveness, continuous adaption to the environment and internal balances. Therefore, SMEs configure their possibilities of obtaining organizational performance. In this context it is important that organizations carry out the whole process of performance management by considering organizational context.

Performance management is a core area of management, which studies all the structures, processes and relationships within the organization, the designing and implementation of methods, techniques, strategies and procedures designed to achieve and enhance organizational performance. In our view, performance management requires a change of mentality, a rethinking of existing information structures and an ongoing analysis of their impact on organizational performance.

(Robert Bacal., 2004), defines performance as a degree to which an employee contributes to the goals of his or her work unit and organization as a result of his or her behavior and the application of skills, abilities and knowledge. How much he/she does contribute? Can it contribute better? How can we improve contributions?

Currently the poor situation of management in Kosovo is a result of how we prepare future managers. Not only in classrooms but in the field dealing with challenges and finding the solutions for each case.

The analysis of performance evaluation shows the great need to create a performance evaluation system in Kosovo. It is necessary to design and use a system of indicators to assess the organizational performance for selected organizations and correlate to their objectives.

In this context, the performance of human resources management is considered a priority, generated by knowledge based organizations to achieve by stimulating the organization's performance by stimulating employee development.

2.9.1. Performance management defined

Researchers and management scholars have not achieved a consensus on the definition. This study will present a different definition of performance management.

Performance management is defined as a set of evolving formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management to assist the strategic process and ongoing management through analysis, planning, measurement, control, rewarding. While broadly managing performance and supporting and facilitating organizational learning and change (Chiara Demartini., 2014). The author adds that the main characteristics of this definition are the following:

- Different types of mechanism's
- The effectiveness in strategic accomplishment
- The PMS purpose, enabling the organization to achieve its goals through learning and change.

Those three elements are at the basic core of Kosovo SMEs which they should apply in their path to success. Performance management involves many roles: a manager must be a communicator, a leader and a coach.

Performance management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams (Armstrong Michael, 2006). There are five issues that need to be considered to obtain a full understanding of performance management:

1. The meaning of performance

2. The significance of values
3. The meaning of alignment
4. The meaning of expectations
5. The significance of discretionary behavior.(Armstrong Michael, 2006).

The meaning of the concept varies from one organization to another and it means different things to different people, depending on their position in an organization. Performance management allows executives to translate their personal vision into collective visions that stimulate managers and employee teams to move in a value-creation direction (Cokins, 2004).

The processes exist for establishing shared understanding about what is to be achieved and for managing and developing employees in a way that increases the possibilities that will be achieved in the planning period.

Performance is a matter of not only what people achieve but how they achieve it. Performance management systems include performance appraisal and employee development and are the important part of human resource management. However, there is no one type of system of objectives that will meet the requirements for all organizations.

Performance management is managing three levels of performance (Rummler, 1990):

1. Organizational. The Organizational level concerns the entire organization
2. Process. The process level, the performance of work teams
3. Job performance levels. The job level is the individual's performance.

The purpose for a given performance management system should be determined by considering business needs, organizational culture and system integration with other human resource management system (Elaine Pulakos, 2004).

Performance management has the potential to improve the performance of an organization and act as a lever to achieve cultural change, this focus on performance can bring real rewards for an organization (Armstrong Michael, 2015).

Performance management is defined as a proactive partnership between employees and management that helps employees perform at their best and align their contributions with the goals,

values, and initiatives of the organization (Charles M.Cadwell., 2000). In this definition the author explains that: The first key is to have a proactive partnership between employees and management. Performance management doesn't automatically happen –we have to be proactive. Performance management isn't something you do to employees, it's something you do with them – it is a partnership. Performance management is about maximizing the potential of your work team, and is getting employees to take responsibility for managing their own performance. Effective performance management allows employees the freedom they need to do their best work without worrying that you will second guess their decisions and actions. It is also the process which aligns their contribution with the goals, values, and initiatives of the organization. This means that employees want to be valued by the organization. They need to know the best way to create value for them and organization”.

The benefits implementing performance management in organizations are described in seven points from (Charles M.Cadwell., 2000):

1. Improved performance. This point involves setting clear goals, giving ongoing feedback, and coaching employees to be successful. Employees get better results when they know management takes an interest in them and what they are doing.
2. Improved communication. The most common employee complaints are about communication in the organization. A proactive partnership means interaction and communication between people.
3. Organization alignment. Alignment helps the organizations achieve planned objectives because employees are working together to help the organization succeed. Employees are more focused on the same major priorities and they have clear understanding of how they can contribute to the organization's success.
4. Organizational capability. Strong individual performance helps to build organizational capability. As employees develop their skills and abilities the whole organization is in a better position to achieve its mission and strategic objectives. With the increased organizational capability the organization will attract highly capable people to its workforce.

5. Reduced management time. One of the keys to performance management is up-front planning and communication that occurs between employees and managers.
6. Increased employee self-management. The contemporary business world is no longer just a manager who is responsible for organizational performance. Performance management is a partnership between performance management and other systems that organizations embark on to improve organizational effectiveness. Managers shift the emphasis to the employees and provide them with the tools they need to manage their own performance.
7. Increased employee satisfaction. The more involved employees are in planning and carrying out their goals, the more satisfaction they have in their jobs. Giving employees a significant voice in their day to day activities is a morale boost. Effective performance management yields greater employee satisfaction.

These benefits may seem obvious, but it should not to be taken for granted that they will be obvious in every organization. In Kosovo's case those benefits are a platform that should be followed for increasing organizational performance.

2.9.2. Performance management as a process

Performance management is a communication process by which managers and employees work together in planning, monitoring, and reviewing an employee's work objectives and overall contribution to the organization. When management communicates to them what the requests are, employees can reply with an understanding of what initiatives it will take and how they will realize that. Performance management ensures managers and employee teams have the ability to act proactively. It is more than just an annual performance report; performance management is a continuous process of setting objectives, assessing processes and should provide the feedback to ensure that employees are meeting their objectives and career goals.



Source (Office of Management and Enterprise Service., 2013)

Figure 3. Performance management process.

Performance management is all about formulating strategy and then executing it by aligning resources and their focused behavior on the execution (Cokins, 2004).

The members of the Human Capital Management HCM training and development team assess managerial training and development needs of the state employee. They described performance management as a continuous process of planning, coaching and reviewing employee performance (Office of Management and Enterprise Service., 2013).

Bacal, (Robert Bacal., 2004), defines and describes performance planning as a starting point for performance management and it is essential in laying the groundwork for effective reviews later on. Also the author sees performance planning as a process of communication between manager and employee intended to create an argument about what the employee does, how well they need to do, why, when, and how success is to be determined.

The planning phase is described as a collaborative effort involving managers and employees during whom they will:

- Review the employee's job description.
- Identify and review the links between the employee's job description and the organizations goals, objectives and strategic plan.
- Identify the critical areas that will be key performance objectives.
- Identify training objectives that will help the employee grow skills, knowledge and competencies.
- Identify career development objectives.

The second phase of the performance management process on coaching employees raises concerns and issues related to performance, during this phase the employees and managers should meet to:

- Assess progress made toward meeting performance objectives
- Identify barriers that may prevent an employee from accomplishing performance objectives.
- Share feedback
- Identify the changes in the work plan.
- Determine if any extra support is required from managers or others to assist the employee in achieving objectives.

The third phase of performance management process is the review phase, managers should review their performance, and discuss with employees their assessments, and this will help managers in addressing issues and assure employees for the performance assessment:

- Capturing key results, accomplishments and shortfalls for each objective.
- Document challenges encountered during the year and identify areas for training and development.
- Identify and discuss any unforeseen barriers to the achievement of the objectives.(Office of Management and Enterprise Service., 2013).

Performance management, which include performance appraisal and employee development are the important part of human resource management. As defined by Deming, (Deming, 1986), it consists of these activities:

- Plan-decide what to do and how to do it.
- Act-carry out the work needed to implement the plan.
- Monitor-carry out continuous checks on what is being done and measure outcomes in order to assess progress in plan implementation.
- Review –consider what has been achieved and, in the light of this, establish what more needs to be done and any corrective action required if performance is not in the line with the plan (Armstrong Michael, 2006).

When a performance management system is used for decision making, the appraisal information is used as a base for pay increases, promotion, assignment reduction or other administrative human resource actions. When it is used for employees' development, appraisal information needs to be used for training, job experience, and other developmental activities that employees will engage in to develop their capabilities.

Performance management is a continuous process of identifying, measuring and developing performance in organization by linking each individual's performance and objectives to the organizations overall mission and goals (Aguinis, 2005). This definition contains two components:

- A continuous process, which never stops as a process of setting the goals, measuring the performance.
- Link to mission and goals, performance management is a process of linking the employee's activity with the organizations goals.

Performance management is a required tool that aims to improve an organization's results by improving the performance of its members. This performance of individuals and teams need to be evaluated in relation to the vision and strategy of the organization.

Effective managers of contemporary organizations know their personal and professional success depends on their ability to manage the performance of the human resource in an organization.

Performance management is the strategic human resource department function which develops organizational capability to sustain competition (Bhattacharyya, 2011). He argued that because of the alignment of individual performance with the business objectives of organizations which leads to the achievement of strategic goals of organizations, through performance management organization can focus on the continuous development of human resources to sustain in competition with others.

Bacal, (Robert Bacal., 2004), defines performance management as an ongoing communication process, undertaken in partnership, between the employee and immediate supervisor that involves establishing clear expectations and understanding:

- The employee's essential job functions.
- The ways in which the employee's performance contributes to the goals of the organization.
- The meaning, in concrete terms, of doing the job well.
- The way in which employees and supervisors will work together to sustain, improves, or built on current employee performance.
- The means of measuring job performance.
- Identification of barriers to performance and actions to remove them.

A well formulated appraisal system helps in the clarification of job profiles, the communication of expectations, the sharing of performance feedback and related problem situations.

Cadwell, (Charles M.Cadwell., 2000), describes several requirements that must be met in performance management to work in any organization:

- Communicate expectation-Expectations are a powerful management tools; clear expectations provide direction and structure. In Kosovo's case organizations need to make more effort to apply these tools to achieve desired objectives. When employees know what is expected, most often they will raise their activities to meet or exceed those expectations, if they don't know what the goal is, they won't know when or if they ever hit it.
- Involve employees in the process- Employee involvement is critical point to the success of any performance management process. Managers and employees must work together, and they have to see performance management as a win situation.
- Use a systematic approach. Performance management is a system with the series of activities that when performed individually contribute to the whole organization. This is a process that requires a long term commitment and effort to be successful. Each step in the process is designed to accomplish specific goals. If we want long term success, performance management has to become a part of the organization's culture. The culture and the systematic approach have to work closely for performance management to have impact in the organization. This conclusion is one of the main recommendations for Kosovo organizations for increasing employees and organizational performance.
- Be willing to work hard. Effective performance management is not easy work; it takes time and can be difficult to transform intention and ideas into specific goals that can be measured. This process takes additional time, commitment and effort to reach agreement on the best ways to monitor and analyze how well the goals are being achieved. Experienced employees who are committed to the concept will required less time than a new employee who is unfamiliar with the performance management.
- Make a commitment to success. Performance management represents partnership, manager have to take lead in demonstrating a commitment to the process and to create necessary enthusiasm on the part of the team members.

Finally, the performance management model from the author (Charles M.Cadwell., 2000) is another recommendation for Kosovo SMEs organization. The model consists of a series of five steps:

- a) Planning performance. Performance management and providing direction are directly linked. The primary question to be answered is: What is expected? One tool used to provide answer is job description that should describe expectations. Result is another tool a set of specific goals and objectives that describe what will be accomplish and by when.
- b) Monitoring performance. Monitoring performance is about ensuring expectations are being met. The next question to be answered is: Are we on the right track? When method has been determined, next step is to gathering actual performance data. Observing performance is one of the keys to monitoring performance. In this level partnership manager employee is critical.
- c) Analyzing performance. In this point managers and the employee must analyze the situation and find the gaps. Analyzing performance mean determining the cause of poor performance. Identifying the cause leads to determining the best course of action.
- d) Improving performance. In this level of performance management we implement the strategies to reduce or eliminate performance gaps. Choosing the right strategy can affect how long it takes to improve performance. Some of the strategies that can be used are making environment changes; providing training and development; coaching and monitoring; developing performance action plans.
- e) Maintaining performance. The last step is keeping good performance on track. One of the tools that can be used to help maintain performance is to develop feedback systems and then to provide employees with either positive or corrective feedback.

2.9.3. Performance management concerns

The overall aim of performance management is to establish a performance culture in which individuals and teams take responsibility for the continuous improvement of business processes. Performance management is about aligning individual objectives to organizational objectives and ensuring that employees uphold an organization's values.

Performance management is concerned with developing the capacity of employees to meet and exceed expectations and to achieve their full potential to their benefit and that of the organization.

Specifically, performance management is concerned with ensuring that employees have the support and guidance they need.

It is also concerned with the outputs-the achievements of results; process-competencies; and inputs-in terms of capability, knowledge, skill and competence.

Performance management is concerned with planning ahead to achieve future success. Performance management is also concerned with measurement and review. It is concerned with continuous improvement.

Concerned with continuous development, it is creating a culture in which individual learning and development is a continuous process. Performance management is concerned with communication; this is done by creating a climate in which dialogue between managers and employees share information about the organization's mission and objectives.

Performance management is also concerned with satisfying the needs and expectations of all the organization's stakeholders-owners, management, employees and customers. In particular, employees are treated as a partner in the organization whose interests are respected, whose opinions are taken into consideration, and who are encouraged to contribute to the formulation of objectives and plans for their team and for themselves.

2.9.4. Performance appraisal and performance management

The performance appraisal is a critical tool for achieving organizational performance. It is assumed that a performance appraisal is the same thing as a performance management but there are significant differences.

(Smither., 2009) argued that the performance appraisal emphasized the evolution of an employee's performance, performance management is a process referring to an ongoing process that includes setting goals, coaching and developing employees, formally evaluating the performance and linking performance to recognition and rewards.

Performance appraisal can be defined as the formal assessment by managers. In contrast, performance management is a much wider process of management that clarifies expectations and emphasizes the support role of managers. Performance appraisal is a formal management system

that provides the evaluation of the quality of an individual's performance in an organization (Grote, 2002). Evaluation is integral part of HRM the importance of this process is highlighted by (Herwig W. Kressler., 2003).

- A performance evaluation appraises employer and employee.
- Whether the results are clear-cut or not, there must be feedback on a performance evaluation.
- Evaluations are interactive; more importantly there is a powerful interaction between business culture, organizational structure and the style of evaluation.

The author defines the evaluation as principles governing the process as well as the evaluation system itself. According to Diane, (Arthur Diane., 2008), there are four key ways in which employees can benefit from and use the performance appraisal that have nothing to do with compensation:

- a) Employees receive a clearer understanding of what they are expected to do. During the performance review process employees can expect their appraisers to clarify areas of responsibility.
- b) Employees learn how well they are meeting expectations and the need for training and development.
- c) Employees are able to openly express opinions and concerns.
- d) Employees can pursue future goals.

An appraisal system produces an accurate, objective picture of an employee's performance and then detects areas requiring improvement. To accomplish this, a performance appraisal program should be implemented in regular, periodic evaluations conducted on the job.

Performance management is a system through which organizations set and determine work goals, performance standards, determine training, needs and rewards. Performance management among others emphasizes management, supporting and developing human resources at all levels within the organization. For effective results from performance management, organizations need to develop the right employee through organizational learning.

A job description as a systematic process of analysis facilitates in implementing strategic plans through defined goals and objectives. Job descriptions for the performance management point of view support in recruiting the right employee profile and support to develop performance appraisal standards. Those performance appraisal standards are guidelines for evaluating the performance of any job. It is an important task of the performance process to communicate with employees to familiarize them with those standards.

Performance standards are written statements to describe the job and they need to be developed in collaboration with employees. After this stage, organizations need to prepare development plans. While developing a performance plan, it is necessary to discuss training, education or to develop the opportunities with employees and to identify the steps to be taken.

Organizations need to manage the performance process with two fold objectives which help the organization to achieve strategic goals:

- Assess the employee's performance and
- Develop the employee's performance.

Human resource practices of the organizations are aligned and integrated to the business strategy to ensure the realizations of goals and synergy within the organization.

The first strategic purpose of performance management is to help top management achieve strategic business objectives, by linking the organization's objectives with individual objectives. Performance management will initiate behaviors with the attainment of organizational goals. The second strategic purpose of performance management system is that they play an important role in the employee's transition from being organizational outsiders to organizational insiders. Performance management provides the information on developmental needs for employees.

In the table 4 (Armstrong M. , 2006) we will see the comparison of management by objectives, performance appraisal and performance management:

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Management objectives	Performance appraisal	Performance Management
<ul style="list-style-type: none"> • Emphasis on individual integrating objectives • Emphasis on quantified requirements and performance measure • Annual appraisal • Backward looking • Focus on performance achievements • Top-down system • Monolithic system • Packaged system • Complex paper work • May not be a direct link to pay • Applied to managers • Owned by line managers and personal department 	<ul style="list-style-type: none"> • Individual objectives may be included • Some qualitative performance objectives may also be included • Annual appraisal • Backward looking • Focus on levels of performance and merit • Top-down system • Monolithic system • Usually tailor made • Complex paper work • Often link to performance pay • Applied to all staff • Owned by HR department 	<ul style="list-style-type: none"> • Focus on organizational, and individual objectives • Cover both outputs(results) and inputs (competencies) • All the year round • Forward looking • Focus on development as well performance • Joint process • Flexible process • Tailor made • Paper work minimized • May not be linked to performance pay • Applied to all staff • Owned by line managers

Source: *Armstrong's Handbook-of performance management (2006)*

Table 4. *Comparison of management by objectives, performance appraisal and management.*

The main objective of institutionalized evaluation systems, which aim not only to assess, but also to innovate, motivate and differentiate, are in the following areas (Herwig W. Kressler., 2003):

- Reward policy
- Definition of training needs
- Career and employment plans
- Performance incentives
- Elimination of weaknesses
- More targeted leadership

- Emphasizing strategic key issues
- More efficient communication.

SMEs in Kosovo need to deal seriously with those issues which will help them improve their organizational performance and empower their competitive advantage.

2.9.5. Performance measure and assessment

Measuring performance is a multidimensional process; effectiveness and efficiency are two key dimensions of performance. This is highlighted by Adams et.al, (Chris Adams & Andy Neely., 2002), where effectiveness refers to the extent to which stakeholder requirements are accomplished, while the efficiency is a measure of how economically organizational resources are utilized.

Bacon, (Carl R. Bacon., 2008), explains the role of performance measurement as a key function in an asset management firm. It deserves better than to be left in the back office and performance measurers provide real added value, with feedback into the investment decision process and analysis of structural issues. According to Webster, (Webster 1979), to measure is to compute, estimate, or ascertain the extent, dimensions, or capacity of, especially by a certain rule or standard, (Joseph M. Juran & Blanton Godfrey., 1998). The authors distinguish between the act of measurement, or data collection, and the measurement process which includes design, data collection, and analysis, synthesis and presentation. This process comprises the steps: understands the frame work, makes decisions and takes action. These authors added that prior to determining what to measure and how to measure it, it is important to understand the overall frame work in which the measurement system operates. Defining the framework is somewhat taking to account from stakeholder's analysis in strategic planning, where stakeholders include at least three groups:

- Customers - One goal of most organizations is to maintain and improve customer satisfaction, retention and loyalty.
- Owner – Their interests are reflected in organizational direction, competitive position, and financial performance.
- Employee- Employees may view the measurement system as a device of management control but good measurement systems are also empowering.

Performance goals and measures have a significant impact on the way people work, if the manager sets the right goals, those goals provide direction for employees about what is important for the organization; in essence people know what's expected from them and they are motivated to achieve those desired outcomes (Jensen, McMullen, & Mel Stark., 2007).

Five major assets or capital that an organization can leverage to aid in performance and add value to operations are: financial assets, physical assets, market assets, operational assets, and human assets. Financial and physical capital are easy to measure via accounting practices, market and operational capital are more challenging to measure but practices have been developed that can give a subjective value on such assets. Human assets/capital, are very difficult to measure, researchers do not have a consensus on the measures to be used while assessing organizational performance (Mello, 2015).

Strategy maps define the strategic objectives and associated initiatives and action plans that support the organizational vision, mission and the key performance indicator. He explains the definition of performance measures which are related to the strategic objectives as defined in the organizational strategy are usually referred to as strategic measures (Cokins, 2004).

According to Ramosaj, (Berim Ramosaj., 2007), the evaluation of employee performance is the basic requirement of the manager's job; this assessment may be divided in two parts:

- Assessing the employees performance and
- Assessing the performance of managers.

The author pointed out the characteristics that must be assessed:

- Quantity of work-working standards is met.
- The quality of the work – do they meet quality standards.
- Working skills – knowledge needed.
- Trust – does the employee need constant monitoring?

The value of performance evaluations is explained (DeIpo., 2007)by a performance evaluation system which can deliver important benefits and improve the success of each employee, each department and the entire organization. If it is done properly performance appraisal can:

- Motivate employees to perform better and produce more.
- Help you to identify development and training needs.
- Help the employee to understand how they can develop and grow.
- Improve the respect employee have for their managers and senior management.
- Foster good communication between staff and managers.
- Identify poor performance and help them get on track and
- Lay the groundwork to fire poor performers lawfully and fairly if they don't improve.

When performance appraisal is done correctly it is a process not a document, it is a way of structuring the relationship with employee (DelPo., 2007). This process includes:

- Observation-before you evaluate an employee performance you must witness that performance in the field, if you want to know what is going on your organization: who is doing what and how, you must get out of your office and become the part of the working life of your employee? This is one important recommendation for managers in Kosovo SMEs.
- Documentation- note in a performance log and write a feedback memo for the employee.
- Communication.

The author adds it is important in this process to identify the job requirements. Job requirements according to the author are a description of what you want an employee in a particular position to accomplish and how you want an employee in that job to perform. There are two kinds of job requirements:

- Results requirements-a concrete description of a result that you expect any employee who holds a particular job to achieve.
- Behavior requirements-a description of how you want any employee in a particular job to behave while getting that job done.

Writing the employee appraisal (DelPo., 2007), is a continuous process in three phases:

1. Gather information-gather objective information (sales number, call reports, productivity reports, and budget). Gather qualitative information (kudos, performance log, customer complaints, disciplinary memos, and disciplinary actions).
2. Draw conclusions-Assess performance, did the employee meet the requirements and goals that management set for the year, and why or why not? Make sure that you have avoided common appraisal errors.
3. Write the appraisal documents-summarize conclusions and provide the best supporting evidence.

This is another recommendation for managers in Kosovo SMEs writing the appraisal form for their employee.

Bacal, (Robert Bacal., 2004), presents a number of items when you look at performance:

- Observable behavior
- Observe results
- Quantifiable contributions
- Personality
- Attitudes

2.9.6. Performance indicators

Many organizations are working with the wrong measures, they use Key Performance Indicators (KPI) but they are not linked to an organizational strategy, according to (David Permenter., 2007), there are three types of performance measures:

1. Key result indicators (KRIs) – that tell you how you have done in perspective. They give a clear picture of whether you are going in the right direction. But, they do not tell you what you need to do to improve some of the results. This type of measurement covers a longer period of time than KPIs.

2. Performance indicators (PIs) – tell you what to do. They represent a set of measures focusing on organizational performance that are the most critical for the current and future success of the organization.

3. KPIs-tell you what to do to increase performance.

Hutchins, (David Hutchins., 2008), provides a road map of how to progress from driver-objectives to achieve through to the KPIs (table 5):

Drivers-Objectives	Performance Indicators	Measure
Develop the knowledge, skills and creativity of our team to generate involvement, pride and improve performance.	Knowledge	Skill testing Education programmes Staff appraisal
	Skills	Multi skilling Training budget Courses
	Creativity	Suggestions Projects Innovation
	Involvement	Team Work Presentation Self-improvement
	Pride	Absenteeism Sickness Disputes Labor Turnover
	Business improvement	Performance improvement Scarp reduction Improved Delivery Customer complaints Safety

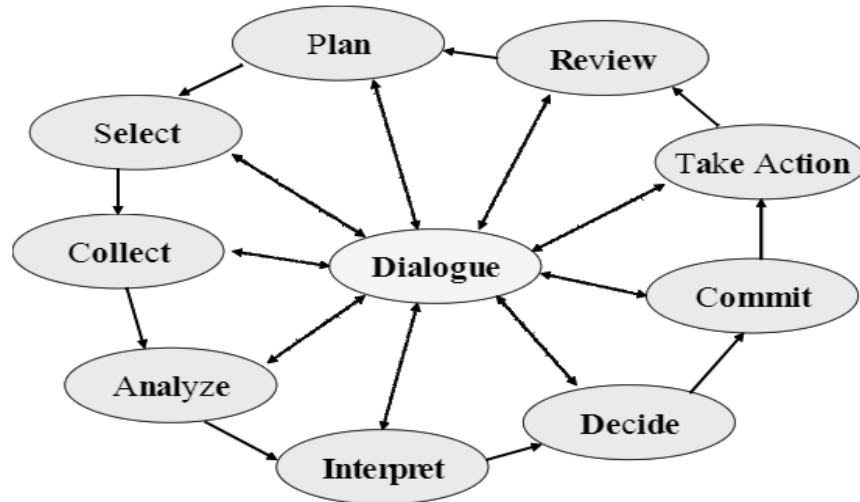
Source: (David Hutchins., 2008).

Table 5. Driver-objectives to achieve through to the KPIs

In the context of social aspects (Dean R. Spitzer., 2007), described why it is so important to establish a positive context for measurement. If people in an organization view measurement as just routine, they will be missing the most important parts of measurement: social interaction, communication, insight, and learning that should occur throughout the measurement process. The author in this book represents the performance measurement cycle, which shows many if not all the activities that are part of the expanded view of performance measurement. The figure 4 shows what he calls “The performance measurement cycle”.

This performance cycle goes through several stages:

- Plan-in this phase the author highlights most aspects of planning, the framing of measurement questions. Knowing what questions to ask entails careful consideration of the organization’s vision, mission and values:
 - How should we measure success as an organization?
 - What does success look like?
 - How we will know that we have achieved success?
 - How we will know we are making progress?
- Selectin phase - This phase involves the identification of what to measure: quality, productivity and profit.
- Collection phase – this phase can begin when the data collection instruments are developed.
- Analyze phase - this phase is often rather technical.
- Interpretation phase - the information that is produced is often technical and must be interpreted. This is phase is an important form of performance measurement.
- Decision phase - next step is making decisions on the basis of the results.
- Commitment phase - it is important that stakeholders commit to action based on real knowledge, not just reacting to data; this is an opportunity to learn and improve an employee’s performance.
- Take action phase - the readiness for and the effectiveness of any action taken will depend on what has been done in the previous phase of the performance measurement cycle.
- Reviewing phase - the last phase when the entire process should be reviewed.



Source: Book, *Transforming Performance Measurement*, author Dean Spitzer, 2007.

Figure 4. Performance Cycle.

Learning about and from performance measurement can make a huge difference in how people relate and respond to it and to each other (Dean R. Spitzer., 2007). Individual learning is concerned with improving individual capacity; organizational learning is focused on enhancing systems and an organization's capacity for performance. Organizational learning is learning that will involve an entire organization, it is vital that organizations empower people to transform the work they do, not just learn how to do the same work better.

Neely (Andy Neely, 1998), represents the function of performance measurement which can be categorized in four aspects:

1. Checking position
2. Communicating position.
3. Confirm priorities.
4. Compel progress.

In this part we will present some of recommendations or practical steps from author Dean Spitzer which Kosovo organizations can take to improve and transform performance measurement:

- Gain executive sponsorship for transforming performance measurement-As in any change effort, leadership is fundamental to success.
- Be willing to start small-of course it is great to be able to transform an entire organization, but when that is not possible, start with the unit or department.
- Ensure empowerment-employee will learn from new experiences, support from leadership is crucial in this process.
- Involvement of key stakeholders-transformational measurement is not possible without active stakeholder involvement.
- Emphasize improvement and learning purposes-we should ensure that measurements must be focused on improvement and learning purpose.
- Make sure that measures are linked to the organization's business and strategy.
- Continuously test and revise the measurement frameworks.

However, to know what measurement should be done the manager should know not only the common problems, questions and situations appearing in SME processes but also the main problems in their organization. It is not enough just to measure, managers should understand what they are measuring and they must have ability to set effective goals.

According to McMullen et.al, (Jensen, McMullen, & Mel Stark., 2007) the goals should:

1. Create focus: People's performance is a reflection of the goals they set or that others set from them. Goals affect performance by directing the employee's attention and actions, mobilizing and prolonging the work effort, and motivating them to develop reasonable strategies to attain goals.
2. Be reasonable: General acceptance that the goals are reasonable, attainable, and appropriate for the job is necessary for those goals to have a positive impact on performance.
3. Be measurable: Goals are only effective if their achievement can be measured. Measures are often quantitative (for example, financial goals), but they also can be qualitative (for example, achievement of project milestone).
4. Be achievable: Individuals must have (or believe that they have) the ability and the available resources to deliver high performance and achieve goals.

5. Offer challenges: Higher goals yield higher performance. By setting the goals so that employees have to stretch a little to meet them, you'll get better performance than simply by asking them to do their best.
6. Provide feedback: Employees need regular and timely feedback to keep on track and so you can get the most of your goal setting.
7. Include tangible rewards: Offering money and other concrete reward will increase commitment to reinforce the importance of the goal.
8. Require participation: Employee participation in the goal setting process can encourage acceptance of the goals.
9. Be personality neutral: The positive impact of goal setting applies to all types of people. If the goal is appropriate, and the employee wants to succeed, then the personality of the individual has little impact on the result.

The authors clarify that the manager should choose measures of work that individual employees have the ability to control and that contribute to the organization's overall success. This is termed alignment-that is employees and departmental goals are in accordance with the goals of the organization (Jensen, McMullen, & Mel Stark., 2007).

In this part we conclude with the top 10 Measurement System Principles from authors (Joseph M. Juran & Blanton Godfrey., 1998):

1. Manage measurement as an overall system, including its relationship with other systems of the organization.
2. Understand who makes decisions and how they make them.
3. Make decisions and measurements as close to the activities they impact as possible.
4. Select a parsimonious set measurement and ensure it covers what goes on between functions.
5. Define plans for data storage and analyses/syntheses/recommendations/ presentations in advance.
6. Seek simplicity in measurement, recommendation, and presentation.

7. Define and document the measurement protocol and the data quality program.
8. Continually evolve and improve the measurement system.
9. Help decisions makers learn to manage their processes and areas of responsibility instead of the measurement system.
10. Recognize that all measurement system have limitations.

These principles are outlined as recommendations for managers in SMEs in Kosovo.

2.9.7. Reviewing performance

Performance review is the final phase of an effective performance management system. It simplifies an overview of what has been achieved and offers the possibility for critical reassessment, makes feedback possible and prepares the way for measures designed to build on strength and eradicate weaknesses (Herwig W. Kressler., 2003). An organization's performance is made visible through the activities it conducts to achieve its mission, organizations try to identify key performance indicators that they can monitor to assess their performance (Charles Lusthaus, 1999). Not all indicators have the same importance; organizations need to create its own indicator-monitoring list. The author describes the organizational performance through the:

- Effectiveness - the degree to which it moves toward the attainment of its mission and realizes its goals.
- Efficiency -cost per service, the number of outputs per employee.
- Relevance - to survive organizations must adapt to changing context, capacities and keep to its mission and goals.
- Financial viability –for survival organizations inflow of financial resources must be greater than outflow.

Clear communication is essential to effective performance management, a primary benefit of the performance planning and evaluation process is that it provides further opportunities to establish and maintain communication with your employees(Natasha Terk, 2012), the process:

- Help you make sure that employees know exactly what's expected of them.
- Let employees know what they are doing well and what they need to improve.

- Keeps you informed about what resources employees need to do their jobs.
- Provides employees with opportunities to participate in decision related to their jobs.
- Enables employees to learn what action they need to take to achieve their career goals.
- Provides crucial support for such human resource decisions such as promotions, succession planning, salary increases, or disciplinary actions.

The author clearly describes performance standards and performance plan. He also describes what an employee will do to meet specific job requirements. Clearly written objectives define expectation for the employee.

Reviewing organizational performance can help managers to become better managers and more effective and successful employees. The responsibilities of a manager in this phase are described by (Grote, 2002). They are:

1. Review the agenda and time frame for the meeting.
2. Review and discuss the performance appraisal you wrote and the individual's achievement list.
3. Listen and respond appropriately to the individual's perceptions and feedback.
4. Discuss your assessment of the individual's performance against objectives.

In the current conditions organizations need to be able to change quickly. They require leadership to link internal and external realities to improve their own performance. Human resource planning is the first step in effective human resource management. Human resource should be linked to organizations strategic objectives and mission.

Development of human resources in organizations means improving an employee's performance by increasing or improving their skills, knowledge, and attitudes (Charles Lusthaus, 1999).

The evaluation review should not be a dramatic climax, but the logical conclusions and overview of an evaluation period, perhaps of one business year (Herwig W. Kressler., 2003).

Performance review systems should contribute to increase the work performance, poor systems will cause damage to both, organizations' and managers' ability to manage effectively. Bacal, (Robert Bacal., 2004), presents the damages that will cause a poor performance review systems:

- Performance review systems that don't help employees do their jobs, hurt the relationship between employee and manager and create confrontational situations
- Managers doing ineffective performance reviews lose credibility with employees, particularly when a manager acts as if the reviews are valuable when they clearly not. Employees are smart: they know when a manager is just pretending to do some useful.
- Time and resources are lost. The only reason to justify doing performance review is if they somehow add value. If they don't add value, they cost.
- Poor performance review systems can make HR staff seem amazingly stupid when the forms and mandatory requirements they set out are clearly a waste of time.

Many organizations and managers want to use the performance results to make personnel decisions that will impact on employees and organizational performance. Here we have another part of the management process as: reward, retain top employees, promotions, and even to determine who to keep and who to let go.

The results from the performance review should be used to improve organizational performance and to develop staff abilities. Managers should build the trust between them and employees to overcome the difficulties with the performance review process.

2.9.8. Improving performance at the organizational level

Organizational efforts at improving performance such as organization development, training, quality improvement, human resource development are manifested in different ways. Each organization is unique; each has its own mission, strategies, performance goals and challenges.

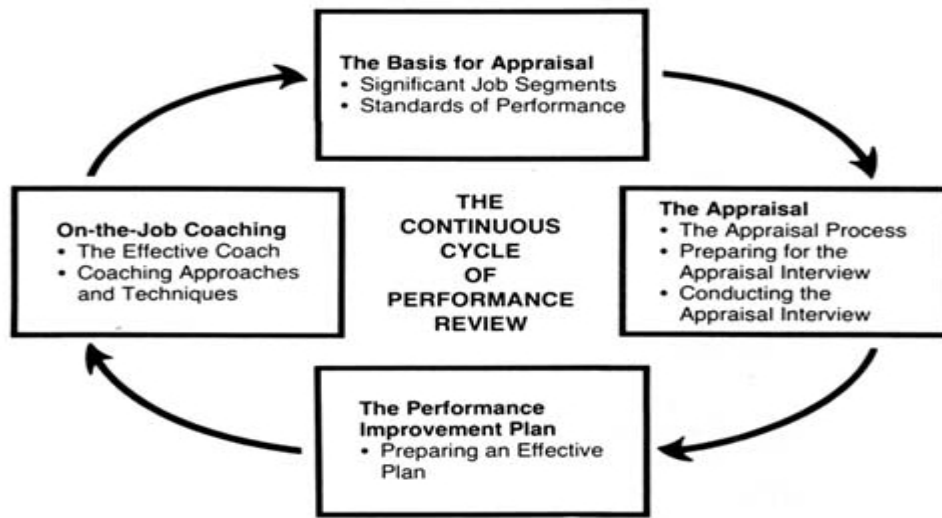
There are four simple performance questions, that if they were asked could radically change the role and contributions of the development functions in the most organizations (Swanson, 2007):

1. Will the individual perform better after the intervention?
2. Will the process perform better after the intervention?
3. Will the work team perform better after the intervention?
4. Will the organization perform better after the intervention?

According to Cushman et.al. performance improvement professionals must be able to perform analysis work, they must be able to analyze performance at the organizational, process, work team, and job levels and must know how to interpret the resulting requirements for workplace improvement before implementing development solutions. This organizational integration process is described by (Donald P. Cushman & Sarah S. King., 1997) and has its goal the tying together, energizing and creation of a focused collective effort by all an organization's stakeholders. The authors explain that this integration process is possible through:

- High speed management processes employ human communication to provide an organization's stakeholders with the clear, focused, and energizing vision, specific performance target, and empowered point men for aligning significant organizational performance.
- Organizational culture employs human communication to provide an organization's stakeholder with a common set of values, socialization, monitoring and rewards systems capable of motivating, guiding and providing satisfaction.
- The organizational teamwork employs human communication to provide its stakeholders with the means to create, operate, continuously improve and terminate various organizational structures, functions and processes aimed at co- aligning joint performance in achieving organizational goals.

Kirkpatrick (Donald L. Kirkpatrick., 1982), represents the framework in order to improve performance from appraisal and coaching, a continuous process is necessary, which is presented in the following diagram.



Source: (Donald L. Kirkpatrick., 1982).

Figure 5. Kirkpatrick model

All these together (DelPo., 2007) are called the performance objectives which means the way to define what you expect from an employee and measure, how well an employee meets those expectations.

Practitioners and most theorists agree that a systematic process should be used to carry out performance improvement efforts.

They also agree that a general performance improvement process consists of five phases:

1. Analysis
2. Design
3. Development
4. Implementation
5. Evolution.(Swanson, 2007).

It is important for Kosovo organizations to use these tools for improving their organizational performance. Managers should have the ability to coach people, to create a positive work environment in which employees can succeed. Managers must have a clear vision of where they and their employee are going and how they will get there.

Leaders in Kosovo organizations need to establish SMART goals for their employee. The process they should follow in SMART planning for workgroups are:

1. Review organizational goals to see what measurable results are expected for your workgroup.
2. Develop results for the workgroup in terms of quality, quantity, time and cost that will measure the effectiveness and efficiency of how you deliver products and services.
3. Share these goals with your employee and discuss how they can be achieved.
4. Develop a plan that describes the activities needed to meet the goals and achieve the desired outcomes, with measures for quality, quantity, time, costs.
5. Establish priorities for competing activities and goals.
6. Set milestones (dates and measurable outcomes) to track progress toward reaching goals.(Chavalier, 2007).

The work environment consists of three elements that managers must ensure are correct if their employee is to perform their jobs properly: information, resources, and incentives (Chavalier, 2007).

If we want to improve organizational and employee performance it is a must to provide clear expectations, these activities are necessary to shape the performance of the employee through the feedback provided, which helps to clarify expectations.

Employees need to have the right equipment and materials to do the job; also they need enough time to do the job right. Resources also include a work environment that is both physically and psychologically safe and organized. They need work processes and procedures clearly stated.

The incentives are positive feedback for good performance. Incentives may be financial and nonfinancial. In the table below are factors which can impact organizational performance

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Work Environment:

<u>Information</u>
<ol style="list-style-type: none"> 1. Roles and performance expectations are clearly defined: employees are given relevant and frequent feedback about the adequacy of performance. 2. Clear and relevant guides are used to describe the work process. 3. Leadership and coaching guide employee performance and development.
<u>Resources</u>
<ol style="list-style-type: none"> 1. Materials, tools and time needed to do the job are present. 2. Processes and procedures are clearly defined and enhance individual performance if followed. 3. Overall physical and psychological work environment contributes to improve performance; work conditions are safe, clean, organized and conducive to performance.
<u>Incentives</u>
<ol style="list-style-type: none"> 1. Measurement and reward systems reinforce positive performance; financial and nonfinancial incentives are present. 2. Jobs are enriched to allow for fulfillment of employee needs. 3. Overall work environment is positive, where employees believe they have an opportunity to succeed; career development opportunities are present

Source: Roger Chevalier 2007

Table 6. *Factors which can impact organizational performance*

2.9.9. Improving team and individual performance

The primary objective of a performance appraisal is to ensure the maximum utilization of every employee's skills, knowledge and interests. Sometimes the effective performance appraisal systems go beyond their primary objective, they also serve to enhance employer-employee relations, HR development, and career development (Arthur Diane., 2008).

Many managers believe that selecting employees with the necessary knowledge and skill is the start for improving team performance, and the organization must be prepared to train and develop a new member of the team. Additionally, each member of the team must be properly placed based on knowledge and skills that the individual has. The manager's role is to ensure that their team is performing to its best.

Knowledge-work is what people do when they interact, talk to another, and share knowledge, so they can accomplish something together (Mark Addelson., 2011).

In their best-selling business book *The Wisdom of Teams*, authors (Katzenbach J. R and Smith D.K., 1993) define the characteristics of a high performance team: The Team represents a small number of people with complementary skills who are committed to a common purpose, a set of performance goals and an approach for which they hold themselves mutually accountable.

The characteristics of a high performance team therefore are:

- A clearly defined and commonly shared purpose- the teams have a well-defined, mutually agreed and shared set of goals.
- Mutual trust and respect-teams member have a high degree of trust and respect for each other, there is recognition that everyone has diverse skills and backgrounds and that all contributions are valid.
- A high level of communication-teams are open, information is shared to and from the team leader, between the team members and amongst their key stakeholders.
- Willingness to work towards the greater good of the team- members of the teams recognize that there will be times when they need to put the needs of the team before their individual goals.

- A leader who both supports and challenges - leaders demonstrate a balance of supportive behavior and challenges, they encourage their team, listen and provide ongoing recognition.
- A climate of cooperation- team members are cooperative rather competitive, they support one another and work towards the common goal.(Sarah Cook., 2009).

According to Cook, (Sarah Cook., 2009), when a team is working well you will see that:

- The team has an effective leader,
- Team members demonstrate drive and ambition,
- Team members are able to complete tasks and meet objectives,
- Team members develop new ideas,
- Team members turn ideas into practical actions,
- Team members network with stakeholders and sell ideas,
- Team members think strategically and make objective decisions,
- Team members see problems from other perspective and generate harmony, and
- They also have a mixture of people who adopt different and complementary roles.

Effective teams are combinations of different types of people and they consist of different types of roles and the mix of roles that they play in a team determines their effectiveness. Elements that link a team together have a clear organizational vision and set of values.

2.9.10. Performance management and reward

The challenge to management is to match the proper employee and reward with the desired results. Organizations that wish to perform well and change effectively need to create a reward system that emphasizes performance. Employees want reward, the most important reason to recognize and reward employees is that it makes good business sense. Doing so effectively helps organizations to do the following:

- Grow their revenues and profits.
- Retain their best employees and recruit top new talent.
- Inspire peak performance from all their employees (Deeprise, 2006).

What is a reward? A reward is whatever somebody has coming as a result of his/her performance (Marshall, 1999). Elements, actions, or situations that the employees will perceive as opportunities to fulfill their needs are also opportunities for management to provide rewards (McCoy, 1992).

The purpose of reward is to generate certain activities and results by motivating employees to maximize their individual efforts. Traditionally rewards for sustained good performances have been limited to annual merit wage or salary increases (Risher, 1999). Reward and compensation has always been a core human resource functions, and is a widely recognized that reward and compensation is only effective when it is integrate with business strategies and organizational goal alignment.

The involvement of human resources in business strategy formulation is a contributing factor of reward and compensation strategic integration (Ashok Chanda, 2009).The author defines the reward and compensation as pay and reward given to employees for rendering services to an organization which is aligned to market conditions and the planned business strategy of the organization.

The reward system is linked to the organization's strategy, business environment, culture and position within its growth cycle (Wilson, 1999). The author explains how it links to employee needs and expectations. The organization is out to hire a certain profile of individual: aggressive, bright, forward thinking, someone out to make a difference and invest in long term success. It is able to get and to keep this kind of individual through its reward system's design.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

In the table below the compensation culture matrix emphasizes how organizational culture can help a rewards program of an organization.

Compensation Elements	Work Cultures			
	Functional	Process	Time Based	Network
Base Salary	Standard job grades Moderate variability in base pay	Broader salary bands Low-to-moderate variability	Very broad salary bands High variability in base pay	One salary band High variability in base pay
Individual Incentives	Limited use of incentives. Paid annually	Wide use of incentives Interim payments	Moderate use of incentives Paid program success	Low to moderate use of incentives Paid after phase of venture completion.
Team Based Pay	Recognition for exceptional success	Gain sharing Group/teams incentives	Program profit sharing	Venture profit sharing
Other compensation	Pay for competencies Pay for skills	Pay for competencies Pay for skills	Pay for competencies	Critical competency gives individuals access to venture team and sharing venture profit

Sources: (Jensen, McMullen, & Mel Stark., 2007)

Table 7. Compensation culture matrix

Research says that employees want specific things from their jobs (Blanchard K. and Bowles., 1998). These are:

- The ability to provide for their families and themselves.
- Control of achievements.
- Worthwhile work.
- Recognition of staff efforts and accomplishments.(Houck, 2012).

Houck (Houck, 2012), divides recognition into four elements: praise, thanks, opportunity, and respect. Managers in Kosovo organizations should incorporate into their daily work those four elements. What is measured and rewarded has a strong effect on what employees believe are the right things to do and the right way to do them, what are the organization's values, and what kind of employees are the right ones for the organization.

For these reasons a critical issue for an organization is the degree to which their reward systems reflect and reinforce values, behaviors, performance levels. The reward practices that an organization adopts are particularly important in shaping its identity. Executives need to pay a great deal of attention to the key elements of their organization's strategy when they design its reward system.

McMullen et.al., (Jensen, McMullen, & Mel Stark., 2007), argued that to ensure the reward program is an effective tool for its managers, a company may take great pains that the program is right for the business, its strategy, operational plans, and its culture. This means ensuring that the rewards program does the following:

- It reflects the company's values and philosophy of people management.
- It is aligned with the company's other management systems and processes to support strategic alignment and employee engagement, especially the organizational structure, employee relations strategy, selection goals, and performance management and succession processes.
- It makes effective use of the unique opportunities and intangible rewards that the company can offer its employees/
- It is appropriately competitive compared with the general labor market where the company competes.

Rewards for individuals and teams in organizations need to be based on their ability to maintain and develop new competencies and capabilities, if quality is a key capability, it must be measured as a capability, and rewards must be tied to its level of development (Eduard E. Lawler III and Christofer G. Worley., 2006). The authors explain that the reward system in organizations play a

key role in implementing change in an organization's strategic intent. The reward systems must focus on performance outcomes. The organization needs it in order to execute their strategy.

The behavior model shows that rewards have both a material and psychic nature. Financial compensation is probably the most common example of a material reward and social recognition in the form of a service award is a good example of a psychological reward (McCoy, 1992).

Sibson, (Sibson, 1990) describes the elements of compensation where employees receive their pay in various forms; each form or element of compensation serves a different objective for the organization, having evolved over time to deal with specific needs. Each element of compensation presented below tends to meet different employee aspiration or goals.

The elements of compensation according to Sibson are:

- Salary-periodic payments, they represent a fixed cost of doing business, and represent the principal basis for attracting and retaining the employee needed to operate the business.
- Premium payments-many organizations have enriched the rate payments for work beyond standard work weeks.
- Bonus payment-a bonus award for employees represent extra income and an opportunity to attain above average earnings, frequently a bonus also represents a reward for special achievement.
- Long term income payment-are bonuses paid for achieving goals or standards over a period time, which is no longer then year.
- Pay for time not worked-includes vacation time, holidays, sick-leave, and special time off for such thing as jury duty and military service.
- Benefits-provide protection against economic risks, including death, disability, and illness.
- Extra pay -include stock purchase plans, thrift plans, some forms of profit sharing trust.
- Nonfinancial rewards-nonfinancial elements remuneration is important and should be an integral part of the management compensation.

Reward system needs to attract, retain and motivate individuals who are capable of developing and implementing strategic goals in organizations, for those reasons Kosovo organizations need to give proper import to these issues.

The reward system has a strong impact on employee motivation and satisfaction; they are key design elements of every organization. Many managers believe that job satisfaction is an important determinant of motivation and organizational performance. The highlight of the purpose of an organization's reward system should be to motivate an employee to behave in a way that supports its strategic goals and performance requirements.

The reward program won't change a poor business strategy into an effective one. But it can provide essential support to the organization's strategy by helping people deliver results more efficiently and cost effectively (Jensen, McMullen, & Mel Stark., 2007).

2.9.11. Performance management roles

There are many advantages associated with the implementation of a performance management process. This process according to (Aguinis,2005), can make the following important contributions:

1. Motivation to perform is increased.
2. Self-esteem is increased.
3. Managers gain insight about subordinates.
4. The job definition and criteria are clarified.
5. Self-insight and development are enhanced.
6. Personnel action has a better fit and appropriate.
7. Organizational goals are made clear.
8. Employees become more competent.
9. There are better protections from lawsuits
10. There is better differentiation between good and poor performers.
11. A Supervisor's views of performance are communicated more clearly.
12. Organizational change is facilitated.

Why should we consider implementing performance in our organization?

The role of performance measurement is to control processes and to enforce continuous performance improvement by improvement teams; measures should supply information about how processes and employees perform. Cadwell, (Cadwell, 2000) summarized the benefits from implanting the performance management in organization:

- Improved performance-managed performance involves setting clear goals, giving ongoing feedback, and coaching employees to be successful, employee get better results when they know management tasks an interest in them and what they are doing. Managers must to have a plan and a process.
- Improved communication-effective performance management results in more effective communication.
- Organizational alignment-when entire organizations focus on performance management, there is alignment up and down the line. Alignments help organizations achieve more because employees are working together to help organizations succeed and vice versa.
- Organization capability-Naturally, more can be accomplished when everyone is working towards the same goals and objectives. Strong individual performance helps to build organizational capability. As employees develop their skills and abilities the whole organization is in a better position to achieve its mission and strategic objectives.
- Reduced management time-one of the keys to performance management is up front planning and communication that occurs between employee and managers.
- Increased employee self-management-performance management is partnership, this is critical difference between performance management and other systems that organizations sometime embark on to improve organizational effectiveness. It's no longer just a manager who is responsible for performance; instead, managers shift the emphasis to the employees and provide them with the tools they need to manage their own performance.
- Increased employee satisfaction-effective performance management yields greater employee satisfaction, employees like to have clear expectations and get feedback about

how well they are performing. Also the more involved employees are in planning and carrying out their goals the more satisfaction they have in their job.

Aguinis, (Aguinis, 2005), explains the aims and role of the performance system which are adopted from Cleveland 1989. Multiple uses of performance appraisal can be summarized in:

- a) Strategic
- b) Administrative
- c) Information
- d) Developmental
- e) Organizational maintenance and
- f) Documentation.

In table no 8, the responsibilities are explained in a performance appraisal system:

The company	<ul style="list-style-type: none"> • Creates the strategic plan • Provides support and resources
The manager	<ul style="list-style-type: none"> • Identifies job requirements • Observes and documents employee performance • Provides ongoing dialogue about employee • Provides support and resources
The manager and employee together	<ul style="list-style-type: none"> • Identify job goals • Create action plans for how to meet requirements and goals. • Engage in ongoing dialogue about employee performance
The employee	<ul style="list-style-type: none"> • Listens to and acts on feedback from the manager • Performs by meeting requirements and goals • Provides feedback to the manager about the work environment

Source:(DelPo., 2007).

Table 8. Responsibilities in a performance appraisal system.

Chapter III

THE BUSINESS ENVIRONMENT IN KOSOVO

3.1. Introduction

Kosovo is now facing the challenges of world wide economic trends and internationalization processes on the European and global market. Its priority is entrance into European Union, with the development of a competitive economy based on knowledge and innovation. Right now the trend is that human resource management is connected to a company's mission, vision, strategy and its success. Development of small and medium enterprises (SMEs) is the main objective of every modern economy.

Kosovo, like other countries in the region, has faced radical changes during the past decade. Moreover, because of its special political condition, the country has had extremely difficult business conditions affecting entrepreneurship development during various stages.

Kosovo is a new country and is making an effort to recognize the importance of the role of SMEs into economic development. More than 90%, of enterprises are small and medium business. After the war, the economy of Kosovo has been mainly fragmented into international assistance and remittances (World, 2010). Kosovo is the latest country in the Balkans to embark on a transition to a market economy. Small and medium enterprises (SME) represent an important potential area for economic development and are considered the most important sector contributor in developing countries globally. The Ministry of Trade and Industry (MTI) and Agency for SME support (SMESA) are the responsible institutions for the formulation of SME Development Strategy.

Sustained organizational success will be achieved through a strategic and integrated approach to improve the performance and develop the capabilities of individuals and wider teams (Michael Armstrong M. Angela Baron, 2005). Although competitive pressures have been driving forces in to increased interest in performance management, organizations have also used these processes to support or dive into culture change and to shift the emphasis to individual performance and self-development.

The business environment in Kosovo is becoming one of the most competitive in the region. Advantages such as abundant natural resources, quick and easy business registration, and

transparent laws on foreign investments make Kosovo an attractive and friendly environment for foreign investors.

For the first time in Kosovo, an investor can register a business in 2 days, free of charge with zero chartered capital.¹ In the World Bank Doing Business indicator report², Kosovo has moved 26 places up making it the most dynamic reformer in Southeast and Central Europe (Report, 2016).

Strategically located, in the heart of the Balkans, Kosovo serves as a connecting bridge between South Eastern European countries. Through its unique geography, Kosovo has access to the growing market in the Balkans and Central Europe that covers 28 million potential customers.

Kosovo has the youngest population in Europe with 70 percent of the population under the age of 35, Kosovo has an estimated population of 1,815,606. The official languages in Kosovo are Albanian and Serbian. The majority of the population speaks Albanian. A large number of people also speak English, German and other European languages. It is both skilled and multilingual, with English being only just short of an official language due to a high international presence. Additionally, many Kosovo citizens who have studied abroad are now returning to Kosovo, bringing with them skills and know-how.

60 per cent of the population live in rural areas and mostly work in agriculture, Kosovo has a long agricultural tradition. Agriculture is the main source of income for the majority of the population. The agribusiness and food processing sector is traditionally one of the strongest sectors in Kosovo's economy.

Kosovo has an enviable endowment of natural resources. At 14.7 million tons, Kosovo possesses the world's fifth-largest proven reserves of lignite. This mineral is of outstanding importance for the country, representing in the long term one of the most crucial factors for power generation

With over 200 years of tradition, textiles were the second largest industrial sector in Kosovo, after mining. In the past, products from Kosovo manufacturers targeted the local market, as well as

¹<http://www.invest-ks.org/>

²<http://www.doingbusiness.org/>

other markets throughout the former Yugoslavia, Western and Eastern Europe and the United States.

The wood processing sector in Kosovo has largely based its production on domestic raw materials. The industry comprises over 1,480 firms³, mainly small companies whose main activity is wood processing, followed by window and door production. The existence of a relatively large number of sawmills is the result of the availability of raw materials and a low level of start-up capital required.

The natural environment of Kosovo attracts high quality tourism. Kosovo's position in south-eastern Europe, with a central location in the Balkan Peninsula, represents a crossroad which historically dates back to Illyrian and Roman times.

The mountainous south of Kosovo has great potential for winter tourism. One of the most interesting is the Brezovica ski resort in the Sharr Mountains. The resort is situated between 1,700 and 2,500 meters above sea level. The region offers excellent tourism opportunities, such as skiing, eco-tourism, paragliding, mountain biking, rock climbing, trekking, kayaking, horse riding, etc.

Economic Zones-The Economic zone is space set aside for companies that has physical infrastructure that is ready to host business activity. These zones are divided into certain plots, depending on the type of business activity.

The private sector consumption and investments are the most important factors behind economic growth. These investments are mainly being driven by the quickly expanding financial sector. Moreover, Kosovo's Government runs a stable and forward-looking fiscal policy. The tax revenue base has been widened, enabling Government expenditures to increase and, in turn, support economic growth.

Kosovo is one of the few counties outside the EU-zone that has introduced the Euro as its official currency. By eliminating the exchange rate risk, transaction costs have been reduced, facilitating the promotion of trade and investment. Due to the absence of monetary instruments resulting from the use of the Euro, Kosovo does not run any monetary policy risk either. The World Bank Groups

³<https://ask.rks-gov.net/>

latest Doing Business Report recognizes Kosovo's continued efforts to improve the regulatory climate for local businesses.⁴

The Doing Business Report 2016, measuring Regulatory Quality and Efficiency show that over the past year, Kosovo has implemented reform to make it easier for companies to pay taxes, by abolishing the annual business license fee. A study titled Kosovo Business Agenda 2011, (American Chamber Kosovo., March 15, 2012), concluded that the main issues that businesses face in terms of taxes are:

- a) Collection of VAT at the border crossing points.
- b) Complicated procedures for VAT reimbursement.
- c) Registration/inspection of stocks conducted during working hours.
- d) Informal economy.
- e) Lengthy procedures in processing of tax statements.
- f) VAT exemptions for specific products,
- g) Problems emerging from fiscal cash registers.

⁴ <http://www.worldbank.org-press> release 28.10.2015

3.2. Business environment challenges

Environmental challenges present external forces to the organization. They influence organizational performance, but are beyond management control. For successful performance managers need to monitor the external environment for opportunities and threats. They need to react proactively to environmental changes.

Today, most important environmental challenges for achieving successful performance are:

- Rapid changes,
- Information technology
- Work force diversity
- Globalization
- Legislation
- Evolving work and family roles
- Skills shortages and
- The rise of service sector(Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy, 2012).

Organizational challenges are concerned with internal issues to the organization. Proactivity in this context can be explained as a need for organizations and managers to take necessary steps.

Organizational culture in the 21st century is an important environmental challenge. The terms of organizational culture can be referred to as the basic assumptions and beliefs shared by members of the organization. To build and change an ingrained organizational culture is not an easy process. Technology is changing rapidly and the impact on business is expressed in different ways.

Despite their importance SMEs in Kosovo still face an unfriendly business environment. In the table below is summarized the key finding of the BSCK SME survey concerning the obstacles to the development of SMEs as perceived by entrepreneurs (Besnik A. Krasniqi Et All., 2011):

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Obstacle	Intensity factor
Informal economy/black economy	72.9
Strong competition	71.1
Corruption	69.8
Taxes too high	66.1
Fiscal evasion	60.2
Supply with electricity	58.3
Law enforcement	57.4
Sufficient and adequate Laws	53.7
Political instability	53.2
Administrative burden	51.7
Crime, robbery and anarchy	51.3
Lack of market demands	48.5
Delayed collection of debts	44.8
Access to finance	41.1
Insufficient capacities	29.2
Supply of materials, machinery and equipment	24.6
Lack of information concerning business	21.2
Transport	20.0
Business licensing	16.2
Managerial skill	8.7
Employee skills	13.2

(Source: BSCK surveys 2010)

Table 9. Obstacles to business

According to the BSCK SME Survey 2010, the majority of businesses are organized as individual businesses around 88.3%, only 8.2 % of companies are organized as business partnership, they are mostly located in urban areas. SMEs in Kosovo mostly operate in trade 47.6 % and services 30 %.

The most dominant activities are transport, hotels and tourism, construction and material construction 25 %. Industry performance is an important factor impacting the development of organizations, 37.9 % according the BSCK survey think there is an increase in the sector they operate. The majority of the SMEs are financed by a company's own resource as a primary resource of finance, with bank loans or grants from the public sector. Like other developing economies, Kosovo is faced with problems of high informality and tax evasions.

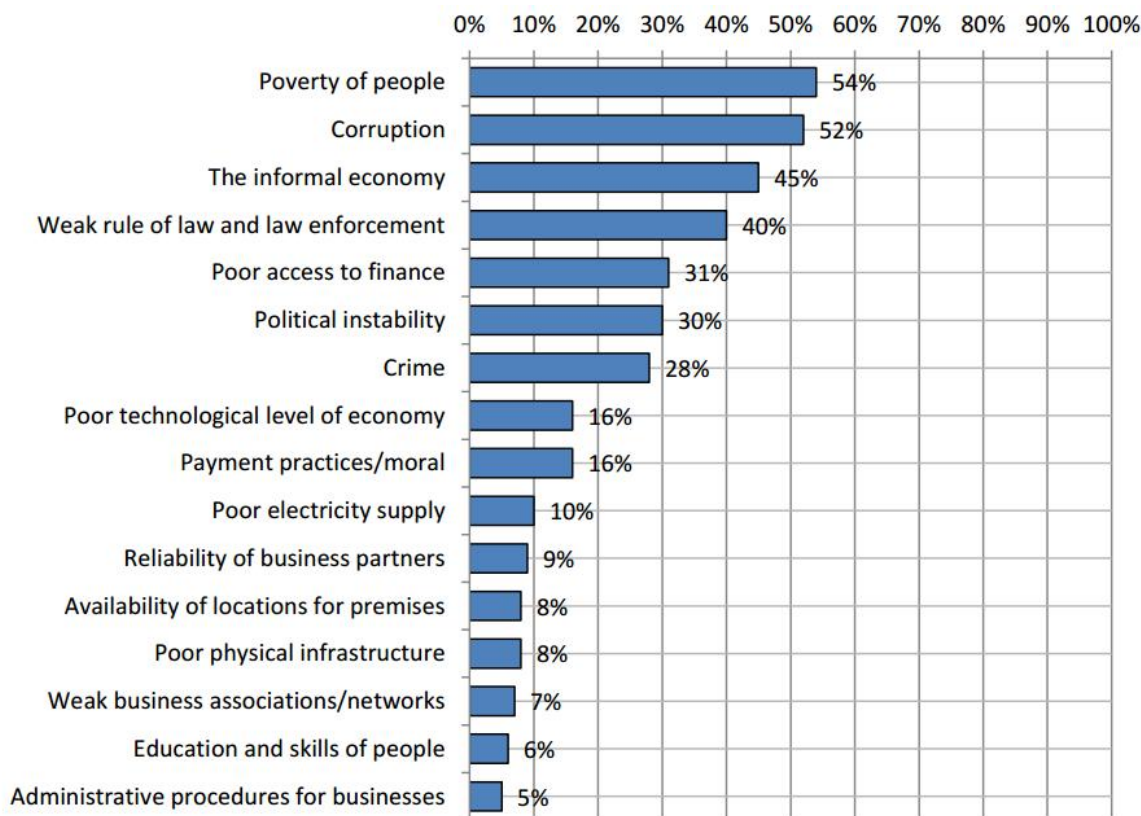
According to the report from KOSME SME Survey 2014, (Thomas Oberholzner- Austrian Institute for SME Research., 2014), major business constraints are facing SMEs in their business operations as highlighted in the chart number 1 (below).

SME research indicates that enterprises started their businesses with a small number of employees. The research findings indicates that employees have secondary school qualifications, professional education, and employees with university level education.

The training and empowerment of employees is an important and integral part of human resource development at the managerial and non-managerial level. This is verified in the hypothesis testing. The main and most important strategy of SMEs in Kosovo is the improvement of products and services and technological advancement.

According to Oberholzner, (Thomas Oberholzner- Austrian Institute for SME Research., 2014), despite the growth of the SME sector in general over the last few years, many businesses are in a difficult economic situation. According to this report in 2013, 31% of enterprises have experienced a revenue decline of 25%. In the transportation and construction sectors, particularly, many businesses reported negative revenue development. Based on the data of the report KOSME SME Survey 2014, some indicators confirm that many SMEs are economically fragile and vulnerable. Almost 60% of solo entrepreneurs and micro enterprises describe their situation as struggling to survive. But, businesses can pursue different strategies to achieve a competitive advantage and to be successful on the market. They can distinguish between strategies aiming at low cost and prices and strategies aiming at high/superior quality products and services including innovations.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**



Source: KOSME SME Survey 2014

Figure 6. Major constraints for doing business percentage of SMEs.

	% of businesses focusing on low costs	% of businesses focusing on improving quality
Manufacturing	21%	35%
Construction	42%	43%
Wholesale and retail trade	33%	40%
Transporting and storage	35%	41%
Accommodation & food service	17%	43%
Business services	6%	51%
Personal services	13%	43%
Total	26%	41%

Source: KOSME SME Survey 2014

Table 10. Strategic orientation of SMEs: low costs vs. improving quality, by sectors.

The table 10 shows that in general, the ambition to improve quality is more widespread among SMEs in Kosovo than the cost-focused strategy. However, there are important differences between sectors.

3.3.Firm infrastructure

According to Pula, (Justina Sh. Pula., 2013), private sector enterprises in Kosovo have a simple organizational structure, with no established professional service in general. Many researchers verify that most enterprises have business plans, the definition of a development strategy. The author explains that the enterprise qualification structure of SMEs in Kosovo carry some practices which prevent development. For example, the choice and selection of employees is mainly from the family circle, it is impossible to gain experience, training and retraining with a view to adapt to the needs of the market economy.

Designing an organization requires choosing an organizational structure that will enable an organization to achieve its objective most effectively. According to (Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy, 2012) the three basic types of organizational structure are:

- Bureaucratic
- Flat
- Boundary less.

Bureaucratic organizations - consists of hierarchies with many levels of management. It uses a command and control approach to management. Employees are encouraged to do only the work specified in their job description. In a dynamic environment like today this structure is less efficient.

Flat organization- this structure only has a few levels of managers and uses decentralized approach to management. This type of structure encourages high employee involvement in business decisions. Flat organizational structures can be useful for organizations that are implementing management strategies that emphasize customer strategies(Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy, 2012). This type of organizational structure performs best in changing

environments, because it enables management to create an entrepreneurial culture that fosters employee participation.

A boundary- less type structure enables an organization to form relationships with the customer, suppliers and competitors. Such relationships takes the form of a joint venture and let organizations share talented employees, marketing processes or financial resources.

3.4. Legal issues and regulations

Managers must know and understand the legal issues that affect the practice of human resource management, because many of their decisions are contained by law. They must consider legal issues when making the following decisions:

- Which employees to hire.
- How to compensate employees
- How to accommodate an employees with dependents
- How and when to fire an employees(Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy, 2012).

The size of SMEs in Kosovo is defined by Law no: 2005/02-L5, Classification of SME:

1. A small enterprise is an enterprise that:
 - a) Employs up to 9 employees; and
 - b) During the previous 12, month has had an aggregate turnover of 500.000 € or less.
2. A medium enterprise is an enterprise that:
 - a) Employs between 10-49 employees and ;
 - b) During the previous has had an aggregate turnover of 2.400.000 € or less.

The number of employees is the sole criterion of enterprise size in Kosovo. Micro enterprises clearly dominate in SME sector with 98.3%, the rest are small enterprises 1.35%, medium enterprises 0.22%, and large enterprises 0.06%(Enver Krasniqi and Socol Krasniqi., 2013).

The Legal forms of business, the definition applied to legal forms of enterprises under Regulation 2001/16 and Law No.02/L123, on Trade and Corporation Associations which are :

- Individual Business –is the only person who performs economic activities for the purpose of profit and who is registered in the KBRA. The company has an official name or includes surname of the lawful owner.
- General partnership-all partners jointly respond without restriction for partnership debts.
- Limited partnership-partners or those responsible for the organization’s obligations to the limit of the value of their founding capital.
- Limited liability enterprises- are those enterprises that are established by one or several founders, who answer only the limited of the value of their contribution.
- Shareholders-are those whose capital is divided into shares and shareholders respond only to their limit of their contribution.
- Foreign company-is a business that from the moment of the registration is considered a branch in Kosovo that has no identity of a legal person. After registration it shall enjoy rights and obligations established under the applicable law.
- Social enterprise –means a legal person wherein most assets and capital are socially owned. These enterprises until privatization are monitored and registered by the Kosovo Privatization Agency (KPA), under the Law Commercial Companies No. 02/L123.
- Public enterprises- are the enterprises which carry out activities of general interest which is established by the state.
- Agricultural cooperative-is a business organization created by natural or legal persons who must be farmers who contribute with their private property to share capital.
- Enterprises under the jurisdiction of the KPA-are ex-social -owned enterprises which are now managed and supervised by the KPA.

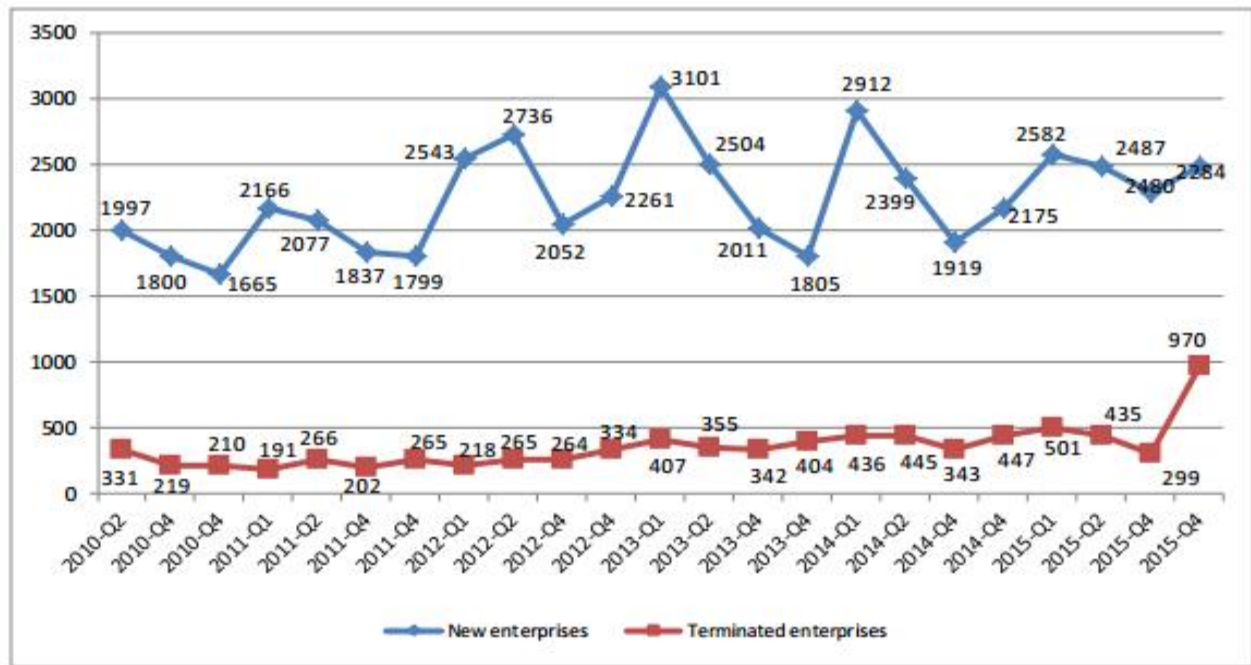
Table number 12 lists a number of new enterprises registered in each quarter and by of the economic sector in Kosovo (KAS-Kosovo Agency of Statistics., 2016).

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Period	Section of economic activity																			
	Agriculture, forestry and fishing	Mining and quarrying	Production	Supply of electricity, gas, steam and air conditioning	Water supply, sewerage, waste management and land revitalization activities	Construction	Wholesale and retail trade, repair of motor vehicles, motorcycles	Transport and storage	"Accommodation and food service activities"	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support activities	Public administration and defense, compulsory social insurance	Education	Human health and social work activities	Art, entertainment and recreation	Other service activities	
Quarter	Total	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
2012 - Q1	2528	174	9	239	5	18	268	820	175	243	96	4	9	155	57	7	32	39	48	130
2012 - Q2	2736	218	26	278	3	17	259	809	156	300	82	3	10	190	70	6	24	36	36	213
2012 - Q4	2051	127	9	184	7	12	193	598	140	205	84	6	11	131	48	8	32	34	56	166
2012 - Q4	2261	222	11	201	5	12	224	691	139	207	78	3	7	137	78	4	26	20	54	142
2012 Total	9576	741	55	902	20	59	944	2918	610	955	340	16	37	613	253	25	114	129	194	651
2013 - Q1	3100	301	10	299	9	19	337	867	201	264	104	6	135	169	60	9	32	48	54	176
2013 - Q2	2504	142	7	258	2	14	227	759	107	246	101	4	95	162	65	9	28	43	52	183
2013 - Q4	2011	122	7	163	6	11	201	565	108	240	82	8	15	119	53	6	20	48	63	174
2013 - Q4	1805	188	5	152	5	6	178	543	109	161	70	2	12	135	36	9	18	34	62	80
2013 Total	9420	753	29	872	22	50	943	2734	525	911	357	20	257	585	214	33	98	173	231	613
2014 - Q1	2911	205	10	283	4	13	284	887	181	293	121	12	21	180	77	12	33	50	88	157
2014 - Q2	2399	186	9	283	3	16	207	704	99	282	95	8	10	146	61	11	20	39	55	165
2014 - Q4	1919	115	7	196	3	13	146	574	111	237	61	11	7	97	49	2	18	33	60	179
2014 - Q4	2175	168	6	216	14	9	166	649	143	222	80	12	21	147	65	17	19	51	50	120
2014 Total	9404	674	32	978	24	51	803	2814	534	1034	357	43	59	570	252	42	90	173	253	621
2015 - Q1	2582	255	7	276	8	12	237	784	143	253	104	12	15	144	80	6	20	36	57	133
2015 - Q2	2487	212	12	261	5	13	193	751	142	263	98	15	15	139	76	10	29	67	60	126
2015 - Q4	2284	208	8	239	4	8	160	622	108	256	86	43	19	123	66	3	25	49	68	189
2015 - Q4	2480	270	5	271	13	15	163	746	131	246	80	25	25	175	74	6	35	35	58	107
2015 Total	9833	945	32	1047	30	48	753	2903	524	1018	368	95	74	581	296	25	109	187	243	555

Sources: (KAS-Kosovo Agency of Statistics., 2016)..

Table 11. Number of new enterprises by quarter 2012-2015, and section of economic activities.



Sources: (KAS-Kosovo Agency of Statistics., 2016).

Figure nr 7. The number of new enterprises and those terminated by respective quarters

3.5. Why invest in Kosovo

Kosovo is the youngest country in Europe located in the Balkans. The Kosovo investment and Enterprise Support Agency (KIESA), which functions under the Ministry of Trade and Industry, is responsible for the protection, promotion of investments and supporting implementation of public policies and programs for Micro, Small and Medium Enterprises. It also develops policies related to establishment and development of economic zones. Kosovo has three free economic zones: Gjakova, Mitrovica and Prizren.

KIESA’s 10 top reasons to invest in Kosovo.

1. Youngest population in Europe- Kosovo has the youngest population in Europe with 70 percent of the population being under the age of 35. Many Kosovo people who have lived and studied abroad are acting as a bridge to western cultures and guaranteed business success.
2. The high availability of skilled and cost effective labor-the average monthly cost of labor in Kosovo is 416€.

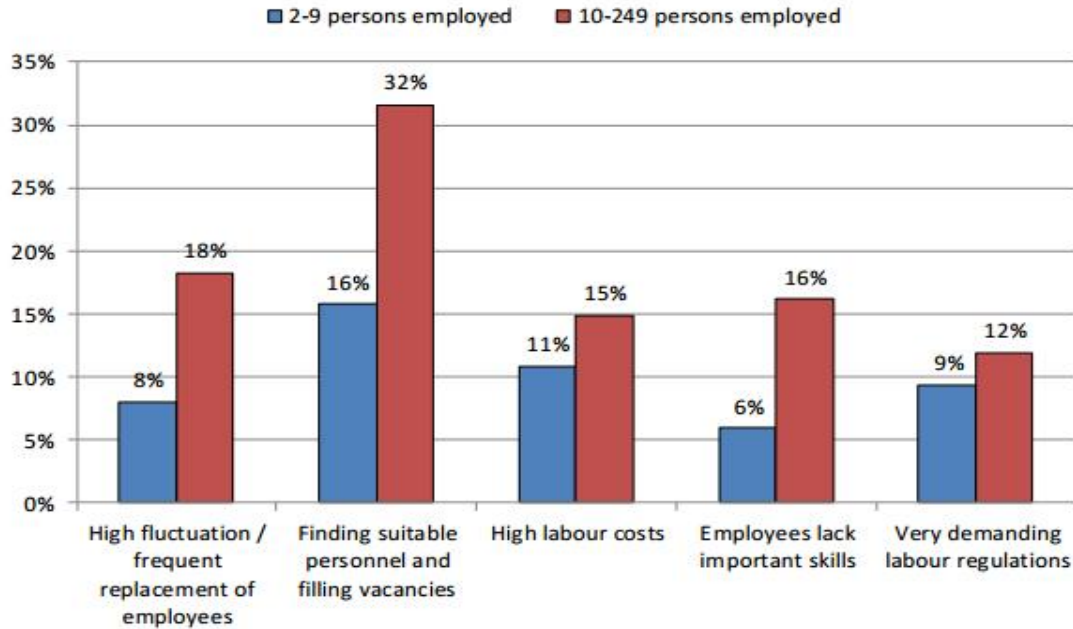
3. The Euro as the official currency-the euro is official currency in Kosovo and gives Kosovo considerable advantage over its competitors in the region.
4. Free access to EU markets -Stabilization and Association Agreement (SAA) for the EU, US and CEFTA.
5. Low taxes-Kosovo has a simple and straightforward tax system. International standards apply.
6. Stabilizing political environment-Kosovo's independence marks the end to a long period of economic and political uncertainty. So far Kosovo has been recognized by the most powerful nations, and has become a member of international institutions. The international presence in Kosovo is strengthening the stabilization process and the rule of law and bringing legal security to investments.
7. Kosovo legal system since 1999, has been rebuilt and now is completely compatible with the EU legislation.
8. Strategic location and developing infrastructure-The highway which connects Kosovo with Albania is finished, the highway with Macedonia is in process, as well as Serbia. European support will end by signing a contract to finish the highway from Merdare to Nish. Pristina international airport offers daily air connection to European cities.
9. Sound banking system-Kosovo financial system has been built completely new foundations.
10. Great investment opportunities-Kosovo is well endowed with natural resources and agricultural land. The agriculture sector, food, wood processing, construction, IT and mining offers the most opportunities for investors.

3.6.SMEs and the labor market

KOSME SME Survey 2014 covered the responses of SMEs in Kosovo to personnel and human resources.

According to the report the greatest challenge concerns finding suitable personnel for vacancies. One third of small and medium sized enterprises and by 16% of micro enterprises experience difficulties in this area. There are only relatively few enterprises that complain about high labor costs, employees lack of skills and overly demanding labor regulations.

The figure no.8, shows which are the main personnel related problems SMEs are facing.



Source: KOSME SME Survey 2014

Figure 8. Share (%) of SMEs facing major problems with respect to personnel, by size categories.

Krasniqi (Besnik A. Krasniqi., 2012), argued that entrepreneurs are more concerned with constraints related to the external environment rather than internal factors such as managerial skills. The author points out that entrepreneurs perceive the absence of law, administrative burdens, unfair competition, strong competition, access to external finance, and high taxes as the most intense barriers to their business performance.

Chapter IV

RESEARCH METHODOLOGY

In order to achieve the objectives of this study, the applied methodology was used in this case study. The methodology in this study is such a design to provide the information needed to achieve the study objectives. This chapter also presents the research questions and hypotheses raised to be tested and verified, and to answer the research subjects. Furthermore, this chapter describes the methods and techniques used to gather the factual information to analyze and test the formulated hypotheses. In it, there is clarified why the data collection method through questionnaires and interviews was used. Subsequently, it addresses the questionnaire compilation method, variables encoding, and validity and credibility.

4.1. Approach to business research

The approach of business research, as a "systematic objective of the process of collecting, recording, and analyzing data in making business decisions" (Zikmund, 1997), was used to identify and evaluate problems and opportunities, to diagnose contributory factors, to explain past difficulties, to predict conditions of the future, and to suggest alternatives (Zikmund William., 2003). This research approach is classified as a theoretical and methodological approach (Zikmund William., 2003).

The theoretical approach is inductive or deductive. This approach can be used to construct and/or test a theory (William Lawrence Neuman., 2006) and shed light on different conclusions (Donald Cooper & Pamela Schndler., 2003). The inductive approach (theory building) starts with the observation of certain facts and moves towards abstract generalizations and ideas that end in conclusions (Zikmund William., 2003). Meanwhile, the deductive approach (theory testing) begins with an abstract and familiar environment, looks for logical relationships between concepts and moves towards the empirical evidence (Zikmund William., 2003)

The methodological approach is qualitative, quantitative or mixed (i.e. triangulative), and is used to carry out research studies (John W. Creswell., 2003). The qualitative approach is a general way of thinking for conducting a qualitative research. This approach describes, explicitly or implicitly,

the purpose of the qualitative research, the role of the researcher, the research phases, and the methods of data analysis.

The focus of the qualitative research is the understanding of the phenomena deriving from social situations and their contexts (Guba E. G & Lincoln, 1994). Examples include: theories based on case study, narrative research and action research (Zikmund William., 2003). Meanwhile, the quantitative approach tries to understand relationships between different variables and determine the data collection procedures and analyses (Alan Bryman., 2006). The focus here is on collecting, analyzing and presenting numerical data in a structured way by using statistical techniques and a representative sample of the population (John W. Creswell., 2003). Examples include: observational techniques, study experiments and techniques (Alvin Burns & Roland Bush., 2006). In a single research study, the triangulation process looks at the cases in different angles, using a mixed study of qualitative and quantitative methods.

This study utilized the inductive theory and qualitative methodology approaches to review the bibliography, to gain profound knowledge of the subject, and to conduct discussions in pilot groups with owners/managers, academic researchers, and industry and market experts. Also, the study was followed by identifying research gaps, developing research questions, formulating research hypotheses, and building a hypothetical conceptual model.

This study utilized mainly the quantitative theory and deductive methodology approaches. These approaches were used to analyze and explain the dependence between social phenomena, to enable research, to describe social structures and the processes that are not directly observable.

Quantitative and deductive methodological approaches form and use statistical techniques. They test a major pattern of the hypothesis; use a host of corporate models that cover a wide range of economic activities, so that policy makers and managers feel comfortable about most of the results (Mark Easterby-Smith, Richard Thrope, Andy Lowe., 1991). These approaches also apply the questionnaire technique for data collection. They process the collected data and analyze the results in the presentation of numerical information and the importance of statistical levels. They present the result as a recommendation of an action and include a limited timeframe, costs, and risks (Mark Easterby-Smith .Richard Thrope.Andy Lowe., 1991)

4.2. Data collection

Based on the above discussion on the business research strategy, the author can determine the right research strategy to test research hypotheses and the conceptual model. The power of the questionnaire method is able to measure attitudes and goals, and is widely used by researchers in the relevant fields of this research study. According to the bibliography studied, some empirical studies often have applied the quantitative methodology as a method for reviewing hypotheses and for testing the conceptual model (Mahembe C M & De Bruijn., 2003); (Lioukas, 2004); (Aragon-Sanchez & Sanchez-Marin., 2005); (Blumentritt T & Danis W.M., 2006); (Sylvie Laforet & Jennifer Tann., 2006). In this view, the study follows a similar approach and presents a similar method (the questionnaire).

Given the characteristics of this research study, the questionnaire as a research strategy is appropriate for this study, because it aims to identify factors influencing human resources management practices of SMEs and the impact of such practices on the business performance growth. It also helps to investigate and analyze the relationship between variables in the conceptual model.

The techniques used have facilitated the elimination of estimation biases that may have arisen through individual effects and explanatory variables in the model presented. The models used with the panel data are considered a useful methodology that enables the testing of hypotheses in inter-factorial and cross-sector analysis. The study data were processed through statistical methods, mainly linear and logistic methods applied in the SPSS program. The interpretation of the results is illustrated through the inputs in the form of charts and graphs. Several linear regression models and ANOVA variance analysis have been used in this paper to analyze the reliability and the model's sustainability with the data collected.

Survey research design was adopted in this study. This involved the use of questionnaire and interviews as the primary of data collection for this research. For the qualitative research of the thesis we collected both primary and secondary data. The above hypothesized relationships is tested using data collected through self-administered, structured questionnaires containing

essentially close-ended questions and questionnaire will be conducted on a sample of best 150 SMEs in Kosovo.

A data panel extracted from 150 questionnaires, including survey on the most successful SME-s across the entire territory of Kosovo, was used. The list of these enterprises was made available by the Kosovo Tax Administrations, the Agency of Statistics and the Kosovo Business Registration Agency, operating within the Ministry of Trade and Industry, as only institution responsible for registering businesses in Kosovo. KBRA operates on the basis of an electronic data system, as a simpler, faster, and cost-free registration process for businesses, and is implemented through 29 municipal registration centers. This system has enabled increased transparency as well as an increase in standards and efforts to harmonize registration procedures with European Union directives.

To conduct the interviews is used a semi-structured approach which allows the interviewer to change or add some new question during the interview process. This approach also entails that the questions in this interview may not exactly follow the outlined by the interview guide, allowing a more flexible interviewing process. Because of the inherent differences between the targets SME-s this was an advantage. Moreover, with the telephone interview comes that it is less expensive, faster and easier to supervise and has less influence on respondents' replies than face to face interview.

4.2.1. Questionnaires

With regard to the methodology used, (Chandler G.N & Lyon D.W., 2001) has been shown that the application of contemporary mathematical/statistical methods does not imply only improvement of the reliability and quality of the research work but much more than that. One of the very important aspects of the study is finding ways and methods to collect the information. It has included both the qualitative and quantitative research and is designed to provide the information required to carry out the paper objectives. Sectors of service, production, trade, construction etc. were the main sectors where information was gathered.

This study aims to evaluate the role, the impact of independent variables on the dependent variables and aims to answer the research questions raised above.

The primary research is related to the study and the questionnaire analysis. This study aims to investigate the links between variables.

The questionnaire was designed for the opinion of managers and employees about their job. The questionnaires are administered to chief executives and marketing directors, owners or in some cases other directors from selected small and medium companies in Kosovo. The questionnaire is refined in light of the experience. The questionnaire is made up of four sections A, B, C and D and contains 35 questions.

- ❖ Section A contains questions on the demographic characteristics of the respondent's owner-manager and their firms.
- ❖ Section B has questions that deal with the strategic Human Resource management of firms.
- ❖ Section C poses questions on SHRM policies: top management definitions, communications of HR Vision for the future, top management design development oriented Appraisal systems.
- ❖ Section D deals with the sales growth, total income/revenue growth, customer satisfaction, employee's satisfaction with the firm, market share. These parameters were used as measures of organizational performance.

Section B, C and D used a structured 5-point modified Likert scale battery of: Strongly Agree (5) Agree (4) Undecided (3) Disagree (2) and Strongly Disagree (1). The respondents were asked to indicate the extent to which they agree/ disagree with various statements.

Enterprise performance will be measured in terms of level of productivity, operating efficiency, growth rate of revenues/sales/level of activity, financial strength, liquidity, reserves, borrowing capacity, market share, innovation (new quality standard, new product, process, system managerial) employee satisfaction achievement, customer satisfaction achievement.

According to Chong (2008), the number of employees is not the most common non-financial measure adopted by SMEs.

4.2.2. Interviews

Human resource managers were interviewed, as they are specialized in human resource practices, they are the best people to discuss human resource strategies.

In addition, interviews with HR managers give the researcher first- hand information about their employees and their work culture. Interviews can be used throughout the data gathering process, but they are perhaps most useful during the performance analysis stage, when trying to determine what the real performance deficiency is. Although the process is time-consuming, it is useful because you can gather specific information and ask follow-up questions to get more detail on items of particular interest. For reasons of fairness it was decided to omit the names of all SME-s replacing them with enterprise A, B, C and so on, to ensure that the SME-s identities were being kept anonymous. Key identification points such as their exact line of business were also changed.

The interview questions are included in Appendix 3.

4.3. Sample

This research is concerned only with small and medium businesses in Kosovo. There are two reasons for this. First, over the last few years, the organizational performance of small and medium enterprises in Kosovo has been a major pre-occupation of policy-makers and government departments dealing with industry and trade. The sector has been characterized as non-competitive by international standards and it is considered to have failed performing the traditional and modern social and economic role.

The second reason is that it is highly probable that cross-industry differences in the nature of business activities could confound findings relating to SME strategies and to SME growth and performance more generally. The primary concern in this research is with SME strategy, growth and performance. The unit of sample population was managers, employees, organizations, groups, or any entity which the research study needs to analyze.

The sampling technique involved in this research is a mix of both simple random probability sampling and non-convenience sampling. The point was to select organizations which had a

mature SHRM process in place and had experienced diverse situations in regard to its employees and human resource management in the organization.

Efforts have been made to reach a representative sample of the target population by contacting individuals and respondents (Alan Bryman., 2006), which may be a "primary data collection method, based on communication with representative samples of individuals" (Zikmund, 1997). The sample was selected in Kosovar SMEs throughout the territory of the Republic of Kosovo. This selection was made with the aim to analyze the organizational performance of the most successful enterprises, the implemented strategies and development processes of these enterprises.

In this research study, the main sample framework consisted of a total of 150 companies whose names were obtained from Kosovo Tax Administrations, the Statistics Agency and the Kosovo Business Registration Agency. Subsequently, these companies were contacted by phone and email to request their participation. Attempts have been made to contact the responsible persons in the organization's management.

The rationale for selecting high-level individuals as key informants was based on the fact that their values and philosophies affect their company's management strategies, innovative activities and business performance (Nirmalya Kumar Luis Stern and James Anderson., 1993). These individuals often rely on personal relationships and tend to provide reliable and objective data (Podsakoff P M & Organ D W., 1986). The elements contributing to the sample size include the size of population correlations, number of variables, level of analysis details, level of accuracy of results and availability of time and budget (Tabachnick B G & Fidell L S., 2001).

According to (Joseph F. Hair. William Back, 2006), the minimum sample size should be "at least five times the number of the variables being analyzed, and the most acceptable sample size should have a 10:1 ratio". To select an optimal sample size, Roscoe (Roscoe, 1975) states that a sample between 30 and 500 responses (questionnaires) is suitable for most research studies. However, Green (Green S.B., 1991) argues that the volume of choice is based on the number of independent variables in the conceptual model. Kotrilik et. Al (Bartlett J. Kotrilik J. Higgins.C., 2001) recommend that the sample size should be five to ten times the number of independent research variables. Whereas, Hoelter (Hoelter J.W., 1983) recommends that the sample size should be between 100 and 200 responses when a quantitative method is used.

Sample size plays an important role when data analysis technique is proposed, and should have between 100 and 200 responses, in the case of advanced statistical methods such as the multiple linear regression method 'Enter' (Joseph F. Hair. William Back, 2006). Given the fact that we have 141 responses (questionnaires) out of 150 distributed, the volume of selection is acceptable to carry out the regression analysis and to continue the statistical analysis.

4.4. Research objectives and hypothesis

The aim of this research is to give a modest contribution on the contemporary challenge of theory development. To contribute to the field by investigating the strategic human resource aspects of entrepreneurial activity in Kosovo.

The central research question addressed is:

What can we learn and improve upon from the entrepreneurial strategic human resource management practices of Kosovo SMEs and what are the implications in organizational performance?

The main objective of this research is *identifying managerial strategies which contribute to the improvement of organizational performance, and the extent to which they are used in the managerial practice.*

The specific objectives, derived from the main objective, are defined at the theoretic level as well as applicative level:

At the theoretical level, the research will:

- Determine the level of influence and commitment of SMEs in the adoption of strategic human resource management practices.
- Analyze the activities of human resource management which are influenced and in turn influence the process of performance assessment?
- Establish the moderating effect of a resource based approach on the relationship between strategic human resource management and organizational performance of SMEs in Kosovo.

At an application level, research will :

- Analyze the characteristics of the assessment process in SMEs in Kosovo that have been studied.
- Validate the quantitative analysis instruments, applied questionnaires and interviews.
- Identify the existing differences between the perception of managers and employees regarding ways to improve performance.
- Identify the relationship between the education level (training) of employees and the preference for certain strategies for the improvement of their own performance.
- Identify the causes which lead to a decrease in organizational performance and the improvement measures taken by managers.

In this study, the main problem is reviewing and identifying managerial strategies that contribute to improve the organizational performance and analyze the degree or level of their usage by the SME leaders. The study seeks to determine the role that a strategic management of human resources has to play in the institutional organization of SMEs in Kosovo.

Based on the review of the literature, of the models reviewed so far in relation to the strategic management of human resources in the performance of SMEs, several issues / research questions have been raised.

The hypotheses formulated here have been raised as an exploratory research based on the bibliography studied, by not complying solely with the proposed conceptual model, to provide the necessary clarifications and explanations for this model. According to McDaniel et. Al (McDaniel C & Gates R., 1996), the hypothesis is a supposed formulation about a relation with one or more variables to be tested by empirical analysis. To carry out this study starting from the research issues, hypotheses have been developed to be tested and to give explanations and answers to research questions.

Main research question 1: *What can we learn and improve on in the entrepreneurial strategic human resource management practices of Kosovo SME-s and what are the implications for organizational performance?*

Research question 2: *Is the development of innovative projects in enterprises practiced?*

To understand what is happening in Kosovo's reality, this issue has also been addressed with small and medium-sized enterprises. Of course, it is not easy to answer the questions raised, but the hypothesis formulated on the basis of this issue will help to clarify the reality in the businesses surveyed of how much priority is given to this process.

Research question 3: *What is the impact of the development of human resources on the performance of Kosovar enterprises?*

This question seeks to identify the workforce developing and advancing practices. How well are they prepared for the labor market, despite employees having college or university degrees.

Research question 4: *What is the impact of the empowerment of employees in the enterprise?*

In fact, this question seeks to identify realistically what the practices of empowering labor force in Kosovo SMEs are. In the theoretical part of the review of the bibliography, the views of different authors regarding the empowerment and involvement of personnel in strategic matters have been presented. How and what are the practices of improving professional skills of employees undertaken by the management of the enterprise?

Research question 5: *On what does the performance of SMEs depend?*

The traditional models of SME performance are mainly focused on financial indicators. The performance of SMEs should be measured by evaluating practices and the internal environment, and the prioritizing workforce recruitment and selection practices. The issue raised here is whether there is such a relation in Kosovo's SMEs.

Research question 6: *How much of an effect has the involvement in management processes and the evaluation system of their performance had on the satisfaction of the employees?*

Motivation and reward are an incentive for everyone to do their best and give their all. It is raised to address the relationship between satisfaction and involvement and performance in Kosovar SMEs. Various studies have confirmed that this has a positive impact on organizational performance. From a practical point of view, the importance of the theme is to draw conclusions

and suggestions in order to clarify and broaden the theoretical aspect of human resource management, as well as of managerial structure within Kosovo SMEs.

In order to answer the above main research question, the main hypothesis and five sub-hypotheses have been raised through which the purpose of the study will be tested:

H0: *Strategic human resource management and organizational performance of SMEs is positively correlated?*

H1: *Strategic HRM has a positive effect on workforce innovation.*

H2: *There is a significant impact of HR development on organizational performance.*

H3: *Employee empowerment has a positive effect on organizational performance.*

H4: *The best practices of HRM will have a positive impact on organizational performance.*

H5: *Employee satisfaction is correlated with job involvement and performance.*

In table no. 13, the research objectives and research questions from the questionnaire are presented in tabular form.

Objective of the research	Research questions
<p><i>The main objective of this research consists in: identifying managerial strategies which contribute to the improvement of organizational performance, and the extent to which they are used in the managerial practice.</i></p> <p><i>At the theoretic level, through research we will try to:</i></p> <ul style="list-style-type: none"> ➤ <i>To determine the level of influence and commitment of SMEs in the adoption of strategic human resource management practices.</i> ➤ <i>To analyze the activities of human resource management which are influenced and in turn</i> 	<p>Research questions 1. <i>What can we learn and improve on from entrepreneurial strategic human resource management practices of Kosovo SMEs and what are the implications in organizational performance?</i></p> <p>Research questions 2: <i>Is the development of innovative projects in enterprises practiced?</i></p> <p>Research question 3: <i>What is the impact of the development of human</i></p>

<p><i>influence the process of performance assessment?</i></p> <p>➤ <i>To establish the moderating effect of a resource based approach on the relationship between strategic human resource management and organizational performance of SMEs in Kosovo.</i></p> <p><i>At an application level, through research we will try to:</i></p> <p>➤ <i>Analyze the characteristics of the assessment process in SMEs in Kosovo that have been studied.</i></p> <p>➤ <i>Identify the existing differences between the perception of managers and employees regarding ways to improve performance.</i></p> <p>➤ <i>Identify the connections between the education level (training) of employees and the preference for certain strategies for the improvement of their own performance.</i></p> <p>➤ <i>Identify the causes which lead to a decrease in organizational performance and the improvement measures taken by managers.</i></p>	<p><i>resources on the performance of Kosovar enterprises?</i></p> <p>Research question 4: <i>What is the impact of the empowerment of employees in the enterprise?</i></p> <p>Research question 5: <i>On what does the performance of SMEs depend?</i></p> <p>Research question 6: <i>How much of an effect has the involvement in management processes and the evaluation system of their performance had on the satisfaction of the employees?</i></p>
--	--

Table 12. *Research objective , research questions and questions from questionnaire*

4.4.1.Independent variables

To measure the variables, the Likert scale is used, which is a good technique to measure attitudes, opinions, beliefs, and so on. The independent variable in a research project is a symbol or a research concept that is designed to influence the dependent variable (McDaniel C & Gates R., 1996).

- I participate in the process of defining business strategies.
- I work to align HR strategies and business strategies
- I spent time on strategic issues
- I am an active participant in business planning
- I involve employees in team work
- The HR department has provided all staff a clear explanation of the policy and its implementation.
- The rewards offered are proportionate to the performance and contribution at work.
- The development of innovative projects is a practice.
- The Performance appraisal system has clarified roles .
- Interpersonal skills are important in performance appraisal.
- Do you believe that you are strategic partner in your organization
- Specific training makes employees more responsive.
- HR managers are coaches rather than controllers

4.4.2.Dependent variables

The performance of enterprises will be measured in terms of:

- Level of productivity
- Operating efficiency
- Growth rate of revenues/sales/level of activity
- Financial strength, liquidity, reserves, borrowing capacity
- Market share
- Innovation (new quality standard, new product, process, system managerial)
- Employee satisfaction

- Customer satisfaction

4.4.3. Control variables

The *size of the organization* and the *type of activity* were used as control variables. Control variables were taken into consideration to determine whether there is a difference in SME performance depending on the type of activity and size of the organization.

Are there fluctuations in SME performance according to the activities exercised in the enterprise? This is intended to specifically assess what the impact of the type of activity in the performance of SMEs included in the study is.

- There are changes in performance based on the type of activity.

According to (Kotze 2002)⁵, the size of the organization in the success of SMEs is not important. Other authors also point out that it is not important if the organization is small or large to be competitive. Implementing strategic principles is a factor that leads to success and better performance.

4.5. Conceptual model

To fulfill the main objectives of the study, the research was initially based on quantitative methods, from which econometric models were built to identify and measure the factors affecting the organizational performance of SMEs.

Theoretically, regression models are used to examine the existing relationship between variables in terms of comparative importance of the independent variables and the estimated values of the dependent variables.

The following section briefly describes the conceptual model and importance of the role of strategic human resource management on SMEs performance.

⁵ Orgean, C. Herciu, M & Belascu, L (2009); Searching for sustainable competitive advantage-From tangibles to intangibles. Journal of USA-China Public administration. Volume 6, Nr.4

As established earlier, there are a large number of methods, traits, exclusiveness influence and impact of strategic human resource practice on organizational performance. In this model we try to represent the relationship between SHRM practice and organizational performance. As argued in earlier discussions, SHRM is the independent variable that influences organizational performance which is a dependent variable in this study.

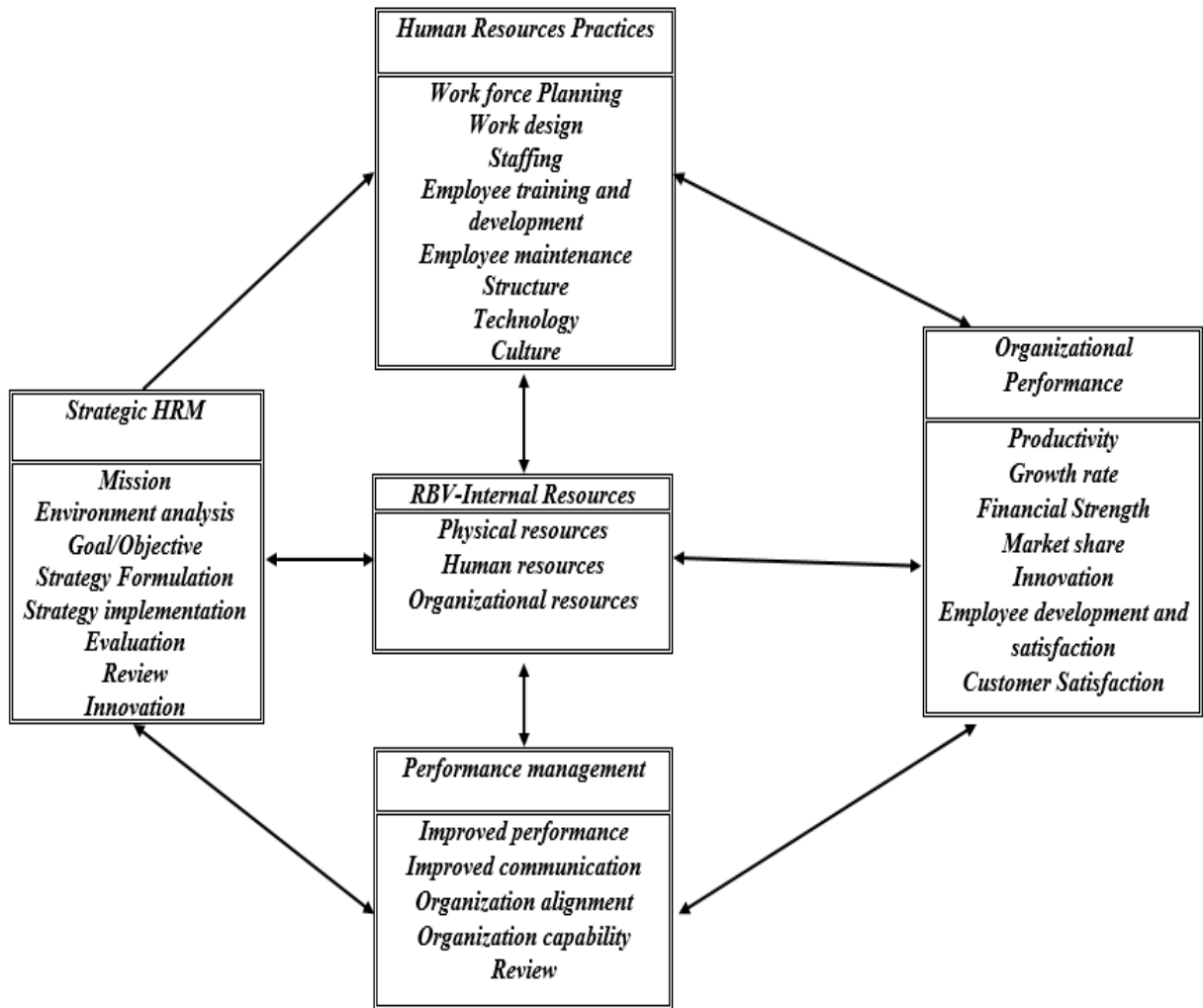


Figure 9. Conceptual Framework on SHRM, Resource based view and organizational performance (Author's Design)

The measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, productivity, employee satisfaction, employee development and growth. Meanwhile, financial measures have been traditionally conceptualized as

performance, this study proposes a broader construct that incorporates non-financial measures such as productivity, market share, quality, employee satisfaction and development, customer satisfaction, etc.

There is growing empirical evidence suggesting that people are the eminent organizational resource and the key factor to achieving higher organizational performance. Huselid (Mark Huselid., 2005), observed that investment in human resource activities such as incentive compensation, selective staffing methods and employee participation result in lower turnover, greater productivity and increased organizational performance through their impact on employee skill development and motivation.

Resourced based theory emphasizes that investment in people adds value to the organization, and will improve resource capability, achieving a strategic fit between resources and opportunities. However this theory focuses on internal resources rather than analyzing organizational performance in terms of the external context.

Chapter V

RESULT ANALYSIS

This chapter presents the research data obtained from the survey and the interviews conducted in the best performing SME-s in Kosovo. The data collected and analyzed are presented in tables and bar charts. This research study has used the statistical methods of regression and Pearson correlation coefficient to find the correlation between organizational performance elements and SHRM in Kosovo organizations and the role and effectiveness of SHRM. The magnitude of the correlation coefficient indicates the degree of relationship between the two sets of variables. As this research study investigates the role and practice of SHRM and strategic management of employees this technique is most suitable.

To carry out the necessary analyzes of the relationships that are the subject of this study, we have relied on these statistical indicators:

- The level of significance, which preserves only the statistically important variables in the model.
- The regression coefficient, through which the substantiation of statistical hypotheses is tested.
- Analysis of variance by which we have reasoned the reliability of the test.

The choice of the most suitable models to make the necessary analyzes is based mainly on the main tests that measure the suitability of models, such as:

- F- statistic, to test the suitability of the model;
- T- test, to test the importance of the relationship between variables;
- R-squared, as a measure to explain ability of the variation of reliability from the variables studied in the model;
- Other diagnostic tests that will prove the appropriate form of correlation between variables.

5.1. Descriptive sample characteristics

The main objective of the empirical analysis is to investigate the influence – role - of strategic human resource management on SMEs performance, as follows:

Table 13 shows the age of participants. About half of the respondents belong to te age interval 31-45 years old. This also matched with the average age of entrepreneurs in Kosovo.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-30	17	11.3	12.1	12.1
	31-45	73	48.7	51.8	63.8
	46-65	51	34.0	36.2	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 13. Percent of respondent's age

In terms of gender, according to the responses from the questionnaire, the situation is reflected in table 14, 73 percent of the entrepreneurs studied are male. This can be explained with conservative culture of Kosovo. So we can conclude with regret that the number of women engaged in managing Kosovo SMEs is still not high.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	103	68.7	73.0	73.0
	Female	38	25.3	27.0	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 14. Respondents gender data

While the level of educational preparation from respondents is presented in table 15. We can consider positive, the fact that 70 percent of the respondents have university or post university diploma. Anyway, there is a lot to do in this aspect.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matrix	42	28.0	29.8	29.8
	Diploma Degree	89	59.3	63.1	92.9
	Post Diploma Degree	10	6.7	7.1	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 15. Respondents Level of education.

According to the data generated, the managerial position level of the respondents (table 16) was

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non Managerial	10	6.7	7.1	7.1
	Lower Level Management	38	25.3	27.0	34.0
	Middle Level Management	60	40.0	42.6	76.6
	Upper Level Management	33	22.0	23.4	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

satisfactory. Around 70 percent were middle and upper level managers.

Table 16. Current job level of respondents.

Regarding the number of employees in studied SMEs is as follows, 92 or 61.3% are small enterprises, and 32.7% are medium enterprises (table 17).

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-9	92	61.3	65.2	65.2
	10-49	49	32.7	34.8	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 17. Number of employee on SME-s

The largest number of respondents was from the service sector, 56 of them or 37.3%; from the production sector, 44 or 29.3%; from other sectors such as construction, 23 or 15.3%; from the IT sector, 14 or 9.3 %, and from the education sector where various professional trainings are held, 4 or 2.7% (table 18).

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Education	4	2.7	2.8	2.8
	Production	44	29.3	31.2	34.0
	Service	56	37.3	39.7	73.8
	Information Technology	14	9.3	9.9	83.7
	Other	23	15.3	16.3	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 18. The respondents by sector

5.2. Analytical approach and construct measurements

According to the answers of respondents, the impact and role of SHRM is dominant in the performance of the organization. The respondents state that enterprises in Kosovo have realized the importance and role of SHRM, 74.5% agree and 25.5% strongly agree (table 19).

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	105	70.0	74.5	74.5
	Strongly Agree	36	24.0	25.5	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 19. Role of SHRM in organizational performance.

Data from table 20 represent the percentages of staff participation in defining the strategy of the enterprise. From this data we can conclude that some staff, not managerial, are excluded from participation. 53% of them are involved in defining the strategy of the enterprise. This is a good indication that represents the reality of Kosovo SMEs. 70% of respondents are committed to align

human resources strategies with the enterprise strategy. This shows that staff has a strong commitment to achieve organizational success. More data can be analyzed in the corresponding table 1, in Appendix 3.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.7	.7	.7
	Disagree	18	12.0	12.9	13.6
	Undecided	45	30.0	32.1	45.7
	Agree	54	36.0	38.6	84.3
	Strongly Agree	22	14.7	15.7	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 20. *Participation in defining the business strategies*

Asked if HR management functions and measuring their effectiveness could have a greater involvement in the strategy process, only 7.1% fully agree. Meanwhile 31.4 % are undecided. These percentages appear to be high. Only 56.4% agree with this statement. These results mean that the staff of SMEs, are in general, not engaged with the process (table 2, Appendix 3).

When asked how managers behave, as controller or trainer, the answers are interesting. A cumulative 70% responded that managers are more trainers than controllers. This positive result indicates that the preparation of managers is at the right level. On the other hand, the relationship between workers and managers appears to be functional.

Building a positive environment of cooperation and trust between workers and management, means that the vision and mission of the organization should be realized. Therefore, the performance and the results of the work will not be lacking (table 3, Appendix 3).

According to Rudman, (Richard Rudman., 2003), developing people and their performance is not a matter of sending employees off to a training course. The most effective training and development is probably better in the workplace, on a one to one basis between managers and employees. In this situation the manager is a coach, not a trainer and employees are learners. The author explains that the aim here is to develop employee's performance. The emphasis must be on ensuring that the person gains and retains skills and knowledge for effective job performance and

is able and willing to apply them. This learning encourages and equips employees to make desirable changes to their work behavior. 69% of our respondents agree with the conclusion of the author. Not all managers make good coaches, in his book Rudman describes the six main characteristics from Edwin Singer (1979) of good coaches:

- They are interested in their people.
- They look for potential.
- They know the interests, desires, and capacities of their people.
- Their interests are person centered rather than work centered.
- They show confidence in subordinates but expect it to be justified.
- They do not do their subordinates thinking for them.

The involvement of managers at various levels on strategic issues has a significant impact in increasing motivation and towards the achievement of objectives. According to the respondents, about 48% spend their time on strategic issues. This level of involvement in strategic issues ensures that the results will be achieved with support from managers at all levels. This data is presented in detail in the corresponding tables, nr. 21 and 22.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	20	13.3	14.3	14.3
	Undecided	48	32.0	34.3	48.6
	Agree	50	33.3	35.7	84.3
	Strongly Agree	22	14.7	15.7	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 21. Spending time in strategic issues

Active participation in the planning process will support the realization of the objectives. During the planning process, participants will be informed of the challenges, the planned procedures and results. All of this will affect the employees and managers preparedness for the realization of the planned objectives. With the completion of the planned objectives the performance of the organization will be higher, but it is very important that the achievement of these results will not prove challenging.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	17	11.3	12.1	12.1
	Undecided	26	17.3	18.6	30.7
	Agree	77	51.3	55.0	85.7
	Strongly Agree	20	13.3	14.3	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 22. Participating in business planning

Human resource development is reflected through the entrepreneur’s experience, management know-how and employee’s skills. These are essential to the success of the organization (Besnik A. Krasniqi., 2012). Some authors stress the role of training as an alternative mechanism to enhancing employees’ and managers’ skills. According to the results of this study the significance of training is very high 94% (table 4, Appendix 3).

The involvement of workers in Kosovo SMEs, represents a success factor. Cooperation and building of a relationship of trust between employees and managers has contributed to facilitating the realization of objectives. The performance of the organization has reached planned levels. The exchange of experience in working groups has affected not only the planned performance, but also increased the skills of workers. Also, working in groups has the effect of reducing the intervention of supervisory managers and the establishment of a kind of positive competition within groups (table 23).

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.7	.7	.7
	Undecided	25	16.7	17.7	18.4
	Agree	97	64.7	68.8	87.2
	Strongly agree	18	12.0	12.8	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 23. Involvement of employees in team work

Among 141 responses, 97 employees believe they are the strategic partner of the organization. This indicator could possibly be linked to the Balkan mentality. Anyway, staff commitment for achieving high results is evident. The professional commitment presents the level of individual loyalty to his profession as perceived by the individual (Larkin M Joseph., 1990). This commitment shows the employee has the same values and goals with the job he/she lives with. Managers must find a way to support, motivate and reward them. (table 5, Appendix 3)

According to the responses received from their staff regarding periodic discussions, the percentage of positive responses is very high. From these discussions managers have made a different analysis regarding the work process, the problems faced by workers, and their suggestions and requirements that were taken into consideration. This has been a two-way evaluation process for managers. Managers have found understanding regarding the standards and quality of products manufactured. At the same time it has facilitated the work, ensuring implementation of the plan and achieving the desired performance. (table 6, Appendix 3).

Organizations use a variety of methods for evaluating employee performance. Understanding how each one of them works will help determine the best one to use within your organization. By using a performance appraisal system, you ensure that everyone keeps their projects on track based on established goals that are aligned with the company's goals. Each type has benefits and drawbacks. Performance evaluations can serve as effective tools for improving employee performance and productivity as well as determining employee development needs. According to Greer, (Charles R. Greer., 2001), such evaluations have been effective for a number of reasons including:

- Promoting the human resource function.
- The demonstration of accountability in utilization of resources.
- Promotion of change by identifying strengths and weaknesses.
- Introduction of financial assessments as a decision tool in human resource program selection.
- Highlighting key human resource practices.
- Demonstrating performance evaluation's role in accomplishing company goals.

64% of respondents answered that the top management has designed the appraisal system. But close to 40% are undecided. This response is very high and to an extent unacceptable. This data shows that Kosovo enterprises should work on enhancing the workers assessment system. Millmore et.al, (Millmore, Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow., 2007) said that the performance appraisal system has a significant role to play in meeting employees needs for recognition and the feeling of achievement (table 7, Appendix 3).

Asked about the level of communication of the HR vision, 52% responded with agree, which is not a high percentage. The effectiveness of organizational structure depends on the involvement of organization members. Communicating the purpose (vision and mission), procedures and participation reward can promote employee involvement and this participation can increase ownership and commitment realize planned objectives (table 8, Appendix 3).

Another important recommendation for Kosovo SMEs is open information systems, which are tied in with the job or work teams and provide necessary information for employees to participate in decision making.

In table no. 24, the results of the research are presented, where by means of general communication in the enterprise, the Human Resources department has provided the necessary explanations for implementing the planning and implementation of the defined strategic objectives. The results are very positive, with 95% saying that this department has provided the appropriate explanations for the implementation of the strategic objectives.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	7	4.7	5.0	5.0
	Agree	72	48.0	51.1	56.0
	Strongly Agree	62	41.3	44.0	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 24. HDR explanation and implementation

The major challenge that is faced in all types of organizations is how to get maximum performance from their employees (Donald Kirkpatrick., 2006). He reflects that managers must motivate their

employees to get maximum effort from them. This means that employee will try their best to do the job, Author here represent eight conditions that will show how to get maximum effort and results from employee:

1. Make the job important in the eyes of employee.
2. Select a person who has the potential to perform the job.
3. Clarify what's expected of the employee in the job.
4. Train the employee in the necessary knowledge, skills, and attitudes.
5. Evaluate performance and communicate results and expectations to the employee.
6. Help them to improve performance.
7. Build and maintain report with employee.
8. Reward for performance.

All eight conditions should apply to the Kosovo manager with their employee.

Comparison or ranking methods require that each person - or some characteristics of a person - or a person's performance to be compared with other persons, with the results then being used to produce a rank order for all the employees (Richard Rudman., 2003). These methods according to the author are simple and easily understood, quick and inexpensive to implement and can achieve relatively high reliability, but they are not often used for performance planning and review. Our results confirm this, because 56 of the respondents (37.3%) were undecided about this ranking. (table 9, Appendix 3)

According to our result the opinion of respondents is divided 53% agree with 38% undecided. In this aspect it is need for more tests to find out the causes. Performance appraisal has become part of a strategic approach to integrate HR activities and business policies. According to Barchu, (Yehuda Barchu., 1996), performance appraisal systems are used for two main reasons:

- To serve a variety of management functions: decision making, salary, and training.
- To enhanced developmental process of employee (Campbell D and Lee C., 1988).

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	1.3	1.4	1.4
	Undecided	57	38.0	40.7	42.1
	Agree	65	43.3	46.4	88.6
	Strong agree	16	10.7	11.4	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

***Table 25.**Performance appraisal enhances clarity in organization.*

Different authors examined performance appraisal systems in use as: evaluative function and development function. The evaluative functions include use of performance appraisal for salary administration, promotion, retention, promotion and recognition of poor performance. Development functions include the identification of individual training needs, transfers and assignments, identification of individual strength and weaknesses (table nr.25).

Dubinski et.al, (Dubinski, 1993), highlighted that the relationship between appraisals and performance may not be a direct and causal one. The impact on performance may be attributed to their ability to enhance:

- Role clarity
- Communication effectiveness
- Payment
- Administration

They discuss the concept that increase in role clarity can affect the effort, performance expectancy and reward.

All the above confirm the results of our study, as presented in table 26, 27 and 28.

In this context according to Denisi et.al, (Angelo S. Denisi and Robert D. Pritchar., 2006), the ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance. In Kosovo's case the employee reactions to appraisal can be an important condition to improve the employee's performance, satisfaction, acceptability and motivation.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.106	5	4.221	21.524	.000 ^a
	Residual	25.887	132	.196		
	Total	46.993	137			
a. Predictors: (Constant), Ranking,grading.in.the.performance.appraisal.relates.performance, HRD.has.provided.a.clear.explanation.policy.implementation, Top.management.cunduct.periodic.discussions, Top.management.defines.communicate.HR.visio.for.the.future, Top.management.design.development.Appraisal.system						
b. Dependent Variable: Level.of.productivity.operating.encyency.						

Table 26. *Significance of ranking, grading in the performance*

Performance appraisal systems allow communication of strategies, goals and vision,(Paul E. Levy and Jane R. Williams., 2004). Developmental performance appraisal is about to increase employees perceptions being valued and being a part of an organizational team. Also, if performance appraisal satisfaction reflects perceived investment in employee development,(Chay H. Lee and Norman T. Bruvold., 2003), employees will probably reciprocate by way of higher effective commitment to the organization.

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.327	1	9.327	34.172	.000 ^a
	Residual	37.666	138	.273		
	Total	46.993	139			
a. Predictors: (Constant), Top.management.conduct.periodic.discussions						
b. Dependent Variable: Level.of.productivity.operating.encyency						

Table 27. *Top Management and periodic discussions*

In table no. 29, the responses presented are mainly from employees. These reflect Kosovo's bitter reality, as private sector wages are low. Over 18% stated that they disagreed that the compensation is proportional with the results of their work. 20.7% of those who declared to be indecisive could be added to this figure. This indecisiveness might also be reasoned by the uncertainty about their workplace. 50.7% of the respondents declared that they agree that the compensation is in

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

accordance with the results. Meanwhile, only 5% declared that they strongly agree with the compensation offered for their work.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.336	.459		2.911	.004
	Top.management.cunct. periodic.discussions	.667	.114	.446	5.846	.000
a. Dependent Variable: Level.of.productivity.operating.efficiency						

Table 28. *Coefficients of significance of discussions and level of productivity*

Reward is proportional to performance and contribution					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	27	18.0	19.1	19.1
	Undecided	31	20.7	22.0	41.1
	Agree	76	50.7	53.9	95.0
	strongly agree	7	4.7	5.0	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 29. *Reward/performance*

According Milmore et.al, ((Mike Millmore, 2007), Armstrong (2002:3)), reward is “how people are rewarded in accordance with their values to the organization”. However, it is concerned with both financial and nonfinancial rewards and embraces the philosophies, strategies, policies, plans, and processes used by organizations to develop and maintain reward systems. Also Armstrong (2002) notes that are five areas where employee needs may be met by nonfinancial rewards:

- Achievement
- Recognition
- Responsibility
- Influence
- Personal growth.

These areas should be applied in Kosovo SMEs. People spend a considerable part at their day in the workplace. Honey (1988), argues that what he labels as interactive skills can and should be learned. This will increase the possibility of achieving a desired objective. The steps toward this desired goal involves building a trusting relationship between managers and employee, so that the client will be prepared to share sensitive information with them. The author defines interpersonal skills as goal directed behaviors used in face to face interaction, which are effective in bringing about a desired state of affairs.

Interpersonal skills are important in performance appraisal					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strong disagree	1	.7	.7	.7
	Undecided	14	9.3	9.9	10.6
	Agree	115	76.7	81.6	92.2
	Strong agree	11	7.3	7.8	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 30. Interpersonal Skills

This is confirmed by the results of our research. 76%, of respondents see this relationship important for organizational performance (Table 30).

Various authors have defined organizational innovation, (Damanpour F and Gopalakrishnan S., 1998) as the creation of new ideas and new behaviors. Extremely complex, multiple organizational dimensions and innovation can be reviewed from two aspects:

- Breadth innovation- which includes policies, system, administrative processes, products, services and others.
- Depth innovation – which includes the importance, the degree of influence, effect on long term profitability and others (Lee-Ming Chuang., 2005).

50% of respondents agree and around 19% strongly agree about innovative practices in their company. Kosovo SMEs should start promoting innovation in their organization in systems, administration and product innovation (table 31).

The development of innovation is practice					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	38	25.3	27.0	27.0
	Agree	75	50.0	53.2	80.1
	Strongly agree	28	18.7	19.9	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 31. Innovative practice

Product innovation, system innovation and administrative innovation are the important processes for manufacturing organizations and have equal capabilities to improve organizational performance or effectiveness, solve problems, add value and create competitive advantage (Juet R Cooper., 1998) and (Fariborz Damanpour., 1996). Innovative organizations treat human resource management practices as the organization’s strategy to encourage responsibilities, enhance organizational culture and build customer relationships through participation and empowerment (Zhongming Wang., 2005.). Kosovo enterprises in their development level should take into consideration this conclusion.

5.3. Analysis of the objectives and hypotheses

5.3.1. Analysis of objectives

The main objective of this study research is identifying managerial strategies which contribute to the improvement of organizational performance, and the extent to which they are used in managerial practice. The first direction is represented by an analysis of the singularity of small and medium organizations:

O1: Highlighting the defining elements of performance in Kosovo SMEs organizations.

According to table no. 32, approximately 83% of the respondents declared the productivity level indicator to be important, based on the performance indicators that were previously determined for this study. This result, as an indicator of organizational performance, has its multi-dimensional

impact on the overall performance of the enterprise. Despite its importance of overall performance, this indicator should be coordinated with other specific production conditions, which should be in accordance with established standards of quality and acceptability in the local, regional or wider markets.

Level of productivity, operating efficiency					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	23	15.3	16.4	16.4
	Agree	93	62.0	66.4	82.9
	Strongly agree	24	16.0	17.1	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 32. Level of productivity

Of the total number of respondents, 87 agreed, while 52 strongly agreed that other indicators of performance, such as growth rate, income, sales level and level of activity in the enterprise, are indicators of particular importance for the overall performance of the enterprise.

The growth rate of these enterprises would have to be planned in the enterprise development strategy, which should be in accordance with the conditions and the resources of the enterprise and, most importantly, be covered by sufficient and prepared human resources for the level of growth. These data are presented in the table no. 33.

Growth.rate.revenues.sales.level.of.activity					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.7	.7	.7
	Undecided	1	.7	.7	1.4
	Agree	87	58.0	61.7	63.1
	Strong agree	52	34.7	36.9	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 33. Growth rate, revenues

Kosovo's financial system remains largely based on the banking sector, which plays a key role in mobilizing savings and allocating them to borrowers. The steady growth of these deposits has made it possible for Kosovar banks to have sufficient funds for the further extension of loaning to the enterprise sector of Kosovo. But these loans are accompanied by high interest rates, which hamper the beginning of activities of new companies or startups. During the year 2016, according to the Central Bank of Kosovo (CBK), the lending activity of the banking sector has increased considerably. This growth confirms that there is also increased economic activity and growth of economic development.

These results also evidenced based on the responses of the respondents included in our study, where financial strength, liquidity and borrowing ability represent the organizational performance indicator of the enterprise. These data are presented in table no. 34.

Financial strength.liquidity.rezervs.borrowing.capacity					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.7	.7	.7
	Undecided	1	.7	.7	1.4
	Agree	79	52.7	56.0	57.4
	Strongly agree	60	40.0	42.6	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 34. Financial strength

The market represents the place where the supply and demand of goods, capital, labor force, raw materials, and services and so on, meet. To be successful in its business, the enterprise should be based on three main principles: profitability, productivity and efficiency.

The market offers formations for technological innovations, and also selects fields and branches of the economy. In table no. 35, it can be seen that all these conclusions about the market are confirmed and strongly supported by our respondents, where market share, its coverage with relevant products and services is an important indicator of overall performance of the enterprise.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Market.share					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	7	4.7	5.0	5.0
	Agree	72	48.0	51.1	56.0
	Strongly agree	62	41.3	44.0	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 35. Market share

The surveyed enterprises report many innovation activities and estimate that such activity has a significant financial impact. This innovative activity is mainly growing and has a reactive character. This innovation concerns mainly products, service improvements, pressures caused by competition and customer demands. These enterprises report a high level of cooperation in the field of innovation. The use of external knowledge by these enterprises is limited. Generally, they utilize more resources or experience obtained from fairs and the internet than from research or business associations.

From the data presented in table 36, respondents agreed that new products, services or recent technology equipment are important indicators of overall performance in the organization.

Innovation.new.standard.new.product.process.managerial.system					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	27	18.0	19.1	19.1
	Agree	71	47.3	50.4	69.5
	Strongly agree	43	28.7	30.5	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 36. Innovations

The data strongly confirm that innovations are one of the organizational performance and development indicators. This indicator indicates that human resources within organizations are ready for and expect changes in organizational performance, from which they will also benefit. Table no. 37 shows that the development, advancement and empowerment of human resources are

also supported by both groups of respondents, the managers of all levels and the first line employees. Although part of the first line managers' responses, about 12%, were undecided. This may be an indication that despite their educational qualifications, these employees lack previous experience. Here too it can be concluded that there is a great deal of concern about the development or advancement of employees in these enterprises. The organization should plan to expand and improve professional qualifications through trainings so that individuals are able to deliver the best performance in their duties.

Achievement.of.employee.development.empowerment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	2.0	2.1	2.1
	Undecided	18	12.0	12.8	14.9
	Agree	69	46.0	48.9	63.8
	strong agree	51	34.0	36.2	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 37. Employee development

Employee motivation is one of the most important elements to achieve a higher performance and success in every organization. In essence, motivation is the art that impels people to make certain actions because of their desire or because they consider it to be beneficiary. Another important fact is that employee's satisfaction or motivation does not only relate to pay, but also to other activities. The role of the manager - among others - is also to motivate the employees.

The management cycle is a continuous process of planning and organizing the work. The organization always ensures that managers know their work and the people they work with, playing the role of the instructor rather than the supervisor. They should consider each person unique in their own way and this depends on a certain number of factors.

Knowing these factors is a key element in achieving the goals and objectives of the enterprise and the employees. The organization must acknowledge that motivation is important to create a balance between the needs and objectives of the organization and individuals. All this is achieved

when those in charge have defined the responsibilities and objectives, thus making the discussions with the members of the work team easier.

<i>Achievement.of.employee.satisfaction</i>					
		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Disagree</i>	1	.7	.7	.7
	<i>Undecided</i>	14	9.3	9.9	10.6
	<i>Agree</i>	76	50.7	53.9	64.5
	<i>Strongly agree</i>	50	33.3	35.5	100.0
	<i>Total</i>	141	94.0	100.0	
<i>Missing</i>	<i>System</i>	9	6.0		
<i>Total</i>		150	100.0		

Table 38. Employee satisfaction

This is also evidenced by the data from Table 38, where more than 88% agreed that the satisfaction of employees is a success indicator for Kosovo's enterprises.

In table no.39 are presented statistical data on performance indicators in terms of customer satisfaction. When consumers receive good services, they are motivated to buy more, which directly leads to an improvement of the profit value and image of the enterprise.

<i>Achievement.of.costumer.satisfaction</i>					
		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
<i>Valid</i>	<i>Agree</i>	79	52.7	56.0	56.0
	<i>Strongly agree</i>	62	41.3	44.0	100.0
	<i>Total</i>	141	94.0	100.0	
<i>Missing</i>	<i>System</i>	9	6.0		
<i>Total</i>		150	100.0		

Table 39. Customer satisfaction

In times of globalization, the company exercises its activity in a more difficult and ferocious competitive situation. Clients are faced with a host of products and services that satisfy their desires. Satisfaction and marketing relations are key points in the market-based strategy. The ultimate goal of any marketing strategy should be to attract, satisfy and retain targeted customers. Good customer care can be the first advantage of a market-based management, because a business with a strong market orientation is in the best position to develop strategies that will provide higher

levels of consumer satisfaction. Accordingly, these facts are a decisive indicator for high performance of a business. That this indicator of organizational performance rates highly is also confirmed by data generated in the study, with almost 100% of respondents agreeing.

The second point in analyzing the managerial system of human resources in an organization:

O2: Establishing the relationship between strategic human resources activities, general management and other components.

I spend time on HR strategic.issues * Current.job.levelCrosstabulation						
Count		Current.job.level				
		Non Managerial	Lower Level Management	Middle Level Management	Uper Level Management	Total
I spend time on HR strategic issues	Disagree	9	9	2	0	20
	Undecided	1	23	23	1	48
	Agree	0	5	32	13	50
	Strongly Agree	0	0	3	19	22
Total		10	37	60	33	140

Table 40. *Engagement of employees in HR strategic issues*

For the question, “Do you spend time on human resource strategic issues?” 23 respondents from lower and middle management were undecided. It is not a good indicator. Senior management needs to be involved more on these levels of strategic issues (table 40). Involvement can be referred to the employee participation in decision making, problem solving, and increased level of autonomy in work process. Research indicates that greater employee involvement has a positive impact on work productivity and overall performance. SME-s are under pressure to seek new strategies to overcome the challenges.

The third point of analysis is the efficiency of human resource management in Kosovo SMEs:

O3: The assessment of the effectiveness of human resource management within an organization:

In regards to the performance indicators of the enterprise, 94% of respondents have declared that the financial strength of a company, i.e. positive financial turnover, monetary liquidity and the ability to borrow or loan to cover its own needs, is a performance indicator of the organization.

Successful enterprise may not be faced with lack of funds, but in general, the business sector faces difficulties securing funds and the possibilities of borrowing or loaning from commercial banks. Loan rates are still very high and associated with severe bureaucratic procedures to provide proper documentation.

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Financial strength liquidity reserves borrowing capacity * Sector	141	94.0%	9	6.0%	150	100.0%

Table 41: Financial strength

This part of the report covers the finding from an econometric analyses based on a model in which the dependent variables are: level of productivity, operating efficiency, growth rate of revenues/sales/level of activity, financial strength, liquidity, reserves, borrowing capacity, market share, innovation (new quality standard, new product, process, system managerial) achievement of employees satisfaction, achievement of customer satisfaction.

5.3.2. Analysis of hypothesis

The study is tested through one main hypothesis and the five sub-hypotheses:

H0: *Is strategic human resource management and the organizational performance of SMEs positively correlated?*

H1: *Does Strategic HRM have a positive effect on workforce innovation?*

Organizational performance is positively impacted by the presence of Strategic Human Resource Management practices which tend to create a significant contribution on organizational competencies. This in turn becomes a great boost for further enhancing innovation (Noe, 2003).

In this model, we have used the ANOVA variance analysis to analyze the impact of the development of innovation practices, methods, standards, products and novelties in the management system. The value of R-Square is 0.399, which means that the variables included in

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

this model explain and support one another with credible empirical values. These values are shown in the tables no. 42 and 43.

In the regression analysis, the average value is 27.191, the value of DF0 (n-1) is 140-1 = 139, while the F-test value is 92.2 and the level of significance is 0.000. These results show that the presented model is consistent with the resulting quantitative values.

Regression

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.631 ^a	.399	.394	.543		
a. Predictors: (Constant), The.development.of.innovation.is.practice						
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.191	1	27.191	92.200	.000 ^a
	Residual	40.993	139	.295		
	Total	68.184	140			
a. Predictors: (Constant), The.development.of.innovation.is.practice						
b. Dependent Variable: Innovation.new.standard.new.product.process.managerial.system						

Table 42. Anova analysis: The development of innovation practice

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.578	.268		5.888	.000
	The.development.of.innovation.is.practice	.645	.067	.631	9.602	.000
a. Dependent Variable: Innovation.new.standard.new.product.process.managerial.system						

Table 43. Coefficients. Innovations

According to the results, the development of innovative practices and new management systems are closely linked with an innovative workforce in Kosovo SMEs.

Equation OSL shows that if practices change with 1% or one unit, this will affect 6.4%, of the development of innovative practices. This data is dependent on variables showing the importance of these relationships to those practices in Kosovo SMEs

$$Y=\alpha+\beta_1X_1+\mu$$

$$\text{Innovation}=1.578+0.645X_1+0.268$$

The presented equation empirically explains the impact of the innovation process, where:

Y-represents the dependent variable,

α -represents the beta coefficient,

β_1 -represents the beta coefficient of the dependent variable,

X_1 -is the independent variable, which in this case represents the managerial actions in the innovation process,

μ -is stochastic variable (standard error) which takes into account the values of other variables that affect the dependent variable but are not included in the model.

Based on the results of table no. 44, we observe that the two variables are in positive correlation with one another. The value of Pearson's coefficient is 0.675, which is significant at a level of 0.01.

These results show that the independent variables have a significant impact on the dependent variables. The reasonableness of the model lies in the quantitative measurements presented in the table.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Correlations			
		Innovation.new.sta ndard.new.product. process.managerial. system	Level.of.productivit y.operating.efficien cy
Innovation.new.standard.new.pro duct.process.managerial.system	Pearson Correlation	1	.675**
	Sig. (2-tailed)		.000
	N	141	140
Level.of.productivity.operating.ef ficiency	Pearson Correlation	.675**	1
	Sig. (2-tailed)	.000	
	N	140	140
** . Correlation is significant at the 0.01 level (2-tailed).			

Table 44. Correlations. Innovation

Drawing on the results of tables no. 43 and 44, and taking into account the level of significance, it is proved that **hypothesis H1 is accepted** and that strategic management in the case of Kosovar enterprises has a positive impact, and that the management and labor force of Kosovar enterprises is open and ready to embrace new innovative practices.

H2: Is there a significant impact of HR development on organizational performance?

From these results we can state that organizations wishing to succeed in today global environment, must make appropriate human resource investments to acquire and build employees who possess better skills.

People possess skills, knowledge and abilities that provide economic value to an organization. Organizational investment to increase employee skills, knowledge and abilities to carry out of pocket and opportunity costs. They are only justified if they produce future returns via increased productivity. The higher potential for employee contribution in an organization, the more likely it is that the organization will invest in human capital via HRM activities. These investments will lead to higher individual productivity and organization performance (Becker, 2001).

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Specific.training.empl oyee.more.responsive. is.an.activity - Level.of.productivity. operating. efficiency	.583	.710	.062	.461	.706	9.436	131	.000

Table 45. *Correlations Training Employee development*

The values obtained show that training affects the performance of the organization. The training must be related to the behavior of managers as trainers, not only supervising and controlling. Development of human resources is closely related to the growth of performance.

The **second hypothesis H2 is accepted** based on the values presented in table no. 45. Testing of this hypothesis was done through the test of two dependent samples. This confirmation is presented in the table above, where the level of the two-sided significance is 0.00. Based on this indicator, we can conclude that specific trainings are interrelated and important for increasing organizational performance and overall enterprise outcomes.

In the table, the average value is 0.583, the standard deviation 0.710, which expresses the probability for both variables, and the standard error average is 0.062.

H3: Employee empowerment has positive effect on organizational performance?

Employee empowerment is a broad term that been variously referred to as involvement, participative management and engagement. It covers different approaches to gain participation in relevant decisions in an organization.

According to Lawer, (Edward E. Lawler., 1986), elements that promote employee involvement are:

- Power- In practice, power means providing people with the authority to make work related decisions.
- Information–The possibility to access relevant information: operating data, business plans, new technologies.
- Knowledge and skills-Employees can contribute to organizational performance only if they have the necessary skills and knowledge to make decisions.
- Reward- Opportunities for involvement can provide employees with internal rewards (self –worth and accomplishment), and external rewards such as pay and promotion.

The results of the survey are presented in tables no 46:

Model	B	Std.Error	Beta	T	Sig
I.participate.in.the.process.of.defi ning.business.strategies	2.902 .311	.169 .046	.497	17.123 6.737	.000 .000

a.Dependent Variable: Level of productivity, operating efficiency

Table 46. *Participation in the process of defining business planning*

Model	B	Std. Error	Beta	T	Sig.
I.work.to.align.HR.strategies.and.bu siness.strategies	2.819 .318	.193 .050	.474	14.615 6.324	.000 .000

Dependent Variable: Level of productivity, operating efficiency

Table 47. *Aligning HR Strategies and business strategy*

From the above we can highlight:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

$$\text{Empowerment} = 11.416 + 0.311X_1 + 0.318X_2 + 0.303X_3 + 0.339X_4 + 0.733$$

Where:

Y - represents the dependent variables, which in this case is the empowerment of employee participation in the process of planning, decision-making and strategic aspects of the enterprise;

α - represents the beta coefficient;

X1 - represents the independent variable that represents employee participation in the strategic

processes of defining the business strategy of the enterprise

X2 - represents the second independent variable, which represents the HR strategy and business strategy;

X3 - represents another independent variable reflecting time spent on strategic issues;

X4 - represents an independent variable reflecting employees' activity in planning organizational performance.

The above tables show the outcomes of the regression analysis in which the significance (0,00), planning participation and strategic aspects are reflected. Their impact on overall organizational productivity and performance is positive.

Based on the outcomes of this regression analysis, the variables are significant or have an impact on each other.

If we increase employee participation in defining business strategy, then this will affect 3.39% of businesses and increase staff empowerment and their development. All data presented in table 17 in Appendix 3, according to the percentage, reflects the effect of employee empowerment in organizational performance.

These practices increase employee well-being and satisfaction by providing better work conditions. They can also influence productivity. The data presented in tables 46 and 47 supports the conclusions and prove the hypothesis.

For Kosovo SMEs, SHRM is a new paradigm in managing human resources in the modern organization. It hangs on the understanding that the most critical resources that any organization must provide itself are human resources, since it is HR that is responsible for coordinating other factors of organizational performance.

SRM is an efficient function that copes with environmental change that directly and indirectly benefits organizations because it changes passivity into initiative, transmits organizational goals clearly and encourages the involvement of managers (Cook F. L., 2005).

From the results presented in the table above, we can conclude that even the unsupported variables positively affect overall organizational performance.

If this variable increases by 10% or a unit, then it will impact the overall productivity growth of the enterprise by 3.15%.

Therefore, based on these indicators, **third hypothesis H3 is accepted**, since these variables have an impact on each other because the level of significance is 0.05 (0.00).

Model	Unstandardized coefficients		Standardized	T	Sig.
	B	Std,Error	Beta		
I participate in the process of defining business strategies	2.938	.176	488	16.697	.000
	.303	0.48		6.376	.000

Table 48. *I participate in the process of defining business strategies*

In the above table no. 48, we present the results of the regression analysis for the variables *I participate in the process of defining business strategies*, where from the level of significance we can see that this hypothesis is accepted, because, if the participation process in defining the strategic plan by the employees grows by a unit, then this would result in a growth of 3.03% of the overall organizational performance.

Model	Unstandardized coefficients		Standardized	T	Sig.
	B	Std,Error	Beta		
I am active participating in business planning	2.757	.195	.505	14.148	.000
	.339	0.51		6.669	.000

Table 49. Participating in business planning

In table no. 49, results for '*I am active participating in business planning*' are presented, whereby it can be seen that active participation in business planning has a positive impact on the organization's performance, as the statistical values are significant to one other. If participation in business enterprise planning increases by 1%, then this increase will affect the overall performance level by 3.39%. Therefore, these variables have a linear relationship with each other.

H4: The best practices of HRM will have positive impact on organizational performance?

According to Weber et.al, (Weber J. & DeMarie S., 2005), human resource management practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizational competencies which support competitive advantage.

One of the practices of western countries is the ranking of employees according to work results. From this research, the ranking by SMEs performance based on the results have not shown any effect related to organizational performance. The level of impact is low. This ranking by performance indicator, 'productivity level' has a negative impact.

At this point, management should take steps to increase and address the problems with evaluation system.

In table no. 50, is a summary of the linear regression analysis that is used for testing the fourth hypothesis, where HRM best practices have an impact on organizational performance. One of the most important practices is performance appraisal and the impact of this process on overall performance, or the advancement of clarity of functions and status or ranking from performance evaluation in the organization.

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	12.177	2	6.088	23.957	.000 ^a
	Residual	34.816	137	.254		
	Total	46.993	139			
a. Predictors: (Constant), Performance.appraisal.enhanced.clarity.in.organization, Ranking.grading.in.the.performance.appraisal.relates.performance						
b. Dependent Variable: Level.of.productivity.operating.encyency						

Table 50. *Performance appraisal enhanced clarity in organization*

From the table it can be seen that the dependent variable is the level of productivity, while independent variables are the rankings after the performance evaluation and the clarity created behind this process.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.263	.257		8.819	.000
	Ranking.grading.in.the.per formance.appraisal.relates. performance	.331	.092	.375	3.596	.000
	Performance.appraisals.en hanced.clarity.in.organizat ion	.142	.088	.169	1.622	.107
a. Dependent Variable: Level.of.productivity.operating. efficiency						

Table 51. Ranking and performance appraisal coefficients

Table 51 shows the outcome of the linear regression analysis in which it can be seen that the first independent variable has an impact on the dependent variable or the productivity and operation efficiency in the enterprise. While the second variable of performance evaluation has advanced the clarity of functions in the enterprise, which is included in this model, it does not affect the dependent variable, because the level of significance is higher than 0.05% (0.107). Therefore, in this analysis only the first variable will be interpreted, in which case it can be said that, if the ranking application based on performance increases by 1% or a unit, this would have a positive impact on the overall performance growth of the organization by 3.31 %.

The tables no. 52 and 53 show the variance analysis statistics, such as sums, sum average, degree of freedom, F-test and level of significance. Further, it shows the outcomes of the empirical analysis, in which we have tested the impact of reward and exchange of experiences and knowledge necessary for carrying out the work activities, and their impact on the performance of the enterprise.

Drawing on these results, **the hypothesis of the four H4 is accepted**, because the level of reliability is also acceptable. If the reward would be increased by 1%, the positive impact on the work results and increase of the level of motivation and performance at the enterprise level would be 3.54%. This shows a positive proportion of these variables.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.920	.325		5.908	.000
	Reward.is.proportionate.to.performance.and.contribution	.354	.050	.519	7.082	.000
	Interpersonal.skills.important.in.performance.appraisal	.218	.088	.182	2.482	.014
a. Dependent Variable: Level.of.productivity.operating. efficiency						

Table 52. Coefficients –Reward and interpersonal skills

The same effect is observed on the other control variable included in this model, where the development of skills and exchange of experiences and knowledge has a positive impact on the performance of the enterprise. If this activity grows within the enterprise by only one unit or 1%, then this would affect the overall performance growth by 2.18%. These results are statistically based on the significance levels 0.00 and 0.014.

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.636	2	8.818	41.150	.000 ^a
	Residual	29.357	137	.214		
	Total	46.993	139			
a. Predictors: (Constant), Interpersonal.skills.important.in.performance.appraisal, Reward.is.proportionate.to.performance.and.contribution						
b. Dependent Variable: Level.of.productivity.operating. efficiency						

Table 53. Anova analysis and interpersonal skills

H5: Employee’s satisfaction is correlated with job involvement and job performance.

Table no. 54 shows the outcomes of the fifth hypothesis test, according to the variance analysis in which the numerical values, such as: sum, degree of freedom, average and F-test are included.

In this econometric model, for the fifth hypothesis testing, which is statistically positive in correlation with involvement, the regression analysis to test the validity of this hypothesis was applied.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.466	1	10.466	29.486	.000 ^a
	Residual	49.336	139	.355		
	Total	59.801	140			
a. Predictors: (Constant), Reward.is.proportionate.to.performance.and.contribution						
b. Dependent Variable: Achievement.of.employee.satisfaction						

Table 54. Anova analysis and Reward-achievement of employee satisfaction

Employee satisfaction is essential to success. Any business manager should apply the motivational approach in work design. This motivational approach provides the employee with opportunities, such as advancement and recognition. Not all people react in similar ways, with individual differences among them, workers knowledge and skills, growth need strength. Employees want to know that their employers recognize their achievements in the workplace. Most important for SMEs in Kosovo the employer has a responsibility to ensure the satisfaction of its employee.

This is reflected very well in table no. 55, where involvement in workgroups and achievement of employee satisfaction score 0.00 of significance.

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.112	1	7.112	18.761	.000 ^a
	Residual	52.690	139	.379		
	Total	59.801	140			
a. Predictors: (Constant), Involvement.of.employee.in.teamwork.is.an.activity						
b. Dependent Variable: Achievement.of.employee.satisfaction						

Table 55. Anova –Involvement employee satisfaction

Table no.56 shows the outcomes explained in the following. If the significance, which is 0.00, is analyzed, then it is noted that the two variables are impact one another. In this model, the dependent variable represents the satisfaction of employees, while the independent variable their involvement in workgroups. These outcomes demonstrate that if the participation in the workgroups increases by 1%, then the satisfaction of the employees will increase by 3.91%.

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.701	.359		7.513	.000
	Involvement.of.employee.in.teamwork.is.an.activity	.391	.090	.345	4.331	.000
a. Dependent Variable: Achievement.of.employee.satisfaction						

Table 56. Coefficient –involvement and employee satisfaction

These results are stand quantitatively and support each other, and since the level of significance is acceptable as a standard level based on the empirical outcomes, **the fifth H5 hypothesis is accepted.**

5.3.3. Summary

In this section are presented the outcomes of the statistical analysis to answer the research questions raised above. In this section also presented is an assessment, analysis, general overview of the businesses surveyed. This was followed with the statistical processing using t-test, linear regression and ANOVA variance test and after the processing, they were analyzed resulting in:

Hypothesis 1: Strategic human resource management has positive effect on work force innovation. H1 is accepted, and reaffirms that strategic management in the case of Kosovar SMEs has a positive impact and that Kosovar enterprises, together with their work force, are open and ready to accept new innovative practices

Hypothesis 2: There is significant impact of HR development on organizational performance.

H2 is accepted. Based on the results obtained, it can be concluded that training and development activities are closely interrelated, and have an important impact on performance and overall positive results of the enterprise.

Hypothesis 3: Employee empowerment has positive effect on organizational performance.

H3 is accepted. Based on the testing of participating variables to this hypothesis, an important impact is noticed, empowerment through managerial activities has proved positive and this hypothesis is accepted.

Hypothesis 4: The best practices of HRM will have positive effect on organizational performance.

H4 is accepted. Based on the results obtained, H4 is accepted because the level of reliability is acceptable. Developing skills and exchanging experiences and knowledge has a positive impact on organizational performance growth.

Hypothesis 5: Employee satisfaction is correlated with job involvement and job performance.

H5 is accepted. The level of employee satisfaction has a positive relation with the involvement in various strategic management processes. The formation of workgroups plays a positive role and the results of its application are very good. In the case of Kosovar enterprises these workgroups and the adequate remuneration according to the results of their work, have a positive impact on the overall organizational performance of SMEs.

5.4. Interviews

A semi-structured approach was used to conduct the interviews. This allows the interviewer to change or add questions during the interview process. This approach also allows that the questions in this interview may not follow the ones outlined by the interview guide, allowing a more flexible interviewing process. Because of the inherent differences between the target SMEs this was an advantage. Moreover, with telephone interview it is less expensive, faster and easier to supervise and has less influence on respondents' replies than face to face interview. For reasons of fairness I decided to omit the names of all SMEs replacing them with enterprise A, B, C and so on, to further ensure that the SMEs identities were being kept anonymous, key identification points such as their exact line of business were also slightly changed.

The SMEs were:

Enterprise A is a family business involved in the metal working sector, producing their own product lines as well as doing subcontracting work for other organizations. The operating history of the organization exceeds 15 years. Between 2010 and 2015 it enjoyed an average growth profit margin of more than 35%. This organization is currently run and controlled solely by the owner. This is the reason why his organization has been successful. He emphasized that the organization has a clear structure and strategy that enables both him and his employees, to easily identify their

duties and responsibilities. The owner added that it is his strategy to try and involve the employees in decision making. He also delegates responsibility as much as possible. Based on these findings the owner of Enterprise A runs the organization with innovation and creativity.

This organization has not experienced problems finding skilled employees when needed. This enterprise knows how to communicate their organization's values. The owner of this enterprise has a high school degree. Enterprise A does not recruit people often, they have not employed a specific HR process. The owner claims that because it is a small enterprise they have a flat organizational structure: everyone does everything.

Enterprise B is a family owned photocopy and printing business, which has operated for more than more than 10 years. The average profit margin growth from 2010 to 2015 was between 13 and 15%.

The owner said while he is not running the organization according to a certain strategy, he does employ basic strategic principles:

- He monitors every aspect of a company's operation;
- Innovation is carried out in small but continuous steps, with regards to product quality. Employees are empowered by involving them in teams. Rewards given according to results.
- The organization has a clear vision and mission and a clear view of where he wants to take the organization in the future.

The owner of this enterprise has experienced some staff availability problems. He is missing IT staff or staff with the background to operate more complicated systems. The founder of this enterprise has a high school degree, and has taken various courses including some leadership training. This enterprise has no particular human resource program, all employees are expected to take part where they are needed and support each other.

Enterprise C manufactures and develops home interior/exterior design products. From 2010 to 2015 it had an average profit margin growth in excess of 9 %.

Moreover, many factors have contributed to the success of the overall business strategy of this organization. This includes the simple flat structure of the organization and learning culture where employees are encouraged to solve problems and to make decisions.

In summary, the top level of the management of this organization demonstrates traits such as:

- Creativity
- Innovation
- Motivation
- Employee empowerment

The owner has implemented an accounting system managed by an external partner and they have a server where all documents are stored. He has a university degree, followed by a number of individual courses in business and technology. All members of staff hold responsibility in the organization. This enterprise has utilized the exchange of knowledge to improve their product and development process. They are in the process of adding more complex machines. Finding additional skilled staff may be a problem.

Enterprise D was founded 8 years ago and produces plastic products for various interior and exterior applicants. The average profit margin growth from 2010 to 2015 was around 12%.

The owner of this enterprise demonstrates some entrepreneurial characteristics as a small family business. Because of its size the owner delegates responsibility to his employees. The employees in this enterprise enjoy personal freedom in their work place but there is also a great deal of responsibility taken by the owner.

This enterprise relies on a high quality IT platform. The owner has university degree. Enterprise D, has a dedicated human resource manager who is fully responsible for all HR-related matters. Their recruitment process is a combination of recommendations and, advertisements. They have also directly hired people.

The enterprise has gained an ISO9000 certification and are improving their production process and working towards obtaining more certifications.

In the beginning, this enterprise employed a smaller staff which were responsible for several tasks. Over time enterprise growth and management split the duties and to fill this they hired new staff. This enterprise has had difficulty finding skilled employees. They have chosen these issues by organizing training and exchanging experiences between employees. As a result employees know what is expected from them.

Enterprise E has a 12 year history.. This organization manufactures a wide range of industrial products, including tubular metal, metal wire and sheet metal products.

As a small enterprise they don't have a human resource program but they tend to exchange the experiences between employees. Some staff have attended training from requalification centers for workers. The owner has a high school degree, he and his wife tend to assume a more hands on approach for human resource duties. They exchange knowledge between them and their customers. They try to improve their products together with their customers. This enterprise has a small number of employees that all have their own job to do. The owner is considering delegating some of the responsibilities to his employees. This will enable him to do more to office duties.

Enterprise F is a family owned business in the garment industry registered 12 years ago.

As for innovation and creativity the company develops new sewing machine programs and other products. According to the owner it is run in such a way that the responsibilities are delegated to the employee. This organization considers the employees their most important asset but have no particular recruitment guidelines or principles. Recruiting is done on an as needed basis and mostly by advertising.

The owner of this enterprise has a few years of business experience. She has a high school education. The enterprise exchanges knowledge in their extensive network. When an important person resigns it may cause problems in production and design.

Enterprise G sells machinery and warehouse accessories. This is also a family business and was registered in 2010. This enterprise management demonstrates traits such as creativity, innovation, and motivation and employee empowerment. The owner has a university degree. The enterprise has a well- defined recruitment process. They also have a general HR manager who is in charge of activities such as: salary, staff recruitment, evaluation, development and motivation. The owner is

convinced that employing proper human resource procedures is a key factor for SMEs when it comes to recruitment and human resource management.

To improve their product development they have started to work with their customers to co-develop attractive products. This kind of strategy is something new for Kosovo. They not only make a profit but they also achieve important customer satisfaction. The owner of this enterprise stated that they are in the process of in sourcing production. Adding new, more complex machines and finding additional skilled staff may be a problem in the near future.

Enterprise H is in the hotel industry and was founded in 2008. the average profit growth from 2008 to 2015 was around 15%. The owner stated that at his hotel a pleasant stay will turn into a memorable one. Their philosophy is: the well-being of our guest is our first and foremost priority. Being on time and planning well is important to being successful in our business.

Employees have understood that is not easy to make judgment calls when you are leading this kind of business. We have an annual program where the manager must work in different positions in order to understand how difficult some of the jobs are.

Employees need to be hardworking and disciplined, but we want our employees to grow, learn and develop. We always try to reinvent our services. The manager must encourage employees to do things differently, internally, and for our guests.

The owner's advice for people who are inspired to be successful in the hotel industry, is that they must be curious because it is too easy to keep doing what you are doing. If you keep doing same thing, you won't learn as much as you can, you must be ambitious, you have to take chances.

Enterprise I was founded in 2000 and is in the food industry. The average profit growth is around 20%.

5.4.1. Reflection of interview results

The results show that all SMEs at least to certain extent recognize the importance of strategic human resource management. They are also in agreement that in order to align and implement the relevant strategy. This implementation include employee planning, their empowerment, training and development and what is mostly important for Kosovo SMEs they want to establish direct customer relation.

This approach to the strategy is key factor that have positive influence on the organizational performance of the SMEs.

All SMEs in the study are to a varying degree dependent on new technology and capability of employees to use relevant equipment.

A majority of the owner /executives in the study have relevant industry or business experience. Most of the SMEs are family owned. This has enabled the owners to gain extensive professional experience. An experienced owner is one factor that can help employees to understand the job and the owner can also be a coach to the staff.

Owners and executives almost all have a high school or bachelor degree. This is another important factor for the higher organizational performance of Kosovo SMEs.

All SMEs have an adequate HR system of some kind. SMEs with a larger number of employees have employed a HR manager. A majority of the smaller businesses are family owned and most of the owners have run their enterprises for a long time. They know their employees well and work with, them. This explains why they do not need a dedicated HR manager.

All of the SMEs have to a varying degree implemented some routines to maintain and improve production quality. In the process they gain the trust of their customers. However the majority of SMEs in the interview process lack standardized certifications, meaning they cannot easily demonstrate their level of quality management to new customers. But they still represent some of the top performing SMEs in the Republic of Kosovo.

All of the owners/executives in the study said they are contributing to the teamwork. They provide and receive assistance from the team.. This may also be a reason as to why some actively maintain

relationships with one another, building stronger groups/teamwork and in the process furthering creativity.

All Enterprises in the study claim that they are able to find the required labor. It is difficult for some to attract skilled labor. It also seems that labor is found mostly through informal channels.

In terms of success within SMEs in Kosovo, these are some factors that may positively affect businesses. A well-chosen and executed strategy will indeed help in gaining competitive advantage and will positively affect reputation and organizational performance.

With today's expansions and development in the business climate the implementation of efficient and reliable technology will help enterprises communicate easily and efficiently.

Having a high level of education does not equate to success, as seen in Kosovo's case. However, with a growing business, having suitable professional knowledge is a definite advantage. The authors suggest that having a suitable education is more important than a higher level one.

Quality is a great concern for customers. Quality product is key factor for any business, to possess a quality certification of some sort adds trust and brings new customers.

Recruitment/selection- this process is not being adopted now. Most businesses find skilled labor through families, or networking.. They need to rethink their HR strategies.

Training an employee and enabling them to learn about the tasks other than their own is also a good investment for the organization and to avoid knowledge loss. In order to avoid these owners should prepare a backup plan, such as increasing general knowledge in the organization.

Chapter VI

Conclusions and recommendations

6.1. Managerial implications in the narrow sense

SHRM is a challenging area to study but an interesting one. This study makes an effort to prove its impact on organizational performance in the Kosovo environment.. The study offers a framework for expecting interrelation among HRM practices and effect on organizational performance. As our analysis has shown, there are gaps where much more empirical work needs to be done in Kosovo's case. Managing employee performance is a key part of effective leadership. Research has shown that effective performance management behaviors positively impact on employee engagement and results.

The primary intention of this study was to produce results that are relevant and practical for SMEs in Kosovo, where human capital is a major factor in the success of SMEs. From an HRM perspective, policies directed towards leadership and employee empowerment and development are key factors for organizational performance.

6.2. Strategic recommendations for Kosovo SME-s

Organizations should focus on reinventing formal systems and instead focus on building trust between managers and employees creating a culture that fosters the best performance.

Organizations must stay close to their customers and their competitors. Successful organizations know what their customer needs. They must think constantly about new product and focus on research and development team in the market.

It is important to keep up with investment strategies, organizations must develop and maintain accurate intelligence system to prevent surprises from rival organizations.

Talented employees of an organization must learn quickly.

Communication with employees is critical, you need to explain your workforce strategy, business goals, and objectives so your employees know exactly what is expected from them.

Ensure that employees are properly trained and prepared for challenges and periodically reassess the strategy.

Managers in Kosovo SMEs undertake appropriate actions to build and improve relationships with the key stakeholders in their business.

The organizations must earn the commitment of employees by continuously demonstrating that the employees are valued members of the organization and by appropriately recognizing and rewarding them (Joseph M. Juran & Blanton Godfrey., 1998).

An organization's performance depends not only on specific resources developed but also on the ability to readjust their resource portfolio in response to rapid changes.

6.3. General recommendations

In terms of success within SMEs in Kosovo, these are some factors that may positively affect businesses. A well-chosen and executed strategy will indeed help in gaining competitive advantage and will positively affect reputation and organizational performance.

With today's expansion development in the business climate, the implementation of efficient and reliable technology will help enterprises communicate easily and efficiently.

Having a high level of education does not equate success, as in Kosovo's. However, with a growing business, having suitable professional knowledge is a definite advantage. But authors suggest that having a suitable education is more important than higher level.

Quality is a great concern for customers. Quality product is a key factor for any business, to possess a quality certification of some sort adds trust and brings new customers

Recruitment/selection- this process is not being adopted now. Most businesses., find skilled labor through networking They need to rethink their HR strategies.

Training an employee and enabling them to learn about tasks other than their own is also a good investment for the organization.. In order to avoid Knowledge loss in a firm, owners should prepare a backup plan such as increasing general knowledge in the organization.

6.4. Recommendations for managers and business leaders

The study showed that the role and importance of strategic management in the organization's performance is crucial and irreplaceable for Kosovar SMEs. Therefore, managers, leaders and owners of businesses are advised to evaluate and implement with greater care the process of strategic human resources management in their enterprises.

Given the dynamics of developments, these businesses need to adapt to change quickly in order to preserve their values, competitive advantage and strategic management principles.

Managers should prioritize the creation of platforms for the implementation of a strategic human resources management process, which is the main determinant of a high business performance. SMEs should be able to adopt changes both internally and externally, and use the environment and conditions in their favor to achieve the defined strategic objectives.

Managers should regard the whole management as a process if they want their enterprise to have high performance. They should always seek for the better outcomes and progress as a whole.

The study showed that human resources and processes that are relevant to this field have a major impact on the progress and success of SMEs. Managers, leaders and owners of businesses are advised to pay attention to each element or aspect that affects the creation, growth and consolidation of human resources in their enterprise.

All this implies that managers, leaders and owners of businesses should rely on and pay attention to the growth and consolidation of all factors from the study that proved to be very important, such as:

- Ability to create high quality products of international standards;
- Ability to use new technologies to increase work skills, training and experience;
- Ability to work in groups and exchange individual experiences and knowledge for the both the organization's and their own benefit;
- Ability to convey knowledge and experience;
- Ability to abide by the principles and rules of strategic management;
- Ability to support and motivate others to become successful;

- Ability to communicate, evaluate and work on the planned organization, and
- ability to communicate, work and evaluate about planned objectives.

Strategic management of human resources resulted to be a dominant factor in the organization's performance. It is therefore recommended that managers pay more attention to the implementation of successful practices.

The results of the study showed that strategic management is an undeniable factor in achieving a higher level of performance. Managers are advised to pay close attention to the establishment, growth and consolidation of strategic human resources management, which will increase their organizational performance.

It can be concluded that the factors studied to measure the organizational performance proved to be very important factors. These factors are:

- Innovation-based advantage to offer/develop new products/services or adapt them, good customer service and a high level of customer satisfaction.
- Ability to increase productivity.
- Ability to offer differentiated products.
- Ability to offer them in a wide-ranging marketplace at prices which guarantee the company moves steadily towards higher levels of performance.
- Ability to raise and advance the professional skills of employees through trainings or involvement in different workgroups.
- The ability to provide sufficient financial resources, liquidity and deserved rewards for employees.
- The ability to motivate employees and consumers and to raise their level of satisfaction.

All of these factors will affect in their own way the level of performance, which implies that managers, leaders and owners of SMEs should be responsive in creating policies of advancement that leads the enterprise to a higher level of performance.

The study has shown that motivation is one of the important elements that has an impact on organizational performance. From our personal experience, we know that the more motivated we are, the more productive we will be. From this we can conclude that the more motivated members

of an organization are, the more productive, innovative and successful the enterprise will be.

Based on the results achieved using qualitative and quantitative methods important recommendations have been made for Kosovar SMEs.

From in-depth, semi-structured interviews, it turned out that businesses in general did not have a certain set of goals. Some did not even have business plans. Therefore, in order for them to be oriented towards success and growth, businesses are recommended to develop a strategy that will not only remain in the paper, but also develop detailed plans for application and realization of that strategy. This requires a greater commitment not only from their managers and owners, but also from their employees.

Based on the interviews conducted with business managers, the comments and suggestions made by the interviewees themselves, we have these recommendations:

- To be successful, SMEs need to focus on designed plans that support the mission, goals and objectives of the enterprises, not just operational activities.
- One of the recommendations for state institutions is raising the level of control, ending informality and corruption.
- Now with the signing of Stabilization and Association Agreement, they should be supported with investments to improve the quality of products and by reducing duties on the import of new technologies.
- Business owners and managers are advised to entrust or delegate managerial decisions to people with experience and memoir skills, if they themselves have doubts.

Finally, it should be noted that cooperation between research, business and other stakeholders is important to facilitate the progress and success of SMEs.

SMEs are very important to the economy of a country and represent a major employment potential for economies as a whole, especially for Kosovo's fragile economy with an emerging market.

Chapter VII

Summary and research direction

7.1. Summary of findings

The performance of SMEs depends on the ability of those organizations to select and to implement the right business strategy. The measurement of organizational performance is not easy for a business organization with multiple objectives of profitability, employee satisfaction, productivity, customer satisfaction, and innovation.

The findings of this research study shows that there is a significant relationship between strategic human resource management and SMEs organizational performance.

Entrepreneurs need to be aware that strategic human resource practices, business strategy, processes and techniques can help and increase organizational performance.

Organizations must adequately utilize their valuable human resources. Mismanagement of employees and poor work design can fail the SMEs to deploy the human resources to achieve strategic objectives.

This study show that the resource based view theory (Barney, 1991), strategy and human resources practices are the determinant factor for the organizational performance in Kosovo case. The aim of a resource based approach is to improve capability by achieving strategic fit between resources, opportunities and obtaining added value from effective development of resources. This theory emphasizes that investment in people adds value to the organization.

Many factors obstruct organizational performance, obstructs can be removed if employees better understand their organization's strategy and the key initiatives chosen to achieve it, by selecting the correct performance measure.

Employees can more clearly view how the work they do contributes to their organizations results.

7.2. Study Contributions

Based on the purpose, the study objectives, the theoretical model used and the research findings, it can be said that this study contributes in several aspects:

- An important contribution to this study is the information on the role and importance of strategic human resource management in organizational performance.
- It provides a theoretical model suitable to Kosovar conditions for creating a more favorable environment for development of entrepreneurship in the Republic of Kosovo.
- It certainly can serve for deeper studies in this field. The success factors that have been analyzed in this study are not the only ones that can affect organizational performance.
- The findings of this study on the role and importance of strategic management provide a variety of information necessary and useful to provide guidance for raising the level of organizational performance, their success and to create real opportunities to face the challenges of globalization.
- The outcomes and findings of this study will help Kosovar SMEs, their owners and managers to understand the factors that affect the overall performance of the organization.
- The outcomes and findings of this study can be used as a reference for those businesses that want to remain successful in the market and aim to grow even further. They can be used as guides for those who want to enter the business world to first understand the important factors of impact on results, success and performance of their business.
- SMEs may use these analyzes to monitor their journey, to take the initiatives and steps needed to create competitive abilities in the operating environment and beyond, and thus also to increase their enterprise performance.
- One of the practical contributions is that the outcomes and findings of this study offer more knowledge on how to maintain, promote and advance the strategic processes of human resources management in Kosovar enterprises.

7.3. Limitations and further research

A study often only represents a part of the mosaic and is certainly limited to its focus, thus averting responses to many questions of interest from different perspectives. These limitations may be a

potential for further research that could supplement the findings of this study. Of course, like any study, this too has its limitations:

- The first relates to the subjective data on personal respondent judgments.
- A limitation of the study is also the fact that the application in different branches of industries may be different, meaning that industries may have different success factors.
- The reason behind the choice for conducting the performance analysis with top companies was for them to be taken as an example for other less successful companies.
- The use of the questionnaire as a means of collecting the data can also bring with it doubts about the honesty of those who responded to the questionnaire, because in some cases the administered questionnaire was used, meaning that the interviewee answered the questions even if they have had their own doubts about them.
- The finding and recommendation should be considered within the limitations and the context of the research. Different from most previous studies conducted in Western context, this study examined data of Kosovo SMEs, and thus examined very different cultural and economic environment.
- Another limitation may be that the study of Kosovar SMEs without comparison with regional SMEs, which would have enabled an interesting overview of the regional entrepreneurship.
- The factors used in the study are not the only ones that affect the organizational performance. Herein were used the factors most dealt with in the models referred to. However there are other factors that affect organizational performance.

Bibliography

- Aguinis, H. (2005). *Performance Management*. Edinburgh: Heriot-Watt University.
- Alan Bryman. (2006). *Qualitative Research*. Thousand Oaks, New Delhi: SAGE Publication.
- Alan Nankervis, Robert Compton, Marian Bird, Jean Coffey. (2011). *Human Resource Mangement: Strategy and Practice*. South Melbourne: Cengage Learning Australia.
- Alan Waiss and Nancy MacKay . (2009). *The talent Advantage-How to attract and retain the best and the brightest*. New Jersey: John Wiley and Sons, Inc.
- Alvin Burns & Roland Bush. (2006). *Marketing Research 6th ed*. London: Pearson.
- American Chamber Kosovo. (March 15, 2012). *Kosovo Business Agenda 2011:Report, Dessemination, and Monitoring*. Pristina: AmChemb.
- Amy Edmondson and Bertrand Moingeon. (1996). *Organizational learning and competitive advantage*. London, Thousand Oaks, New Delhi: Sage Pulications.
- Anand Chand & Suwastika Nidu. (2013). *Best Human Resource Management Practices and Firm Performance in the Pacific Island Countries*. New York: NOVA-Publishers.
- Andy Neely, .. (1998). Three models of measurement: theory and practice. *International of Business Performance*, 47-64.
- Angelo S. Denisi and Robert D. Pritchar. (2006). Performance Appraisal, Performance Management and Improving Individual Performance: A Motivational Framework. *Managemet and Organization Review*, 253-277.
- Aragon-Sanchez & Sanchez-Marin. (2005). Startegic orientation, Management characteristics and performance: Astudy of Spanish SMEs. *Journal od Small Business Management*, 287-308.
- Armstrong Michael. (2006). *Performance Management-Key Strategies and Practical Guidelines 3rd Edition*. London and Philadelphia: Kogan Page.
- Armstrong Michael. (2015). *Armstrongs Handbook of Performance Management-An evidence-based guide to delivering high performance*. London, Philadelphia, New Delhi: KoganPage.
- Armstrong, M. (2006). *Armstrongs Handbook of performance management 3ed*. London: Kogan Page.

- Armstrong, M. (2008). *Strategic Human Resource Management -A guide to action. 4th Edition*. London: Kogan Page.
- Armstrong, M. (2011). *Armstrong's Handbook of Strategic Human Resource Management, 5-ed*. London, Philadelphia, New Delhi: KOGAN PAGE.
- Armstrong, Michael. (2006). *A handbook of Human resource management practice-10 Edition*. London and Philadelphia: Kogan Page.
- Armstrong, Michael. (2010). *Armstrong's Essential-Human resource management practice-A guide to people management*. London & Philadelphia: Kogan Page.
- Arthur Diane. (2008). *Performance appraisals: Strategies for Success*. New York: AMA-American Management Association.
- Ashok Chanda, J. S. (2009). *HRM Strategic Integration and Organizational Performance*. New Delhi: Response Books-Businesss books from SAGE.
- Ashok Chanda, Jie Shen. (2009). *HRM Strategic integration and Organizational Performance*. London/Singapor/New Delhi: Response Books From SAGE.
- Ashok Chanda., B. S. (2007). *Strategic Human Resource Technologies-Key to managing people*. Los Angeles/London/New Delhi/Singapore: Repose Books- A division of SAGE Publications.
- Aylott, E. (2014). *Employee Relations*. London: Kogan Page.
- Baisya, R. K. (2010). *Winning Strategies for Business*. New Delhi: Response Books-Business books from SAGE.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, Vol.17, 99-120.
- Barney, J. (1995). Looking inside for competitive advantage. *Academy of Management Executive*, 49-61.
- Barney, J. B. (1997). *Gaining and susteining competitive advantage*. Massachusetts: Reading Massachusetts:Adison Wesley.
- Bartlett J. Kotrilik J. Higgins.C. (2001). Determining Appropriate Sample Size in Survay Research. *Learning and Performance Journal*, 05-12.

- Beaumont, P. (1993). *Human resource management-Key concepts and skills*. London, California, New Delhi: Sage Publication.
- Becker, B. H. (2001). *The human resource scorecard: linking people, strategy and performance*. Boston: Harward Business school Press.
- Berim Ramosaj. (2007). *Management - Bazat e Menaxhimit*. Prishtina: University of Prishtina.
- Bernard O'Meara & Stanley Petzall. (2013). *The Handbook of Strategic Recruitment and Selection -A Systems Approach*. UK: Emerald Group Publishing .
- Besnik A. Krasniqi Et All. (2011). *Entrepreneuership and Small Business Development in Kosovo*. Prishtina: BSCK=Business Support Centre Kosovo.
- Besnik A. Krasniqi. (2012). *Entrepreneuership and Small Business Development in Kosova-BusinessIssues, Competition and Entrepreneuership*. New York: NOVA-Nova Science Publishers, Inc.
- Bhattacharyya, D. K. (2011). *Management systems and strategies*. New DelhiPearson.
- Blanchard K. and Bowles. (1998). *Gunh ho*. New York: Wiliam Marroe.
- Bloisi, W., Cook, C. W., Hunsaker, P.L. (2007). *Management and Organizational Behavior. 2nd edition*. Midenhead: McGraw-Hill.
- Blumentritt T & Danis W.M. (2006). Business strategy types and innovative practices. *Journal of Management*, 274-291.
- Boxall, P F, Purcell, J and Wright, P. (2007). *Strategy and Human resource management*. Basingstoke: Palgrave Macmillan.
- Boxall, P F.,Purcell, J and Wrigt, P. (2007). *Human resource management-scope, analysis and signficance*. Oxford: Oxfor University Press.
- Brockbank, W. (1997). HRs Future on the way to a presence. *Human Resource mnagement-Spring*, 65-69.
- Burke Ranold J. and Cooper, C. L. (2006). *The Human Resources Revolution-Why Putting People First Matters*. Amsterdam: Elsavier.

- Burke, R. C. (2006). *The Human Resources Revolution-Why Putting People First Matters*. Amsterdam: Elsevier.
- Cabrera E.F and Cabrera A. (2005). Fostering knowledge sharing through people management practice. *International Journal of Human resource management*, 720-735.
- Cadwell, C. M. (2000). *Performance management*. New York: AMA-American Management Association.
- Caldwell, R. (2004). Rhetoric, facts and self -fulfilling prophesies: exploring practitioners perceptions of progress in implementing HRM . *Industrial Relations Journal* 35., 196-215.
- Campbell D and Lee C. (1988). Self appraisal in perormance evaluation-Development versus evaluation. *Academy of Management*, 302-3014.
- Carl R. Bacon. (2008). *Practical portfolio performance measurement and attribution. second edition*. West Sussex, England: John Wiley and Sons, Ltd.
- Carola Frage&John Kelly. (2013). *Comperative Employment Relations in Global Economy*. London , New York: Routlage.
- Chandler G.N & Lyon D.W. (2001). Issues of research design and constructmesurement in entrepreneurship research. *Entrepreneurship Theory & Practice*, 25(2), 101-113.
- Chandler, A. D. (1962). *Strategy and Structure*. Boston: MIT Press.
- Charles Lusthaus, .. M.-H. (1999). *Enhancing Organizational Performance*. Ottawa: IDRC.
- Charles M.Cadwell. (2000). *Performance management*. New York: American Management Association AMA.
- Charles R. Greer. (2001). *Strategic Human Resource Management*. New Jersey: Pearson.
- Charles W. Hill & Gareth R. Jones. (1998). *Strategic Management-An Integrated Approach- fourth edition* . Boston;New York: Houghton Mifflin Company.
- Charles W. L. Hill and Gareth R. Jones. (2010). *Strategic Management Theory-An integrated approach 10th edition*. USA, Australia, Japan, UK, Sigapore, Mexico, Spain.: Cengage Learning.
- Chavalier, R. (2007). *Improving Workplace Performance*. New York: AMACOM-American Management Association.

- Chay H. Lee and Norman T. Bruvold. (2003). Creating value for employees: Investment in employee development. *Human Resource Management*, 981-1000.
- Chiara Demartini. (2014). *Performance Management Systems-Design, Diagnosis and Use*. Berlin: Springer-Verlag.
- Chris Adams & Andy Neely. (2002). Prism Reform. *Financial management*, 28-31.
- Cokins, G. (2004). *Performance Management- Finding the missing pieces(to close the intelligence gap)*. Hoboken, New Jersey: John Wiley&Sons.
- Cook F. L., S. J. (2005). Outsourcing Human Resource as a competitive strategy. *Human Resource Management Journal* 44, 413-432.
- Cook Sarah. (2009). *Building a High-Performance Team: Proven techniques for effective team working*. Cambridgeshire: itgp-IT Governance Publishing.
- Corinna M Lindow. (2013). *A Strategic Fit Perspective on Family Firm Performance*. Leipzig: Springer Gabler.
- Damanpour F and Gopalakrishnan S. (1998). Theories of organisational structure and innovation adaptation: The role of environmental change. *Journal of Engineering and Technology Management. Vol.15, No:1*, 1-24.
- Dana B. Minbaev. (2005). HRM practices and MNC knowledge transfer. *Personal Review*, 125-144.
- David Hutchins. (2008). *Hoshin Kanri-The Strategic Approach to Continuous Improvement*. Hampshire UK, Burlington USA: Gower.
- David Permenter. (2007). *Key Performance Indicators-developing, implementing and using Winning KPIs*. New Jersey: John Wiley and Sons.
- David Ulrich & Dale Lake. (1990). *Competing from the Inside Out*. New York: Wiley&Sons.,Inc.
- David Weiss and Vince Molinaro. (2005). *The leadership Gap- Building Leadership capacity for competitive advantage*. Mississauga: John Wiley & Sons Canada, LTD.
- Dean R. Spitzer. (2007). *Transforming performance measurement-Rethinking the way we measure and drive organizational success*. New York: AMACOM.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

- Deeprise, D. (2006). *How to Recognize and Reward Employees second edition*. New York: AMACOM-American association Management.
- Dehler G.E and Welsh M.A. (1994). Spirituality and organizational transformation: implications for new management paradigm. *Journal of Managerial Psychology*, 17-26.
- Delery J E & Doty D H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal vol 39*, 802-835.
- DelPo., A. A. (2007). *The performance Appraisal Handbook-Lega; & Practical Rules for Managers 2nd Edition*. USA: NOLO.
- Deming, W. E. (1986). *Out of the Crisis*. Combridge: Center for Advanced Engineering Study.
- Diane Arthur. (2004). *Fundamentals of Human Resources Management-4th edition*. New York: American Management asociation AMA.
- Donald Cooper & Pamela Schndler. (2003). *Business Research Methods*. Toronto: McGraw-Hill.
- Donald Kirkpatrick. (2006). *Imprving employee performance-through appraisal and coaching. 2nd edition*. New York, Brissel, Tokyo, Shanghai, San franciske: AMACOM- American Management Association.
- Donald L. Kirkpatrick. (1982). *How to improve through apasial and coaching*. New York: AMACOM-American Management Asoaciation.
- Donald P. Cushman & Sarah S. King. (1997). *Continuosly Improving an Organizations Performance-High Speed Management*. New York: State University Of new York.
- Drucker, P. F. (2002). *The effective Executive*. Philippines: Perfect Bound.
- Dubinski, A. J. (1993). Perceptions of motivational components: Selsman and Selswomanrevisited. *Journal of Selling and Sels management*, 25-37.
- Eduard E. Lawler III and Christofer G. Worley. (2006). *Built to Change-How to achieve sustained organizational effectivness*. San Francisco: JOSSEY-BASS.
- Edward E. Lawler. (1986). *High-Invoement Management*. San Francisko: Jossey Bass.

- Elaine Pulakos. (2004). *Performance Management-A roadmap for developing, implemeting and evaluating performance management systems*. Alexandria: SHRM Foundation.
- Enver Krasniqi and Socol Krasniqi. (2013). The impact of business barriers in entrepreneursh and firms groth-Kosovo perspective. *International Journal of Business and General Management*, International Academy of Science, Engineering and Technology(IASET).
- Fariborz Damanpour. (1996). Organizational complexity and innovation: Developing and testing multiple contingency models. *Management Science* , Vol;42, No.5., 693-716.
- Farnham, D. (2000). *Emplotee Relations in Context second edition*. London: CIPID- Chartered Institute of Personnel and Development.
- Fitzwater, T. L. (1999). *The manager Pocket Guide to Emplpyee Relation*. USA and Canada: HRD Press.
- Foss N J & T. Knudsen. (2000). *The resourced based tangle: towards a sustainable explanation of competitive advantage* . Copenhagen: Copenhagen Business School.
- Garvin, A. D. (1993). Building a learning organization. *Harward Business Review*, 78-91.
- George Siedel and Helena Haapio. (2011). *Proactive Law for Managers-A Hidden Source of Competitive Advantage*. Farnham GB; Burlington USA: Gower Publishing Company.
- Green S.B. (1991). How many subjects does it take to do a regresion analysis? *Behavioral Research* 26, 499-510.
- Grote, D. (2002). *The performance Appraisal Question and Answer Book*. New York: AMACOM.
- Guba E. G & Lincoln, Y. S. (1994). *Competing paradigms in qualitative research*. London: SAGE Publication.
- H.Burket. (2005). ROI on a shoestring: evaluation strategies for resource-constrained environments: Measuring more with less. *Industrial and Comercial Training*, 37, 10-17.
- H.R.Chenhall. (2005). Integrative strategic performance measurment system, strategic alignment of manufacturing, learning and strategic outcomes. *Accounting, Organisation and Society*, 395-422.
- Harrison, R. (2000). *Employee Development*. London: IPM.
- Harrison.Rosemary. (2000). *Employee Development* , 3rd ed. London: Chartered Institute of Personel Development.

- Henry Mintzberg., B. A. (1998). *Strategy Safari-A guided tourthrough the wildes os strategic management*. New York: fP, The Free Press.
- Herwig W. Kressler. (2003). *Motivate and Reward-Performance Appraisal and Incentive Systems for Business Success*. New York: Palgrave Macmillan.
- Hoelter J.W. (1983). The analysis of covariance structures: Goodness of fit indices. *Sociological Methods and research*, 325-344.
- Hossein Janatifar et all. (2014). Introduction to strategic fit between the oraganization and human resources. *Indian Journal of Fundamental and applied life science vo. 4*, 1458-1466.
- Houck, E. E. (2012). *100+ ways to recognize and reward your school staff*. Alexandria, Virginia USA: ASCD.
- Hunt S. (1991). The resources advantage theory of competition. *Journal of Management Inquiry* 4, 317-322.
- Huselid, M. (1995). The impct of Human Resources Management Practices on Turnover, Productivity and Corporate financial Performance. *Academy of Mananagement Journal* , 635-672.
- Izet Zeqiri. (2006). *Menaxhmenti-Koncepte-Praktika-Zhvillim aftësish*. Tetovo: Tringa Design.
- J. Bratton and Gold, J. (1999). *Humane resource management-Theory and Practice*. New York: Palgrave.
- Jaap Paauwe and Paul Boselie. (2005.). HRM and Performance: What's next? *Human Resource management Journal*, 68-83.
- Jensen, D., McMullen, T., & Mel Stark. (2007). *The Managers Guide to Rewards-What you need to know to get the best for and from your employee*. New York, Brussels, Mexiko, Shanghai, Tokyo, Washinkton DC: Amacom-American Management Assotiation.
- Jim, G. (2003). *Strategic Human Resource Development*. London, Carifornia, New Delhi: SAGE-Publication.
- John Bratton, Jeff Gold. (2012). *Human Resource Management-Theory and Practice*. Basingstoke UK: Palgrave Macmillan.

- John E. Delery, a. H. (1996). Modes of Theorizing in Strategic Human Resource management: Tests of Universalistic, Contingency, and Configurational Performance Predictions. *Academy of Management* vol. 39, 802-835.
- John Hays. (2002). *Interpersonal skills- Goal directed behaviour at work 2 edit*. London and New York: Taylor and Francis e-Library.
- John W. Creswell. (2003). *Research design, Qualitative, Quantitative and Mix Methods Approaches, 2nd ed*. London, New Delhi: SAGE Publication.
- Joseph F. Hair, William Back, B. R. (2006). *Multivariate Data Analysis*. Edinburgh: Pearson.
- Joseph M. Juran & Blanton Godfrey. (1998). *Juran's Quality Handbook 5ed*. New York, London, Madrid, New Delhi, Singapore, Sydney, Tokio., Toronto: McGraw-Hill.
- Juet R Cooper. (1998). A multidimension approach to the adaption of innovation. *Management decision*. Vol.36, No.08., 493-502.
- Justina Sh. Pula. (2013). *Sidat dhe Perspektiva e NVM0ve në Kosovë-Analiza Krahasuese dhe Hulumtimi empirik*. Pristina: Artini.
- KAS-Kosovo Agency of Statistics. (2016). *Statistical Repertoire of Enterprises in Kosovo Q4 2015*. Pristina: Government, Office of the Prime Minister.
- Katzenbach J. R and Smith D.K. (1993). *The Wisdoms of Teams: Creating the high performance organization*. Boston: Harvard Business.
- Kay, J. (1999). Strategy and the illusions of grand designs, Mastering Strategy. *Financial Times*, 2-4.
- Kirwan, C. (2013). *Making sense of organizational learning-Putting theory into practice*. Farnham-England: GOWER.
- Kotey, B. &. (2005). Formal human resource management practice in small growing firms. *Journal of Small Business Management* 43, 16-41.
- Kotey, B. (2007). Employee training in SMEs: Effect of size and firm type-Family and Nonfamily. *Journal Small Business Management*, 214-238.
- Lado.A. and M.C.Wilson. (1994). Human resource systems and sustained competitive advantage: a competency based perspective. *Academy Management review* 19, 699-727.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

- Larkin M Joseph. (1990). Does gender affect auditor KAPs performance. *The Woman CPA Spring*, 20-24.
- Lee-Ming Chuang. (2005). An empirical study of the construction of measuring model for organizational innovation in Taiwanese high tech enterprise. *American Academy of Bussines Vol. 9, No.2*, 299-304.
- Lioukas, S. H. (2004). Organizational Innovation in SMEs. *Europian Journal of Marketing*, 1091-1112.
- Luis R. Gomez Mejia, David B. Balkin, Robert L. Cardy. (2012). *Managing Humane Resources 7th edition*. Pearson: Prentice Hall.
- Mabey,C., G. Salaman., J. Storey. (1998). *Strategic human resource management:A reader*. London: Sage.
- Machado, C., & Melo, a. P. (2014). *Effective Human Resources Management in Small and Medium Enterprise: Global Perspective*. USA: Business Science Reference.
- Mahembe C M & De Bruijn. (2003). Innovation Activities by SM-sized Enterpises in Tanzania. *Creativity and Innovation Management*, 162-173.
- Man.S. (1996). Why should trainig evaluations evaluate? *Journal of Industrial Training*, 20, 14-20.
- Mark Addelson. (2011). *Beyond Management-Taking Charge at Work*. London: Palgrave-Macmillan.
- Mark Easterby-Smith .Richard Thrope.Andy Lowe. (1991). *Management Research: an introduction*. London: SAGE Publication.
- Mark Huselid. (2005). The impact of human resource management practices on turnover, productivity and corporate financial performance. *Academy of Management Journal*, 635-672.
- Marshall, D. R. (1999). *The Four Elements of Successful Managenment-Select-Direct-Evaluate-Reward*. New York: AMACOM-American Association Management.
- Martin, E., & Bach, S. (2013). *Managing Human Resources: Human resources management in Tranzition fifth edition*. United kingdom: John Wiley & Sons.
- Mary F. Cook. (1992). *The AMA Handbook for Employee Recruitment and Retention*. New York: AMACOM-American Management Association.
- McCoy, T. J. (1992). *Compensation and Motivation*. New York: AMACOM-American Management Association.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

- McDaniel C & Gates R. (1996). *Contemporary Marketing Research*. USA: Wet publishing Company.
- Mello, J. A. (2015). *Strategic Human Resource Management 4 th Ed*. Stamford USA: Cengage-Learning.
- Mergy Levy and Philip Powell. (2005). *Strategies for Groth in SMEs-The rol of information and information Systems*. Oxford: ELSAVIER.
- Michael Armstrong & Stephen Taylor. (2014). *Armstrong's handbook of Human Resource Management Practices 13th Edition*. London & Philadelphia: Kogan Page.
- Michael Armstrong. (2006). *Strategic Human Resource Management-A guide to Action 3edition*. London, Philadelphia: Kogan Page.
- Michael Armstrong M. Angela Baron. (2005). *Managin Performance:Performanace Management in Action*. London: Chartered institute of personel and development CIPD House, Camp Road.
- Michael, A. (2012). *Armstrong's Handbook-of human resource management practices. 12 edition*. London, Philadelphia,New Delhi: Kogan Page.
- Mike Millmore, P. L. (2007). *Strategic Human Resource management-Contemporary issues*. London: Prentice Hall.
- Millmore, M., Ph. Lewis, M. Saunders, A. Thornhill, & T. Morow. (2007). *Strategic Human Resource Management*. London: Prentice Hall.
- Mintzberg, H. (1987). Craffting strategy. *Harward Business Review*, 66-74.
- Natasha Terk, .. (2012). *Writing Performance rview- A write it wellguide*. Oukland: WIW- Write It Well.
- Nirmalya Kumar Luis Stern and James Anderson. (1993). Conducting Interorganizational Research using Key informants. *Academy of Mnagaement*, 1633-1651.
- Noe, R. H. (2003). *Human Resource Management. Gaining a Competitive Advantage. 4th edit*. Boston: McGraw-Hill.
- Office of Management and Entreprise Service. (2013). *Performance Management Process-It is not merely evalution*. Oklahoma: OMES.OK. GOV.
- P.B. Beaumont. (1993). *Human Resource Management- Key Concepts and Skills*. London: SAGE Publications Ltd.

- Pauwwe, J. (2009). HRM and Performance: Achievements, Methodological Issues and Prospects. *Journal of Management Studies*, 129-142.
- Pandian, D. (2010). *Human Resource Management*. UK: Pondicherry.
- Paul E. Levy and Jane R. Williams. (2004). The social context of performance appraisal: A review and frame work for the future. *Journal of management*, 881-905.
- Paul Miller & Paul Skidmore. (2004). *Disorganization: Why Future Organizations Must loosen up*. United Kingdom: DEMOS.
- Penrose .E. (1959). *The thory of the growth of the firm*. Oxford: Blackwell.
- Per Davidsson, L. A. (2010). *Small Firm Growth*. Boston Delft: NOW- The essene of knowledge.
- Podsakoff P M & Organ D W. (1986). Self reports in organizational research; Problems and prospects. *Journal of Management*, 531-544.
- Porter, E. M. (1985). *The Competitive Advantage-Creating and Sustaining Superior Performance*. New York: Free Press.
- Rainer Feurer., K. C. (1995). Strategy development: past, present, and future. *Management Decision vol 33*, 11-21.
- Randall, S. S. (1992). Strategic human resource managemet: linking people with the strategic needs of the business. *Organisational Dinamics*, 18-32.
- Ray Baumruk. (2006). Why managers are crucial to increasing engagement: Identifying steps managers can take to engage thier workforce. *Strategic HR Review, Vol.5*, 24-27.
- Report, A. W. (2016). *Doing Business 2016-Measuring Regulatory Quality and Efficiency*. Washinton: World Bank Group.
- Reynold, J. (2004). *Helping people learn: strategies for moving from trining to learning. Research Report*. London: CIPID.
- Richard A. Swanson & Elwood F. Holton III. (2009). *Foundations of Human Resource Development 2nd Edition*. San Francisco: BK-Berrett-Koehler Publishers, Inc.
- Richard Rudman. (2003). *Performance Planing and Review-Making employee appraisals work. 2nd edition*. Australia: Allen & Unwin.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

- Risher, H. W. (1999). *Alignin Pay and Results*. New York: AMACOM.
- Robbins Bergman & Stagg Coulter. (2012). *Management 6*. Midland -Australia: Pearson Australia Group.
- Robert Bacal. (2004). *Managers Guide to Performance Reviews*. New York, London, Sydney, Toronto, New Delhi: McGraw-Hill.
- Robinson G. Dana., J. R. (2005). *Strategic Business Partner-A Critical Role for Human resource Professionals-Alignin people strategies with business goals*. San Francisko: Berrett-Koehler Publisher.
- Rohit.L, Ricardo.B., Stephen.O., Thomas.M, & R., S. (2010). *THE employment relationship and the quality of work*. London: The work Foundation.
- Roscoe, J. (1975). *Fundamental Research Statitics for the Behavioral Science 2ed*. New York: Holt Rainhar&Winston.
- Ruiz-Ortega. J. M & Garcia-Vilavarde.M.P. (2008). Capabilities and competitive tactics influences on performance: Implications of the moment entry. *Journal of Business Research*, 332-345.
- Rumelt, R. (1984). *Towards a strategic theory of the firm, in Competitive Strategic Management*. New Jersey: Prentice Hall.
- Rummler, A. a. (1990). *Improving the performance-How to manage the White Space on the orgnization chart*. USA: Jossey-Bass.
- Sarah Cook. (2009). *The effective Manager- Management skills for high performance*. United Kingdom: IT Governance Publishing.
- Schuler R S & Jackson S. E. (1987). Linking competitive strategies with human resource management practices. *Academy of Management Executive*. vol 1, 207-219.
- Seeong S. and Lewis G.B. (2009). Can performance appraisal systems inspire intrinsically motivated employees? *Review of Public Personnel Administration*, 158-167.
- Senge, P. M. (1990). *Fifth Discipline-The Art &Practice of The Learning Organization*. London: Doubleday.
- Senyucel, Z. (2009). *Managing the Human Resource in the 21st century*. Bookboon.com.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

- Sibson, R. E. (1990). *Compensation Fifth edition*. New York: AMACOM=American Management Association.
- Sidney G. Winter. (2003). Understanding dynamic capabilities. *Strategic Management Journal* , 991-995.
- Simpson.L. (2002). Great Expectations. *Training* 39, 40-44.
- Smither., J. W. (2009). *Performance Management- Putting Research into Action*. San Francisco: JOSSEY-BASS.
- Stephen P. Robbins, Timothy A. Judge. (2013). *Organizational Behavior 15 Edition*. New Jersey: Pearson.
- Storey, J. (1989). *From personnel management to human resource management-In new perspectives on human resource management*. London: Routledge.
- Swanson, R. A. (2007). *Analysis for Improving Performance-Tools for Diagnosing Organizations and Documenting Workplace Expertise*. San Francisco: BK-Berrett-Koehler Publishers.Inc.
- Sylvie Laforet & Jennifer Tann. (2006). Innovative characteristics of small manufacturing firms. *Journal of Small Businesses and Enterprise Development*, 363-380.
- Tabachnick B G & Fidell L S. (2001). *Using Multivariate Statistic*. Boston: Allyn & Bacon.
- Thomas Oberholzner- Austrian Institute for SME Research. (2014). *Report on SMEs in Kosovo 2014*. Austrian Development Cooperation, Swiss Agency for Development and Cooperation SDC, Ministry of Trade and Industry.
- Tom Bechet. (2008). *Strategic Staffing-A Comprehensive System for Effective Workforc Planning 2nd Edition*. New York: AMACOM-SHRM.
- Towlre, A.J and Dipboye, R.L. (2009). Effects of trainer Expressivness, Organization and trainingOrientation on Training Outcomes. *Journal of Applied Psychology*, 86, 664-673.
- Valerij Dermol Anna Rakowska, .. (2014). *Strategic approaches to human resources practice*. Bankok, Celje, Lublin: ToKnowPress.
- Vankatraman N, Prescott J. (1990). Environment-strategy coalignment: An empirical test of its performance ipmlcations. *Strategic Management Journal*. V.11, 1-23.
- Vinod N. Patel. (2007). *Concepys&Issues in Management*. New Delhi: Oxford Book Company.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

- Walton, J. (1999). *Strategic Human Resource Development*. Glasgow: Prentice Hall.
- Weber J. & DeMarie S. (2005). Aligning Strategic HRM and Person-Environment Fit. *Human Resource Review vol.15.*, 242-262.
- Whittington, R. (1993). *What is Strategy-and does it matter?* London: Routledge.
- Wickham, M. &. (2009). Developing employer of choice stats. An employment marketing mix. *Organization Development Journal*, 75.
- William G. Zikmund. (2003). *Business Research Methods*. Thomson/South-Western: Harcourt College Pub, Orlando, Florida, U.S.A.
- William J. Rothwell & H.C. Kozlowski. (2003). *Planning & Managing Human Resource -Strategic Planning for Personnel Management 2nd Edition*. Massachusetts: Human Resource development Press, Inc.
- William J. Rothwell., a. H. (2003). *Planing & Managing HumanResources- Strategic planing for personel management 2 nd Edition*. Massachusetts: HDR Press.
- William Lawrence Neuman. (2006). *Social Research Methods: Qualitative and Qunatitative Approaches*. Edinburgh: Pearson.
- Wilson, T. B. (1999). *Reward that drive high performane-Success stories from leading organizations*. New York: AMACOMAmerican Management Association.
- World, B. (2010). *The World Bank Annual Report*. World Bank.
- Wright P., M. G. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management* 18, 295-320.
- Wright, P. M. (2008). *Human resource startegy-Adapting to the age of globalization*. Alexandria: SHRM Foundation.
- Wright, P., McMahan, G., McWilliams, A. (1994). Human resources as a resources of sustained competitive advantage . *International Journal of Human Resources Management*, Vol. 5, 299-324.
- Wright, PM &McMahan, GC. (1992). Theoretical perspectives for Strategic Human Resource Management. *Journal of Management* v. 18, 295-320.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Yehuda Barchu. (1996). Organizational career planing and management tehniques and activities in use in high0tech organization. *CareerDevelopmentInvestment. Vol I*, 40-49.

Zhongming Wang. (2005.). Organizational effectiveness through technology innovation and HRM strategies. *International Journal of Manpower Vol;26, No.6*, 481-487.

Zikmund William. (2003). *Business Research Methods 7th ed.* Cincinnati: Thomson/South-Western.

Zikmund, W. (1997). *Business Research Methods Fifth Edition.* Orlando, Florida, U.S.A: Harcourt College Pub, Orlando, Florida, U.S.A.

Appendix 1

QUESTIONNAIRE

Dear Sir/Madam/Ms.

I, Osman SEJFIJAJ, am working for my PhD Degree titled: The role of strategic human resource management on SMEs performance: study case-Kosovo, in study programme Entrepreneurship and SMEs management developed in cooperation with University of Bologna, Italy; Universitat Autònoma de Barcelona, Spain; University of Nice, France; South East European University, Republic of Macedonia; University of Tirana, Albania; Agricultural University of Tirana, Albania and Dardania University, Pristina, Kosovo.

The design questionnaire asks you for your opinion on the level of acceptance and adoption practice of human resource management as a strategic concept in your organization. There is no right or wrong answer to these questions. All your information will be kept strictly confidential and will be used in aggregate form only, and result of the study will be shown in statistical form only

I would appreciate it very much if you could spend a few minutes of your time to answer these questions in the following pages.

Your kind cooperation and participation in this study is highly valued and appreciated.

Yours sincerely,

Osman Sejfiyaj

Research student, DOCMES PROJECT

Mobile: +37744144617

e-mail:osmansejfiyaj@gmail.com

SECTION A: DEMOGRAPHIC INFORMATION

Questionnaire number. (For office use only)

--	--	--

Please provide us with some information about yourself:

What is your age in years? _____ Years.

Your gender? Male Female.

What is your highest level of formal education?

- 1. Less than matric
- 2. Matric
- 3. Diploma degree
- 4. Post-graduate degree

Please indicate your work experience:

- 1. Years in current job _____
- 2. Years' experience outside of HR _____
- 3. Total work experience _____

What is your current job level?

- 1. Non managerial
- 2. Lower level management
- 3. Middle level management
- 4. Upper level management
- 5. Number of employee in organization _____

Sector your organization primarily operates in:

- 1. Education
- 2. Manufacturing
- 3. Service
- 4. Information technology
- 5. Production
- 6. Other _____

It is the imperative for this research that we include responses from a senior line manager that you work closely with in your organization. Would you kindly provide the contact detail of such a manager?

Name _____

E-mail address or telephone number _____

Please continue to section II

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

SECTION B: STRATEGIC ROLE OF HUMAN RESOURCE MANAGEMENT ACTIVITIES

Please, put cross mark (X) in the level of agreement in each of the below given statement of activities which best describe your opinion.

Use the following responses:

Statements	1 Disagree Strongly	2 Disagree	3 Undecided	4 Agree	5 Strongly Agree
HRM has played a significant role in the success of organization					
I participate in the process of defining business strategies					
I work to align HR strategies and business strategy					
The HR functions Effectiveness is measured by its ability to help make strategy happen					
HR Managers are Coaches rather than Controllers					
I spent time on strategic issues					
I am active participant in business planning					
The use of Specific training to make employees more responsive (e.g. specialist course)is an activity					
In my company involvement of employees in					

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

teamwork is an activity					
Do you believe that you are a strategic partner in your organization?					
1. Yes					
2. No					

SECTION C: SHRM POLICIES IN YOUR ORGANIZATION

Please, put cross mark (X) in the level of agreement in each of the below given statement of activities which best describe your opinion. Use the following response:

Statements	1 Disagree Strongly	2 Disagree	3 Undecided	4 Agree	5 Strongly Agree
Top Management Conducts periodic Discussions					
Top Management Design development oriented Appraisal systems					
Top Management Defines and communicates HR Vision for the future					
HR Department has provided all the staff a clear explanation of the policy and it implementation					
Ranking/Grading in the performance Appraisal directly relates to the performance at work					
Performance Appraisal System has enhanced role clarity in organization					
The reward offered are directly proportionate					

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

to the performance and contribution at work					
Interpersonal Skills are important in performance appraisal					
The development of innovation projects is a practice.					
In my company the periodic evaluation of employees performance based on measurable objectives Experience					

SECTION D: INDEX OF PERCEIVED ORGANIZATIONAL PERFORMANCE

Please, put cross mark (X) in the level of agreement in each of the below given statement of activities which best describe your opinion. Use the following response:

Statements	1 Disagree Strongly	2 Disagree	3 Undecided	4 Agree	5 Strongly Agree
Level of productivity, operating efficiency					
Growth rate of revenues/sales/level of activity					
Financial strength, liquidity, reserves, borrowing capacity					
Market share					
Innovation(new quality standard, new product, process, system managerial)					
Achievement of employees,development,empowerment satisfaction					
Achievement of customer satisfaction					

Thank you for your time and cooperation

Appendix2

INTERVIEW GUIDE OVERVIEW

1. Can you briefly describe the development of your company?

2. Is there any milestone during the development?

3. How many management systems have been established? Is there any of structural improvement afterwards?

4. What is the process of globalization within your company? What are the typical difficulties during this process? How does it bring out benefits?

5. Can you briefly describe the main products and their technologies?

6. What are the main organizational strategies nowadays? When did they begin to be implemented?

HRM History

7. When did we have the first HR professional? And why to recruit her?

8. Can you describe the main changes during the development of the HR department?

9. What are main goals the HR department is going to achieve in future?

HRM Function

10. What are the main functions of the HR department right now?

11. What's the guideline for you to recruit right people?

12. Do you consider the recruitment from the perspective of the organizational structure? What do you think of the recruitment impacting on the organizational structure?

13. What's your typical program for training new comers?

14. Do you have any training project for new demands about more skillful workers, when your company intends to adjust products and services provided? How does it work?

15. Do you have any program for the employees who might be managers? How does it work?

16. Do you have any program for management development of current managers? How does it work?

17. What's the nature of your organizational culture? Do you think your HRM activities bring out benefits for nurturing the culture?

18. How do you measure the performance of your HRM activities?

HRM and R&D

19. Can you describe how to build a team of technological experts you have now? What are their common backgrounds? What do you think of important factors which generally influence their career and skill development?

20. Does the HR department attend R&D department meeting to understand what R&D wants in the future development? Does the HR department talk with the engineers to understand their thoughts?

HRM to Organizational Strategy

21. Does the HR director involve management-level meetings to solve some tricky questions or make a strategic decision?

22. What do you think of the main contribution of the HR department to strategy implementation?

23. Is there any resistance to impede strategy implementation from your understanding? Is there any difficulty to implement the strategy-based HRM activities?

24. According to your experience, does it really benefit your company through the HRM activities with strategic orientation?

Appendix 3

THE TABLES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.7	.7	.7
	Disagree	14	9.3	10.0	10.7
	Undecided	27	18.0	19.3	30.0
	Agree	76	50.7	54.3	84.3
	Strongly agree	22	14.7	15.7	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 1. Aligning HR strategies and business strategies

The.HR.functions.effectivness.measured.strategy.hapen					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	7	4.7	5.0	5.0
	Undecided	44	29.3	31.4	36.4
	Agree	79	52.7	56.4	92.9
	Strongly Agree	10	6.7	7.1	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 2. HR effectiveness and strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Desagree	8	5.3	5.7	5.7
	Undecided	10	6.7	7.1	12.8
	Agree	80	53.3	56.7	69.5
	Strongly agree	43	28.7	30.5	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 3. HR manager's behavior (controller or trainer.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

		Frequency	Percent	Valid Percent	Cum. Percent
Valid	Agree	58	38.7	41.1	41.1
	Strongly agree	83	55.3	58.9	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 4. Specific training

		Frequency	Percent	Valid Percent	Cumm. Percent
Valid	Yes	97	64.7	68.8	68.8
	No	44	29.3	31.2	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 5. Strategic partner

Top.management.cunduct.periodic.discussions					
		Frequency	Percent	Valid Percent	Cum. Percent
Valid	Disagree	1	.7	.7	.7
	Undecided	7	4.7	5.0	5.7
	Agree	123	82.0	87.2	92.9
	Strongly Agree	10	6.7	7.1	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 6 Management conduct periodic discussions

		Frequency	Percent	Valid Percent	Cum. Percent
Valid	Disagree	3	2.0	2.2	2.2
	Undecided	40	26.7	28.8	30.9
	Agree	84	56.0	60.4	91.4
	Strongly Agree	12	8.0	8.6	100.0
	Total	139	92.7	100.0	
Missing	System	11	7.3		
Total		150	100.0		

Table 7. Appraisal system

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Undecided	6	4.0	4.3	4.3
	Agree	56	37.3	40.0	44.3
	Strongly agree	78	52.0	55.7	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 8. Management communication HR vision

Ranking grading.in.the.performance.appraisal.relates.performance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.7	.7	.7
	Undecided	56	37.3	40.0	40.7
	Agree	69	46.0	49.3	90.0
	Strongly agree	14	9.3	10.0	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 9. Ranking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	7	4.7	5.0	5.0
	Undecided	44	29.3	31.4	36.4
	Agree	79	52.7	56.4	92.9
	Strongly Agree	10	6.7	7.1	100.0
	Total	140	93.3	100.0	
Missing	System	10	6.7		
Total		150	100.0		

Table 10. HR effectiveness and strategy happen.

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.7	.7	.7
	Undecided	7	4.7	5.0	5.7
	Agree	123	82.0	87.2	92.9
	Strongly Agree	10	6.7	7.1	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 11. Management conduct periodic discussions.

Periodic evaluation of employee based measurable objectives					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	2.0	2.1	2.1
	Undecided	37	24.7	26.2	28.4
	Agree	95	63.3	67.4	95.7
	Strongly agree	6	4.0	4.3	100.0
	Total	141	94.0	100.0	
Missing	System	9	6.0		
Total		150	100.0		

Table 12. Periodic evaluation by objective

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Do you believe you are strategic partner in organization * Current job level							
			Current.job.level				Total
			Non Managerial	Lower Level Management	Middle Level Management	Uper Level Management	
Do.yoy.belive.you. are.strategic.partner.in.organization	Yes	Count	0	17	47	33	97
		% within Do.yoy.belive.you. are.strategic.partner.in.organization	.0%	17.5%	48.5%	34.0%	100.0%
	No	Count	10	21	13	0	44
		% within Do.yoy.belive.you. are.strategic.partner.in.organization	22.7%	47.7%	29.5%	.0%	100.0%
Total		Count	10	38	60	33	141
		% within Do.yoy.belive.you. are.strategic.partner.in.organization	7.1%	27.0%	42.6%	23.4%	100.0%

Table 13. Strategic.partner.in.organization

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

I.spent.time.on.HR.strategic.issues * Current.job.level Crosstabulation							
			Current.job.level				Total
			Non Manage rial	Lower Level Manageme nt	Middle Level Manageme nt	Uper Level Manageme nt	
I.spent.time.on.HR. strategic.issues	Disagree	Count	9	9	2	0	20
		% within I.spent.time.on.HR.str ategic.issues	45.0%	45.0%	10.0%	.0%	100.0%
		% of Total	6.4%	6.4%	1.4%	.0%	14.3%
	Undecided	Count	1	23	23	1	48
		% within I.spent.time.on.HR.str ategic.issues	2.1%	47.9%	47.9%	2.1%	100.0%
		% of Total	.7%	16.4%	16.4%	.7%	34.3%
	Agree	Count	0	5	32	13	50
		% within I.spent.time.on.HR.str ategic.issues	.0%	10.0%	64.0%	26.0%	100.0%
		% of Total	.0%	3.6%	22.9%	9.3%	35.7%
	Strongly Agree	Count	0	0	3	19	22
		% within I.spent.time.on.HR.str ategic.issues	.0%	.0%	13.6%	86.4%	100.0%
		% of Total	.0%	.0%	2.1%	13.6%	15.7%
Total	Count	10	37	60	33	140	
	% within I.spent.time.on.HR.str ategic.issues	7.1%	26.4%	42.9%	23.6%	100.0%	
	% of Total	7.1%	26.4%	42.9%	23.6%	100.0%	

Table 14. *I.spent.time.on.HR.strategic.issues * Current.job.level Crosstabulation*

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Paired Samples Test									
		Paired Differences					t	Df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Specific training employee more responsive is an activity - Achievement of employee development empowerment	.397	.783	.066	.267	.527	6.026	140	.000

Table 15. Paired samples test

Do.yoy.belive.you.are.strategic.partner.in.organization * Level.Education Crosstabulation						
			Level.Education			Total
			Matrix	Diploma Degree	Post Diploma Degree	
Do.yoy.belive.you.are.strategic.partner.in.organization	yes	Count	20	68	9	97
		% within Do.yoy.belive.you.are.strategic.partner.in.organization	20.6%	70.1%	9.3%	100.0%
	No	Count	22	21	1	44
		% within Do.yoy.belive.you.are.strategic.partner.in.organization	50.0%	47.7%	2.3%	100.0%
Total		Count	42	89	10	141
		% within Do.yoy.belive.you.are.strategic.partner.in.organization	29.8%	63.1%	7.1%	100.0%

Table 16. Strategic.partner.in.organization * Current.job.level Crosstabulation

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Correlations						
		I.participate.in.the.proces.s.of.defining.business.strategies	I.work.to.ali gn.HR.strate gies.and.bus iness.strategi es	I.spent.time.on.HR.strate gic.issues	I.am.active.p articipant.in. busines.plan ing	Level.of.pro ductivity.op erating.effici ency
I.participate.in.the.pro cess.of.defining.busin ess.strategies	Pearson Correlation	1	.855**	.884**	.794**	.497**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	140	140	140	140	140
I.work.to.align.HR.str ategies.and.business.s trategies	Pearson Correlation	.855**	1	.825**	.846**	.474**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	140	140	140	140	140
I.spent.time.on.HR.str ategic.issues	Pearson Correlation	.884**	.825**	1	.853**	.528**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	140	140	140	140	140
I.am.active.participan t.in.busines.planing	Pearson Correlation	.794**	.846**	.853**	1	.508**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	140	140	140	140	140
Level.of.productivity. operating.effici ency	Pearson Correlation	.497**	.474**	.528**	.508**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	140	140	140	140	140
**. Correlation is significant at the 0.01 level (2-tailed).						

Table 17. Correlations significance

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Financial.strength.liquidity.rezervs.borrowing.capacity * Sector Crosstabulation								
			Sector					Total
			Educati on	Producti on	Service	Informatio nTechnolo gy	Other	
Financial.strength.liquidity.rezervs.borrowing.capacity	Disagree	Count	1	0	0	0	0	1
		% within Financial.strength.liquidity.rezervs.borrowing.capacity	100.0%	.0%	.0%	.0%	.0%	100.0%
	Undecided	Count	0	0	1	0	0	1
		% within Financial.strength.liquidity.rezervs.borrowing.capacity	.0%	.0%	100.0%	.0%	.0%	100.0%
	Agree	Count	0	29	31	6	13	79
		% within Financial.strength.liquidity.rezervs.borrowing.capacity	.0%	36.7%	39.2%	7.6%	16.5%	100.0%
	Strongly agree	Count	3	15	24	8	10	60
		% within Financial.strength.liquidity.rezervs.borrowing.capacity	5.0%	25.0%	40.0%	13.3%	16.7%	100.0%
	Total	Count	4	44	56	14	23	141
		% within Financial.strength.liquidity.rezervs.borrowing.capacity	2.8%	31.2%	39.7%	9.9%	16.3%	100.0%

Table 18. *Financial.strength.liquidity.rezervs.borrowing.capacity * Sector Crosstabulation*

**THE ROLE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON SME-s PERFORMANCE:
Case Study -KOSOVO**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.920	.325		5.908	.000
Reward.is.proportionate.to.per formance.and.contribution	.354	.050	.519	7.082	.000
Interpersonal.skills.important. in.performance.appraisal	.218	.088	.182	2.482	.014
a. Dependent Variable: Level.of.productivity.operating.ency					

Table 19. Coefficients –Reward and interpersonal skills