

The Recruiting Process of Human Capital in SMEs in Kosovo

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Abstract

Based on survey data conducted with SMEs in Kosovo, this study investigates the recruitment practices of SMEs in Kosovo. In general, our findings suggest that with an increase in financial turnover, there is an increase in the importance of human resource management. More specifically, we have found that SMEs in Kosovo make departments for human resource management functional when they are financially sound. Moreover, our findings suggest that SMEs with a higher number of employees tend to recruit more internally as compared to external recruitment. And finally, findings suggest a form of homogeneity between the sectors for the use of the form of recruitment; consequently, businesses in different sectors have no differences in their recruitment strategy.

Keywords: SMEs, recruitment, human resources, Kosovo.

JEL : O15, J24.

1. Introduction

Small and medium enterprises (SMEs) play an important role in the economy and have proven to be highly innovative and attractive systems for entrepreneurs. Given their large economic and social benefit effects, the SME sector is widely considered a field of strategic interest for the economy (Avasilicai, 2009). According to Drucker (2009), SMEs represent the main catalyst of economic development and contribute intensely to achieving the fundamental goals to any national economic development agenda and thus, are considered to be the backbone of social-economic progress. Given the important role that the SMEs have in GDP growth levels, job creation, and poverty reduction, SMEs have rightly earned their place at the center stage of any economic system (Muller et al., 2014).

From amongst other characteristics, SMEs' contribution to the economic development stemmed from their ease of transformation and adaptation in meeting best the market needs. Their flexibility and fast adaptation have enabled SMEs to be at the forefront of innovation in both services and also production sectors. Besides innovation,

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SMEs have shown to be more efficient in many sectors in providing products and services as compared to their larger counterparts. Given their flexibility and ease of transformation, and also their increased efficiency in providing goods and services to the markets, their role in the economic development of countries is critical.

In achieving these efficiencies, innovations, and other economic benefits, the human capital of SMEs is regarded as the main engine of these positive developments. In this respect, given their small structure, the decision-making process of the SME is relatively centralized, and this is more often visible in the smaller enterprises. Similarly, also the SME sector in Kosovo is characterized by a high share of individual ownership, and therefore, the decision-making process, both business-critical decisions and also other operational activities, including recruitment and selection, is highly centralized and is often in the hands of the owners.¹

In a well-established business with modern corporate governance structures, recruitment of the staff is carried out by the human resource management unit of that organization. However, according to the survey data, in the SME and specifically the individual businesses in Kosovo, in most cases, there is no department that takes care of human resources and their development, but it is mainly the owners or the management that take care of these affairs.

While noting the current state, owners of SMEs in Kosovo have begun to identify the process of recruitment as a strategic importance process for the growth of their businesses. More specifically, the recruitment process is being acknowledged as a process

that provides SMEs with a competitive advantage, provides them with better access to different markets, and provides SMEs with the right personnel in achieving their mission and meeting their objectives. Moreover, the importance of recruitment processes is not only related to the performance of SMEs. A proper recruitment process will ensure cohesion in the business and good relationships between employees, the introduction of new ideas, new practices, new knowledge, and benefits that can be achieved and realized by the knowledge, skills, and abilities of young people who are recruited into the organization.

This study will focus on the process of recruiting and the importance of human resources in the SME sector in Kosovo. The rest of the paper is organized as follows. In Section 2, we review the relevant literature, while Section 3 deals with methodology, data and sample. In Section 4, we overview the recruitment of human capital practices of SMEs in Kosovo, while in Section 5, we present our findings. Conclusions are presented in Section 6.

2. Literature review

Recruitment is a set of activities and processes used to legally obtain a sufficient number of qualified people at the right place and time so that the people and the organization can select each other in their own best short and long-term interests. In other words, the recruitment process provides the organization with a pool of potentially qualified job candidates from which judicious selection can be made to fill vacancies (Costello, 2006). According to Edwin B. Flippo (1979), "recruitment is the process of searching for

¹ According to the survey data provided by Business Start-Up Center, around 88.8% of the SMEs in Kosovo are individual businesses and have a single owner.

candidates for employment and stimulating them to apply for jobs in the organization.” In contrast, Human Resource Management (HRM) is the function within an organization that focuses on recruitment, management, and providing direction for the people who work in the organization for effective and efficient utilization of human resources to achieve organizational objectives (Opatha, 2010). Through the human resource management function, where recruitment is an integral part, the organization aims to achieve its strategic business objectives (Stone, 2005).

Recruitment and selection have always been critical processes for an organization (Bratton and Gold, 2003). Most managers are likely to be faced with the frequent needs to recruit and select staff. Effective resourcing of the organization is the central part of human resource management and the personnel function. Recruitment and selection should not be considered in isolation, that is, finding someone to do a particular job, but in the context of the overall HRM plan and personnel management action program. It is necessary to consider not only technical competence and the ability to perform certain tasks but also an equally important aspect, that is, sociability (Mullins, 2005).

The recruitment and selection process, as two interrelated processes, play a vital role in attracting, hiring and retaining talent to strengthen the managerial and operational dimensions of organizations. According to Bratton and Gold (1999), recruitment is the process of generating a pool of candidates that have potential to be employed in the organization. While selection is the process by which the organization uses various methods to select the most qualified applicant from the pool.

Similar to other markets, SMEs in Kosovo operating in a free market economy are also

in need of multi-skilled people to survive, grow and compete in the ever-changing markets. Hence, establishing an effective and efficient recruitment process within an organization is a critical process for the stability and growth of the organization.

In the most general form, the objective of recruitment is to fill the vacancies that SMEs have announced. It is also a fundamental objective for SMEs to recruit the staff necessary to undertake organizational functions with the necessary qualifications, skills, abilities, and quality. In order to meet these recruitment objectives, SMEs need to attract as many people as possible to apply for vacancies with the objective to bring a large number of people into the competition, and from that number to choose the best quality that meets the needs of the organization. In this respect, recruitment aims to meet the needs of the organization in a timely manner, with the necessary education, experience, skills, and abilities.

The process of finding and hiring the best-qualified candidate (inside or outside of an organization) for a new or existing job is known as the recruitment process. According to Graham and Bennett (1998 p.206), “recruitment of human resources is oriented towards finding (searching) the people needed for the enterprise according to its needs and strategy.” The recruitment process includes analyzing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and adding new employees to the organization. An effective recruitment process looks at both internal and external candidates (Anand et al., 2018). Spencer (2004) amongst others, highlights productivity benefits stemming from a successful recruitment process and also highlights the adverse costs induced into the organization

when the selection process is unsuccessful. In the context of SMEs in manufacturing in Japan, Gagage (2014) develops a sample of 436 manufacturing firms from which he finds a positive relationship between an effective recruitment process and business performance.

Similar results to those presented by Gagage (2014) are found also in the context of SMEs in Bosnia and Herzegovina by Klepic (2019). Klepic (2019) finds that recruitment and selection of human resources in Bosnia and Herzegovina are in correlation with SMEs performance. In addition, medium sized enterprises tend to have more advanced methods of recruiting and selection as compared to small enterprises.

For a recruitment process to be completed successfully, there are many stages that SMEs need to follow. These stages include job analysis and developing a person specification, the sourcing of candidates by networking, advertising, or other search methods, matching candidates to job requirements and screening individuals using testing (skills or personality assessment), assessment of candidate's motivations and their fit with organizational requirements by interviewing and other assessment techniques.

The recruitment process and recruitment steps provide the opportunity for the company to select the right personnel during the recruitment process, according to the experience, education, skills and competencies required. As a systematic process, the recruitment process must be well planned and developed by experienced people, ideally from an established and well-functioning human resources department, due to some specifics incorporated in this

process. In this context, Henry and Temtime (2010) note that the recruitment process is highly important for the survival of the firm, its growth and most importantly, its innovation capabilities. Investigating recruitment and selection process in developing countries, Henry and Temtime (2010) find that most SMEs in their sample tend to use both formal and informal practices in their recruitment and selection strategy.

3. Methodology and data

This research is based on two sources of information, that is, primary and secondary sources. The secondary sources involve identifying the literature that describes the process of recruitment. While the primary sources involve the usage of data that are derived from the research survey conducted in the entire territory of Kosovo with SMEs and include 380 SMEs. In defining categorizing SMEs based on their size, in this study we make use of EU guidance that categorizes enterprises based on the number of employees.² The survey sample was randomly selected from the electronic business registration register in the business registry agency of Kosovo, which contains around 56,000 active SMEs. Hence, our 380 SMEs included in the sample represent 0.68% of businesses in Kosovo. The survey was conducted in the year 2019.

In terms of regional and city representation, our survey sample is well represented and contains SMEs from all cities in Kosovo, including even the smallest ones. As can be seen in Fig.1 below, which represents the survey sample stratification, the capital city of Kosovo, Pristina, has the largest share of SMEs in our sample with 38%, followed by Gjilan, Ferizaj, and Vushtrri.

² Micro enterprises are considered those that have less than ten employees, while small enterprises are those that have less than fifty employee and medium-size enterprises are those with less than 250 employees.

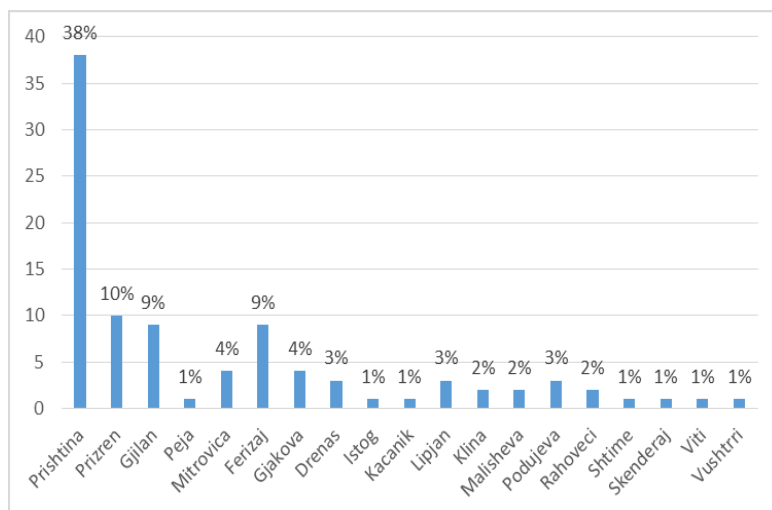


Fig. 1. Sample stratification

Source: Survey data from 380 SME, author calculations

We also stratified the sample by sectors. Our survey contains SMEs from three different sectors: production, services and trade sectors. From the total number of

SMEs in our sample, the majority of them are in the service sector (49%), followed by the trade sector (33%) and the production sector (18%).

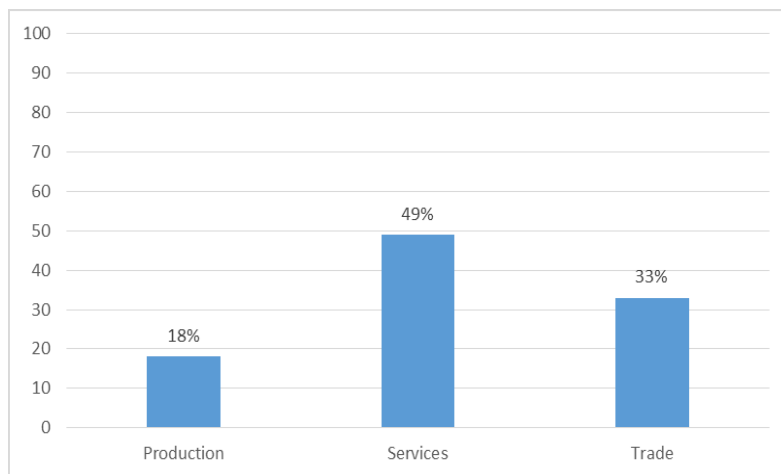


Fig. 2. Distribution of SMEs in the sample by sectors

Source: Survey data from 380 SMEs, author calculations

Data collection was done with survey respondents by directly contacting the persons in charge of SMEs, who in most cases were the manager and in few cases the manager was also the owner. Before conducting the

entire survey, the questionnaire was pre-tested. The pre-tested survey contained 30 trial surveys, representing around 7.9% of the entire sample, aiming to make sure that the questions are clear for the respondents

and, if necessary, make corrections.³ Data processing was done in Excel and SPSS. The processing of data collected through cross-reference tables enabled analysis, comparisons and conclusions regarding the recruitment process of SMEs in Kosovo and their overall development trends.

4. Overview of recruitment practices of SMEs in Kosovo

Given the positive relation of the human capital of the firm with its performance, the recruitment process is considered to be of strategic importance for the development of the firms. Overall, the orientation and desire of firms are to attract candidates who can best support the firm strategy because the matching of the human capital of a firm with its strategy is positively related to the performance, hence to the profit of the firm (Huselid and Becker, 2011). Once the businesses set clear recruitment objectives, a coherent strategy for recruiting individuals should then be developed. This stage of strategy development involves creating a specific action plan to achieve the recruitment

objectives. Therefore, it is very important that the recruitment process is well planned and that the company has a clear and defined way of recruiting.

Given the importance of human capital for the overall development of the firm, below we analyze the overall practices of recruitment of human capital by SMEs in Kosovo. This analysis is based on the survey data conducted with SMEs.

From the data gathered, we observe that SMEs in Kosovo rely mostly on external human capital sources for their recruitment purposes. As can be seen in the figure below (Fig.3), SMEs were asked to indicate which is the most used form of recruitment by the organization, in which the respondents answered as follows: 28% of SMEs indicated that they use the most internal recruitment, while the majority of SMEs seems to prefer (42%) external recruitment as their main source of recruitment. Around 30% of SMEs have reported that they undertake recruitment in combined form, that is, from inside the organization and also outside.

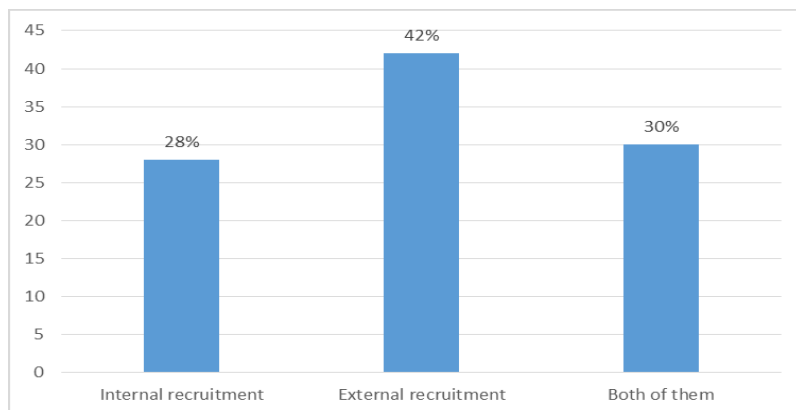


Fig. 3. Type of recruitment used by SMEs in Kosovo

Source: Survey data from 380 SMEs, author calculations

³ Data collection lasted for 10 days and was undertaken by students of Faculty of Economy, for which a one-day training was provided.

The responses reported by SMEs and presented on the graph above provide us with sufficient information to conclude that SMEs in Kosovo use external recruitment as the most common form of recruitment, followed by combined recruitment and the least used option is internal recruitment.⁴ Based on data presented in the figure above, it is visible that external sources are the leading source of recruitment by SMEs in Kosovo, however, in order to provide more insight, one needs to further explore the available data.

In defining external recruitment, in its general form, it can be stated that external recruitment includes actions intended to bring a job opening to the attention of potential

candidates outside the organization and to influence these candidates to apply, maintain interest and in the end, accept a job offer if selected. From different alternatives in undertaking an external recruitment process, we observe that around 45% of the SMEs in Kosovo use job announcements in their external recruitment, while 22.2% use employment offices, 12.8% use consultations, while 8.6% use universities. Some 21.1% of respondents did not provide an answer. Universities are the key pool of potential employees for SMEs in Kosovo and based on the results, the relationship between SMEs and Universities is very low as only 8.6% of SMEs in Kosovo recruit through universities.

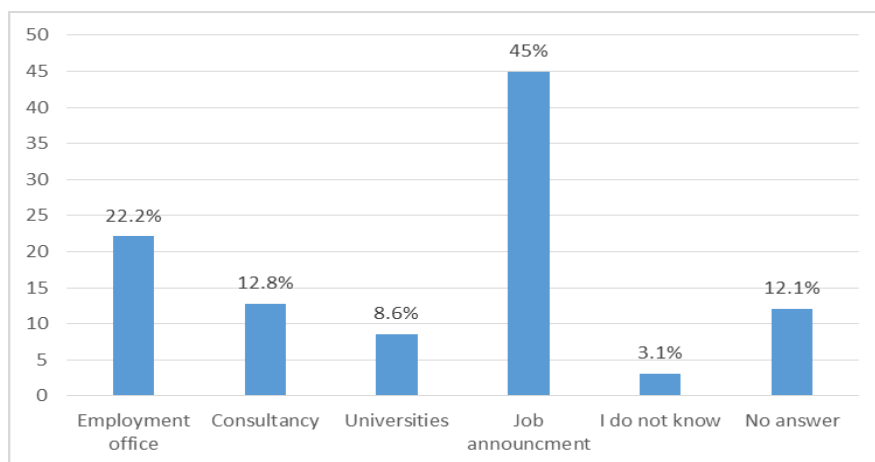


Fig. 4. External sources of recruitment

Source: Survey data from 380 SMEs, author calculations

Different from the external form of recruitment, internal sources of recruitment are related to the fulfillment of vacancies by a member of the organization, which are thereby promoted in the hierarchy of jobs (Muscalu, 2015). The survey data shows that the method of internal recruitment by SMEs

in Kosovo is mainly realized through internal vacancy announcements (37.3%). Internal vacancies for companies are at low cost and give qualified people the opportunity to apply for these positions. Another form of internal recruitment is leadership recommendation, a form which is undertaken by 36.5% of the

⁴ The external method has been found to be the most common form of recruitment by SMEs in Romania (Dragusin and Petrescu, 2009). Similarly, Darrag et al., (2010) present similar result for the case of multinational companies operating in Egypt.

respondents. This form is common in recruiting as the managers have enough knowledge about their subordinates. Therefore, their recommendations are effective and are motivating for workers. In this context, employees will feel valued if the company, i.e., the management, thinks about their progress

in the profession. Moreover, SMEs in Kosovo promote their employees also based on their performance. As can be seen from the figure below, about 24% of the respondents have indicated that they promote their employees based on their performance.

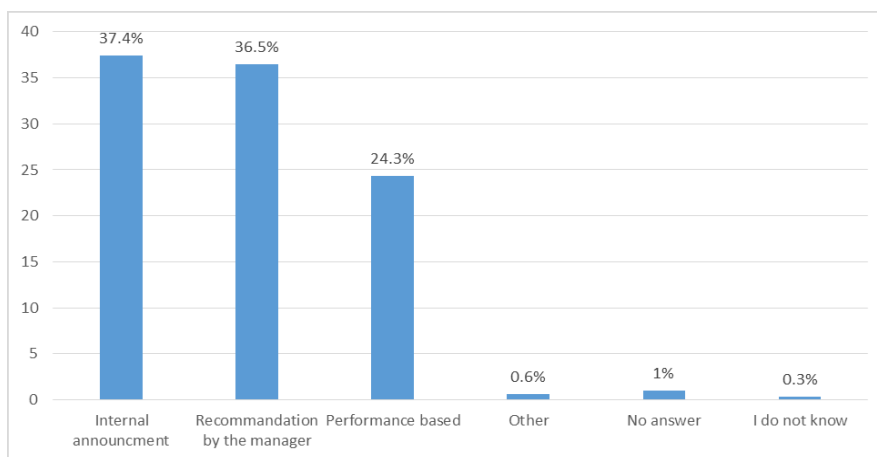


Fig. 5. Internal sources of recruitment

Source: Survey data from 380 SMEs, author calculations

To get further insights into the recruitment process by SMEs in Kosovo, the survey provides us with information on attributes upon which SME managers base their judgment when recruiting. During the process of recruiting human resources, most SMEs in Kosovo – or around 45% of respondents – rely on personal recognition of candidates who recruit them. This percentage of recruitment through personal recognition indicates that the recruitment process is oriented to a circle of family members and a portion of others who may have knowledge of them. However,

it should be noted that the issue of recruiting known persons is not negative. However, for a more effective recruitment process, it would be recommended that selection be based on the expertise of the candidates. Recommendations from trusted persons are the second most important form that SMEs apply in the recruitment process (20%). Relying on the recommendations of trusted individuals indicates that SMEs have begun to receive expert advice on the process of recruiting and developing their human resources.

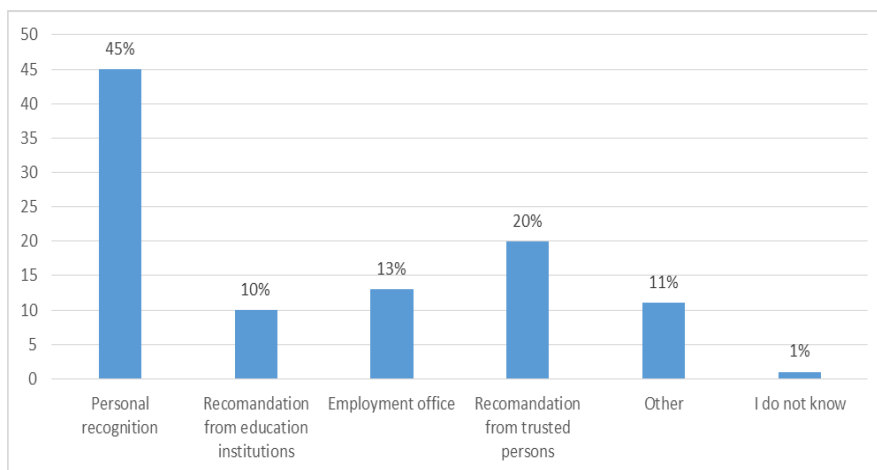


Fig. 6. Attributes in which SME manager's base their recruitment process

Source: Survey data from 380 SMEs, author calculations

Other preferences which also occupy an important part in the recruitment process are employment office (13%) and recommendations of educational institutions (10%). These two forms of recruitment show that there is no deep and well-organized cooperation between businesses and educational institutions, and employment offices. This is a major shortcoming of these institutions in Kosovo, especially those of education that has failed to establish cooperation with the businesses community.

Recently in Kosovo, once a year, the Chamber of Commerce and Small and Medium Business Associations organize employment fairs. At these fairs, companies display their recruitment requirements. Meanwhile, interested people, students, graduates, and various experts appear at these fairs to find work or even to sign employment contracts. When we cross-referenced data on the use of fairs, we observed that only 18.8% of SMEs use fairs in their employment process. Meanwhile, 80.9% do not use the employment fair as a

way of recruiting. This means that companies, namely the SME sector, in terms of the labor market are not sufficiently developed.

Promoting workers from one position to another is a motivating factor. Workers aim to promote and advance their careers. Companies should also keep this in mind and, through promotion, make the connection of employees with the company, showing care for them, convincing them that in the company where they work, there is perspective and promotion in the career. Career development is building trust between the employee and the company, and it is motivation and commitment to achieve results and objectives through their performance.

The table below presents data on promotion practices and the number of employees promoted in SMEs in Kosovo. From the data, we observe that 18.4% of SMEs have not done any form of promotion. Meanwhile, 65.6% of SMEs in our sample have stated that they have promoted their workers. This promotion includes the number from 1 to 10 employees.

Table 1. The number of employees in a company who have moved from one position to another

What is the average number of employees in your company who have moved from one position to another? Please note? * What attracts the most employees to your company? Salary, Crosstabulation				
Count				
		What attracts the most employees to your company? wages		Total
		Yes	No	
What is the average number of employees in your company who have moved from one position to another?	0	16.4%	24.6%	18.4%
	1	5.5%	1.6%	4.5%
	2	13.7%	9.8%	12.7%
	3	16.4%	11.5%	15.2%
	4	6.6%	13.1%	8.2%
	5	12.6%	16.4%	13.5%
	6	4.4%	0.0%	3.3%
	7	6.0%	4.9%	5.7%
	8	2.7%	1.6%	2.5%
	10	6.6%	4.9%	6.1%
	11	0.0	1.6%	0.4%
	12	1.1%	0.0	0.8%
	15	3.3%	3.3%	3.3%
	20	2.2%	6.6%	3.3%
	25	0.5%	0.0	0.4%
	30	1.1%	0.0	0.8%
	60	0.5%	0.0	0.4%
	150	0.5%	0.0	0.4%
Total		100.0	100.0	100.0

Source: Survey data from 380 SMEs, author calculations.

With regards to the phases applied for the selection process, we observe that most SMEs in Kosovo, in their selection process, apply a two-stage selection process. From the total number of respondents, around 31% of businesses have reported that they apply

a two-stage phase-in selection process. We also note that around 25% of businesses apply only one phase; 25% of them apply three stages of selection; 16% apply four stages, and 1.8% apply five stages of selection.

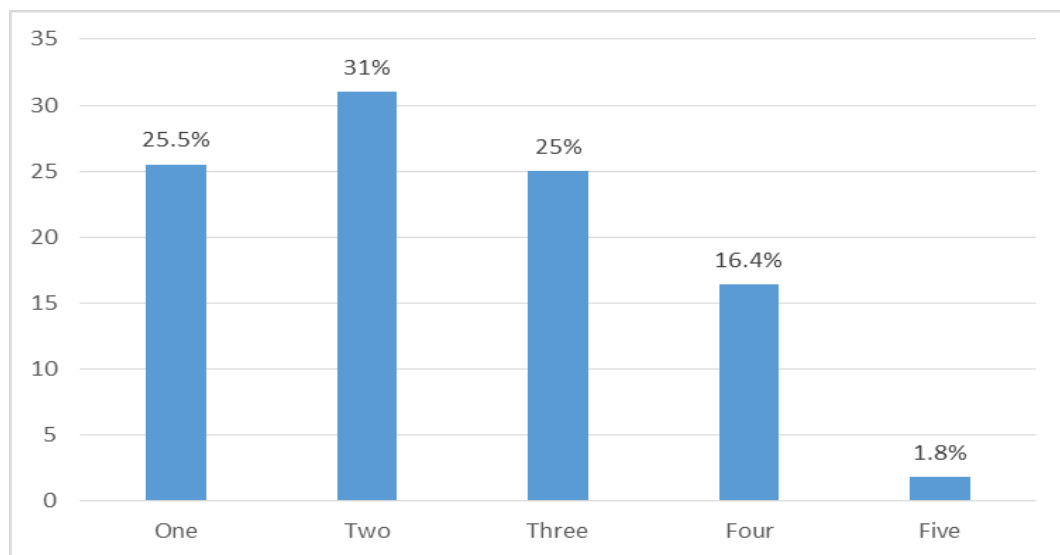


Fig. 7. Number of selection phases performed by SMEs

Source: Survey data from 380 SMEs, author calculations.

Undoubtedly, one must keep in mind that selection as a process also depends on external circumstances that may imply the very nature of the job for which the candidates are selected. But sometimes, this process also depends on the importance that the organization attaches to human resources, factors such as current financial position, or various situational factors. However, it can be argued that a selection process that contains two or three stages is always more qualitative than a process that contains only one stage. After all, human resources are the intangible value of the organization, and the selection process is the gateway through which this value enters the organization.

Finally, as the selection process is considered a very important process for SMEs due to its impact on performance, and therefore profits of the firms, we also explore the satisfaction from the recruitment process, both for firms and the selected individuals. Our data indicate that SMEs have been very happy with the people they selected (36.2%).

Meanwhile, the percentage of selected people who were satisfied with the selection process and the applied methods is 44.9%. While most SMEs (17.3%) are moderately satisfied.

5. Findings and hypothesis testing

Among the most common ways to test hypotheses is correlation analysis and regression analysis. Correlation analysis is a measure of the correlation between two variables, and it gives us a mathematical value that shows the strength of their relationship. The correlation can take values from -1 to +1. Thus, these values show the strength of the relationship that exists between the variables, whether positive or negative. So a correlation value of (+1): shows the absolute positive linear correlation between the two variables (with increasing X increases Y); a value of (0): indicates that there is no correlation between the two variables (X and Y, no correlation); whereas a value of (-1): indicates an inverse linear correlation (with increasing X decreases Y). In comparison, regression analysis is used

to assess the relationship between dependent and independent variables. Rather, this analysis helps us understand the impact that independent variables have on the dependent variable. At the same time, regression analysis is the most widely used research technique in the social sciences. Thus, we will be employing correlation analyses in the testing of the below hypotheses. In this endeavor, the following hypotheses will be tested:

H1: There is a significant positive relationship between the organization's financial turnover and the functionality of the human resources department.⁵

H2: There is a significant positive correlation between current employee numbers and internal recruitment.

H3: There is a significant positive correlation between external recruitment and the increasing of the qualifications of employees in the organization.

H4: There are no statistically significant differences between the sectors in which SMEs operate and the type of recruitment they use.

5.2. Financial turnover and human resource management

One of the main goals of this research is to analyze the current state of SMEs in Kosovo in relation to their Human Resource Management (HRM). More precisely, the focus of this thesis is to explore the importance that SMEs attach to HRMs and the effects that result from good Human Resource Management. A key element

related to HRM is the Department of Human Resource Management (DHRM). DHRM is an essential part of managing the organization's staff because it does the recruitment, evaluation, selection, performance appraisal, training, development and a set of other necessary functions. In fact, the success of an organization is highly attributed to the success of human resource management. However, there is a belief that the DHRM of SMEs is not seen as a necessity but as an action that the business takes when it is in a good financial position. Consequently, through this paper, we want to know whether good financial performance is a key condition for SMEs to decide on the functioning of DHRM in the organization. To address this question, the following hypothesis has been compiled:

H1o: There is a significant positive relationship between the organization's financial turnover and the functionality of the human resources department.

H1a: There is not a significant positive relationship between the organization's financial turnover and the functionality of the human resources department.

The results from the correlation analysis test show that there is a positive correlation (*of the second degree*) between the tested variables, which are statistically expressed with a correlation level of $r = 0.249$ and a significance level of $\text{Sig} = 0 < 0.05$ (*less than the value of "p"*).

⁵ The data on the functionality of the human resources department are extracted from the survey provide information if an SME has a human recourse department in place. Those SMEs that have a human resource department in their organization structure are defined as having a functional human resource department.

Table 3. Correlation analysis for the first hypothesis

Correlations			
		Current annual turnover	DHRM
Current annual turnover	Pearson Correlation	1	.249**
	Sig. (2-tailed)		.004
	N	382	382
DHRM	Pearson Correlation	.249**	1
	Sig. (2-tailed)	.004	
	N	382	382

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

Source: Survey data from 380 SMEs, author calculations.

The analysis shows that as variable X increases, variable Y increases, which means that the better the organization performs financially, the more likely it is to make the human resources department functional. Hence, our findings confirm that SMEs in Kosovo make department for human resource management functional when they are financially sound and do not see this department as important and necessary for their activity when their financial turnover is low.

5.2. Employment number and internal recruitment

Recruitment is the process of identifying and attracting capable candidates to

successfully fill a vacancy in the organization. As both internal and external recruitment have their advantages and disadvantages, SMEs with a relatively large number of employees face the dilemma of whether to rely on the internal or external form of recruiting. To explore the correlation between the number of employees and internal recruitment, the following hypothesis, and alternative hypotheses have been compiled:

H2o: There is a significant positive correlation between current employee number and internal recruitment.

H2a: There is not a significant positive correlation between current employee number and internal recruitment.

Table 4. Correlation analysis for the second hypothesis

Correlations			
		Current Employee Number	Internal Recruitment
Current Employee Number	Pearson Correlation	1	.325**
	Sig. (2-tailed)		.000
	N	103	103
Internal Recruitment	Pearson Correlation	.325**	1
	Sig. (2-tailed)	.000	
	N	103	103

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

Source: Survey data from 380 SMEs, author calculations

The results from the correlation analysis show that there is a strong positive correlation (*of the second degree*) between the tested variables, which are statistically expressed with a correlation level of $r = 0.325$ and a significance level of **Sig = 0 < 0.05** (less than the value of “p”). The analysis shows that with the increase of the variable X, the variable Y increases, indicating that SMEs in Kosovo with a larger number of employees preferred to focus on the internal form of recruitment. Therefore we can conclude that the greater the number of employees in an organization, the higher is the likelihood that the organization will focus on internal recruiting.

5.3. External recruitment and qualification of employees

Among the main reasons why organizations choose the form of external recruitment is the lack of internal potential to fulfill a vacancy. Some organizations also

choose this form of recruitment in the hope that new ideas, knowledge, and qualifications will be introduced into the organization. For this reason, in this study, we explore whether external recruitment has an impact on an increased number of employees with higher qualifications in the organization. To see the correlation between the external form of recruitment and the addition of more qualified employees in the organization, the zero favored hypothesis, and alternative hypotheses have been compiled, which are as follows:

H3o: There is a significant positive correlation between external recruitment and the increasing of the qualifications of employees in the organization.

H3a: There is not a significant positive correlation between external recruitment and the increasing of the qualifications of employees in the organization.

Table 5. Correlation analysis for the third hypothesis

Correlations			
		External Recruitment	Qualification of current employees
External Recruitment	Pearson Correlation	1	.200
	Sig. (2-tailed)		.058
	N	16	162
Qualification of current employees	Pearson Correlation	.20	1
	Sig. (2-tailed)	.05	
	N	16	162

Source: Survey data from 380 SMEs, author calculations

The results from the correlation analysis show that there is a positive correlation between the variables tested. However, it is not strong and therefore does not have a certain scale. This relationship is statistically expressed with a correlation level of $r = 0.200$ and a significance level of **Sig = 0 > 0.05** (*bigger than the “p” value*). The analysis

shows that with the increase of the variable X, the variable Y increases, but the strength of the connection between the variables is low, and also, the level of significance exceeds the allowed margin. So this correlation is not statistically significant. This means that from the present observations, we understand that the SMEs in Kosovo which have implemented

the external recruitment form did not increase the number of qualified employees in the organization. Therefore, it can be assumed that organizations, even if they use an external form of recruitment, this form does necessarily ensure that the number of qualified employees in their ranks will increase.

5.4. Type of recruitment in different sectors of the economy

As we have shown in section 4 of this paper, SMEs in Kosovo prefer external recruitment compared to internal recruitment. As a result, in this study, we also want to know if there are statistically significant differences in the sectors of the economy in which SMEs operate in the use of forms of recruitment. Consequently, we explore if there are similarities between businesses in the sector of production, trade, and services for the form of recruitment they choose to implement.

Given that these three sectors are in the same economic environment, one would expect that there are no significant differences between the forms of recruitment between SMEs operating in different sectors. However, this proposition needs to be statistically tested. Consequently, to see if businesses in different sectors choose different forms of recruitment, the following hypothesis has been compiled:

H4o: There are no statistically significant differences between the sectors in which SMEs operate and the type of recruitment they use.

H4a: There are statistically significant differences between the sectors in which SMEs operate and the type of recruitment they use.

In this research part, the difference between the sectors for the form of recruitment used is measured using ANOVA (One-way Anova).

Table 6. Descriptive statistics for the fourth hypothesis

Descriptive								
Form of recruitment								
	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Production	70	1.99	.712	.085	1.82	2.16	1	3
Service	186	1.98	.785	.058	1.86	2.09	1	3
Commerce	126	2.15	.738	.066	2.02	2.28	1	3
Total	382	2.04	.759	.039	1.96	2.11	1	3

Source: Survey data from 380 SMEs, author calculations

The table of descriptive statistics presents the averages of the three sectors of the economy as well as their standard deviation in relation to the dependent variable, which in this case is in the form of recruitment. In this

statistics, we notice some small differences between the three sector groups. However, to see if these differences are statistically significant, we use the homogeneity test and the ANOVA analysis.

Table 7. ANOVA analysis for the fourth hypothesis

ANOVA					
Form of recruitment					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.452	2	1.226	2.141	.119
Within Groups	217.035	379	.573		
Total	219.487	381			

Source: Survey data from 380 SMEs, author calculations

From the analysis of the homogeneity test of variance, the results imply that there is homogeneity between the sectors for the use of the form of recruitment. Consequently, businesses in different sectors have no differences in the form of recruitment they use. So the groups are homogeneous in terms of the form of recruitment. Furthermore, the ANOVA analysis informs us on the mean square of the groups, which takes the value **1.226**, and the significance level for the groups, which is **0.119**. These two pieces of information indicate there are no statistically significant differences between the sectors for the chosen form of recruitment by SMEs in Kosovo.

6. Conclusions

Human capital is the fundamental factor for any country, organization and economy in general, and therefore, the recruitment process of human capital is a crucial process for any organization. Based on survey data conducted with SMEs in Kosovo, this study investigates the recruitment practices of SMEs in Kosovo. In general, our findings suggest that the process of recruitment and development of human resources depends on the environment where the firm operates and the potential offered by the labor market as a source for recruiting human resources. Furthermore, our findings suggest that with

an increase in financial turnover, there is an increase in the importance of human resource management. More specifically, we have found that SMEs in Kosovo make department for human resource management functional when they are financially sound and do not see this department as important and necessary for their activity when their financial turnover is low. Moreover, we also explore the forms of SME recruitment by differentiating between internal and external recruitment. In this respect, we have found that SMEs with a higher number of employees tend to recruit more internally as compared to external recruitment. While we did not find evidence of an increase in knowledge and qualification of employees when SMEs apply external recruitment. And finally, findings suggest a form of homogeneity between the sectors for the use of the form of recruitment; consequently, businesses in different sectors have no differences in their recruitment strategy. While noting these important findings for the SME sector in Kosovo, this research has its limitations that are mainly of data nature. Given the availability of data, the focus of this research is limited only on the year 2019 and therefore, is unable to present annual dynamic in the SME sector as the survey is not conducted annually. In addition, both from the perspective of accuracy and representation, the survey could have

benefited from a larger number of surveys. As presented in section 3, the 380 surveys conducted represents only around 0.68% of SMEs in Kosovo.

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