

THE ROLE OF HUMAN RESOURCES IN GAINING COMPETITIVE ADVANTAGE

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Abstract

It is given that Human Resources are a key source of competitive advantage in firms. Starting from the proven link between human resources and competitive advantage in developed firms worldwide, and on the other side, the generally unsatisfactory handling of human resources in Kosovan firms, we decided to undertake this research. The study was conducted in seven wholesale distribution firms of food and non-food products in the Republic of Kosovo. A total of 35 directors and managers within these firms were surveyed. We have proposed that wholesale distribution firms of food and non-food products in Kosovo do not consider human resources significant resources in providing competitive advantage. Therefore, they do not possess a standard strategy for human resource development. Another assumption was that most of these firms have human resource departments, but in practice these departments mainly deal with administrative work. Additionally, we have proposed that human resource practices are more or less similar in firms that have or do not have human resource departments. The results of empirical study are generally consistent with the assumptions set out in this research.

Key words: human resources (HR), competitive advantage, human resource practices, human resource department, distribution firms, Kosovo.

JEL classification: M10, M12, O15

INTRODUCTION

Human resources are defined as firm's knowledge, experience, skill and commitment of the employees to the firm; their relations with each other and with others outside the firm. They are the most important firm asset, the ones that research, design, project and differentiate the firm from other firms.

Porter (1985) emphasized the role of Human resources (hereinafter referred to as the HR) as creator of competitive advantages at any firm. In recent years, management schools have begun to appreciate the importance of human resources as a source of competitive advantage. According to this perspective, which is known as *resource-based view*, firms recruit critical HR and then establish HR systems that increase their potential. People and developed systems are difficult to be copied by competitors, so they provide a source of sustainable competitive advantage. HR researchers and managers for a long time have emphasized that the HR function plays an important role in the performance of the firm. In reality, most firms in their annual reports stress that people are the main asset of their firm. Wright and McMahan (1992) thus argue that human resources have the potential to be sources of sustained competitive advantage, though they also note that to do so, the employees must be both highly skilled and motivated—that is, a high-quality workforce.

Despite these widely held beliefs and all-too-frequent statements, however, many organizational decisions suggest a relatively low priority on both the human resources of the firm and HR department. Barney and Clark (2007) emphasizes that “...when organizations require cost cutting, they often look first to investments in the firm's people such as training, wages, and headcounts”.

From a historical perspective, the human resource department is not considered one of the main departments in the organization. Even nowadays, due to many reasons, most HR functions are seen as less important than the departments of finance, information technology, marketing etc. According to Lawler (2008) most firms in the world have a bureaucratic system and are managed so for decades. In these firms managers often talk about the importance of HR, but their concrete actions do not follow such an approach. Also according to Lawler (2008) such firms are not designed to make their human capital a competitive advantage.

Today, knowledge as an intangible asset is considered as the most valuable asset. Consequently, if we manage to integrate it in the learning and organizational culture, it will undoubtedly increase the success of the firms.

Some arising questions are: What distinguishes firms from one another? Although some manage to be more competitive in the market and some have walked a few steps ahead of others by creating sustainable competitive advantages. Even in the case of Kosovo firms, we have noted that HR was given prominence particularly in their statements. But, to what degree they consider HR as a source of competitive advantage? Where should we address the issue of provision and development of HR in these firms? Do Kosovan wholesale distribution firms of food and non-food products (*hereafter referred to as distribution firms*) products have written HR strategy? Do they have HR departments? If so, what are the tasks they deal with? To answer these questions we have surveyed 35 directors and managers from seven distribution firms in Kosovo. Due to time constraints, we could not conduct empirical research in several sectors, but we have been focused on the trade sector with particular emphasis on goods distribution firms in the territory of Kosovo.

THEORETICAL INSIGHTS

The founder of modern management, well-known Peter Drucker (1973) has strongly said that business firm or any other institution has only one real resource – people. “...*human resources have always been critical to the success of an organization, their importance has been always grown and this fact is recognized from within and outside organizations.*” (Kutllovci, 2004).

Lawler III (2008) emphasised that according to a recent survey of senior executives from all over the world, the two most important management challenges are:

- a. Recruitment of high – quality people across multiple territories, particularly as competition for top talent grows more intense.
- b. Improving the appeal of the company culture and work environment.

According to Armstrong (2008) the overall purpose of human resource management (hereinafter referred as HRM) is to ensure that the organization is able to achieve success through people. A full explanation of HRM philosophy by Legge (1989) stated that HRM consists of the following propositions: “*That human resource policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organizational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly in the interests of the “adaptive organization’s’ pursuit of excellence*” (Armstrong, 2010).

HRM distinguishing feature is the assumption that improved performance is achieved through people in the organization (Guest, 1997). People and HRM are becoming critical sources of sustainable competitive advantage for the organization (Bae & Lawler 2000).

Merk and Büttgen (2012) regarding the scarcity of highly qualified and motivated employees provided a conceptual basis for linking sustainable HRM to employer branding as a means to attract and retain a high-quality workforce.

Strategic Human Resource Management (SHRM) focuses on actions that differentiate the firm from its competitors (Purcell, 1999). Boxall et al. (2007) summarize the definition of strategic management of human resource with a short sentence: “*the management of work and people towards desired ends*”. Boxall et al (2007) also believe that “*The major focus of Strategic Human Resource Management should be aligning HR with firm strategies.*” While, “*a firm’s HR practices are defined as all of the programs, policies, procedures, and activities that firms use to manage their human resources*” (Barney & Clark, 2007).

In contemporary Strategic Management of Human Resource human capital concept is more often encountered. This concept was first developed by Beer et al. (1984). The new concept of HRM sees people as the most important resource in the firm. It represents the human factor in the organization, combined intelligence, skills and experiences that gives the organization its distinctive character. According to Barney and Clark (2007): “*human capital resources include the training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in firms*”.

It is very important the system to operate as a whole and not just in HR practices. Researches on HR practices and firm performance indicate that HR practices are more effective when they function as an interactive system. Wright and Snell (1991) argued that the Strategic Management of HR requires HR activities coordinated through various sub-functions. Similarly, the definition of Wright and McMahan (1992) for SHRM requires horizontal integration of different practices of HR and not seeing them as isolated. Lado and Wilson (1994) submitted the hypothesis that the more complex HR system is more likely to serve as a source of sustainable competitive advantages.

Effectively managing human resources for knowledge-based competition requires adopting a strategic approach. A strategic approach to managing human resources recognizes that an organization's competitive environment and strategic imperatives should be reflected in its HR practices" (Jackson et al., 2003). Schuler and Mac Millan (1984) said that while firms are better off when they gain a competitive advantage, few do it and even fewer do it through their human resource practices.

In recent publications concerning HRM, we encounter a new concept of HPWP-high-performance work practices, according to which effective organizations include some work practices that use the potential of human capital. Many practices of high performance work recently have been studied. McShane and Gilnow (2010) underlined four practices with strong research support and they are employee involvement, job autonomy, employee competence, and performance- and/or skill-based rewards.

It should be noted that firms are paying more attention to measuring of employees' performance, business units and performance of the firm in general. According McShane and Gilnow (2010): "*Firms that apply performance-based rewards, employee communication, work-life balance, and other organizational behaviour practices have three times the level of financial success that companies have where these practices are absent*".

Today, the main goal of most businesses is to achieve competitive advantage. Competitive advantage is defined in different ways by different authors. But Michael Porter (1985) was the first author who used the concept of competitive advantage. He identified two main types of strategic advantages: cost advantage and differentiation advantage. Competitive advantage exists when a firm is able to offer the same products as competitors but with lower prices or differentiated products. The resource-based view states that firm uses resources and its ability to create competitive advantage which in the end results in the creation of superior value.

The key to resource based approach to strategy formulation understands the relationship between resources, capabilities, competitive advantage, and profitability – in particular an understanding of the mechanisms through which competitive advantage can be sustained over time (Gant 1991).

A group of authors (Marimuthu et al., 2009) concluded that firms should therefore, come up with some effective plans especially in investing the various aspects of human capital as not only does it direct firms to attain greater performance but also it ensures firms to remain competitive for their long term survival.

However, when a firm has a higher profit than the industry average we say that it possess competitive advantage besides its rivals. Creating these advantages is not an easy thing. As it was noted by Pietersen (2010) "*It's harder than ever to find a competitive advantage; even harder to sustain it*". Successful competitive strategies usually involve the creation of distinct and unique characteristics to use as a competitive advantage against their rivals. Some examples of distinctive features are superior technologies, special products, special skills, great sales, distribution capabilities, the best services to customers etc. But can we create competitive advantages without people? Certainly not.

Lawler (2009) in his paper: "*Make Human Capital a Source of Competitive Advantage*", provides many useful recommendations on how to handle HR in a firm and how to transform them into a source of competitive advantage. Whereas, David Wicks in article: "*When Bigger Isn't Better: The Strategic Competitive Advantage of Small Firms*" (2005) highlights that competitive advantages of small firms have a better chance to be sustainable. This is proved by facts 1) development and implementation of strategy for closer field, 2) preparing capacity for renewal and change and 3) resistance to temptation for growth or expansion as a strategic priority.

Coff and Kryscynski (2011) have argued that simply acquiring superior human capital is not enough, despite conventional assumptions that superior human capital can lead to sustained competitive advantage. They have reviewed the challenges associated with attracting, retaining, and motivating human capital and explored how complex idiosyncratic cross-level solutions are required to mitigate these challenges.

In a competitive environment, with rapid technological changes and other firms' competitive advantages, for many firms it is difficult to enter. Any firm which wants to enter the market with products or services should formulate sustainable strategies. In their frameworks the HR and competitive strategy should also be established.

However, that a firm has a sustained competitive advantage does not mean that its competitive advantage will last forever. Changes in technology, demand, and the broader institutional context within which a firm operates can all make what used to be a source of sustained competitive advantage no longer valuable (Barney & Clark, 2007). These types of changes in an industry are called "*Schumpeterian Shocks*" by several authors. Barney (1991) pointed out that such a shocks redefine which of the firm's attributes are resources and which are not. As Allard (2004) noted: "*With more competitors and a highly uneven playing field, the traditional business calculus of competitive advantage has changed*". Smart companies seize competitive advantage through strategic management of environmental challenges (Esty et al., 2006).

Therefore, "*to compete successfully in today's world, firms must increasingly rely on the knowledge, skills, and experience of their human assets to create and assimilate new knowledge, innovate, and learn to compete in fast-moving business environments*" (Jackson et al., 2003).

Quite some literature on the senior management seems to focus on individuals as chief executives as sources of sustainable competitive advantage. Likewise in academic work, linking the organization's HR strategies focus primarily on senior managers and ignore employees at the lower levels of management (Gupta & Govindarajan 1984; Guthrie, Grimm & Smith 1991). They begin from the argument that such individuals belonging to senior management are sustainable source of competitive advantage.

Managers must search for resources to help build their firm's human capital and then use the human capital (e.g., assign to jobs) in ways that facilitate effective implementation of the strategy. (Sirmon et al., 2011). Li et al. (2011) strongly suggest that hedge funds are very different from mutual funds, and that a manager's talents and motivations should be important considerations in selecting hedge fund managers. Unlike others, Campbell et al. (2012) stated that overvalued firm-specific human capital may actually degrade a firm's competitiveness for two reasons: (1) the focal firm may have to share more rents with workers to persuade them to stay, and (2) workers with firm-specific human capital will have greater outside options, making it more likely that they will leave and take their valuable knowledge and skills with them.

Recently, one of the topics of academic research is the trust between members of the organization as one of the determinants of firms' performance (Gambetta, 1988; Barney & Hansen, 1994; Mishra, 1994). Trust and good relations between members of the organization are firm specific assets that provide value, are rare and very difficult to imitate by competitors.

Given that firms can invest in talents but such people can go to competition firms, we need to know what employees appreciate on the their job: pay, promotion opportunities, independence, supervision etc. Results of research studies are different because people appreciate different things. Some appreciate wages more than work, some appreciate promotion opportunities more than security, etc. "*If an organisation knows what someone values most, it can tailor the retention package to fit what the individual wants*" (Lawler, 2008). Compensation based on competition is an instrument for creating long-term employment relations and to gain the commitment of employees. (Becker & Gerhart, 1996; Bae & Lawler, 2000; Terpstra & Honoree, 2003). However, if the employee feels that the firm has not dealt fairly, s/he can withhold the effort or behavior that the firm requires or s/he can simply leave the firm. (Wright & McMahan, 2011).

According to Jackson et al. (2003): "*Many knowledge (and other) resources may be acquired by hiring new individuals, and these resources may improve performance of a job or even the performance of a team or work unit. In order to become sources of competitive advantage, however, such individual resources must increase performance at the organizational level.*" Coff and Kryscynski (2011) emphasized that: "*where organizational norms support investments in firm-specific human capital, some individuals will choose to conform with expectations. These norms may be reinforced both by HR policies to integrate new hires and by specific individuals who espouse the norms*".

Whereas, Fulmer and Ployhart (2013) pointed out that: "*better representing the financial value of human capital is not only a worthy scientific endeavor, but may also translate into research findings that*

will be more actionable in practice, improved decision making, greater accountability of managers responsible for human capital, and perhaps, someday, better and more comparable information about the stewardship of human capital across organizations. However, despite all these writings and arguments for the importance of HR, many firms still see them as expenses.

Empirical studies support the fact that satisfaction of employees is related to the quality of services and HR practices are important determinants of employees' satisfaction.

Operational HR activities generally refer to the routine, day-to-day delivery of HR basics. The strategic level of HR activity is more complex and involves five criteria: long term, comprehensive, planned, integrated and high value added (Brockbank, 1999). Administrative aspect of HR department (hereinafter maybe referred to as HRD) has been and still remains an activity of the charge and that consumes a lot of time. In developed firms there is a trend of decreasing time spent on administrative work within HRD, and an increasing trend of strategic works within the same department. Therefore the question arises how this department finds time to deal with the development of talents, organizational design and organizational effectiveness? The question is who should provide talents in the firm? According to Lawler (2008) having the right talent management system belongs to the HR department, but the department itself cannot ensure that the firm has the right talents. In reality, HR department does not need to lead talent management. In most firms with focus on human capital, talent management leadership belongs to senior management. Key elements of the complete system of talent management include: employee brand, a system of selection and recruitment, a training and development process, a system for managing performances which connects effectively with the reward system and information system that includes information on: satisfaction, motivation, talent, development, use of talents and performance.

Role of HR in providing competitive advantage as a topic of great importance has not been studied much in Kosovo firms. While, worldwide there are a considerable number of such studies.

Different authors have written about the resources, competencies and capabilities of organizations that enable firms to create and implement strategy for value creation. (Hitt & Ireland, 1986; Grant, 1991; Amit & Schoemaker, 1993; Collis & Montgomery, 1995; Hit *et al.*, 1997). According to Guzzo and Shea (1992) competitive advantage will be gained only when the organization selects and develops human resources and structure job duties and reward system in order to motivate the team to perform well and this contributes to organizational effectiveness. Also Becker and Gerhart (1996) think that HR function may provide sustainable competitive advantage to organizations and this affects their performance improvement. Becker *et al.* (1997) pointed out that traditional method of differentiation offer fewer chances to achieve competitive advantage. They suggest that organizations seeking competitive advantages should focus on the development of the strategic role of HR systems. Also HR practices should be related: (1) to each other, (2) to HR strategy and (3) to strategy of the organization (Jackson & Schuler, 1995).

As seen in recent decades in the literature the importance of human capital in creating competitive advantage has been emphasized. Results from a study point out that 52 percent of the respondents to that survey reported that they expect to spend more time on people management than on technology in the next three years. More than 85 percent of the respondents said that people are vital to all aspects of their firm's performance particularly their top strategic challenges: increased competition, innovation, and technology (Lawler III, 2008). Even Brennan and Connell (2000) have argued that intellectual capital (or intangible resources) is/are likely more than tangible resources to be a key source of competitive advantage for many firms.

Relations between intellectual capital and financial performance are explored empirically in different countries like Canada and the US (Bontis & Fitz-enz, 2002; Riahi-Belkaoui, 2003), Malaysia (Bontis *et al.*, 2000), Germany (Bollen *et al.*, 2005), Spain (Saenz 2005) etc. Results of these studies were almost the same as it is known in theory, intellectual capital affects the financial performance of firms. Many research studies on organizational effectiveness have also provided a large number of empirical evidences how to manage effectively the human side of the organization. The scientific literature not only provides useful theory, but it contains a significant number of data on how effective are such practices. Based on data from Brockbank (1999) the relationship between financial performance and HR practices has been conducted by Brian Becker and Mark Huselid (1998). In their study of 740 firms, they found that firms with greater intensity of HR practices had greater market value per employee.

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But unlike others, Huselid *et al.* (1997) found no significant impact of the technical aspects of HR Management in the performance of the firm (including recruitment, selection, training, evaluation of performances, compensation).

If resources are valuable, rare, non-substitutable, and inimitable, they are considered as important and strategic and enable the organization to gain a sustained competitive advantage (Barney, 1991). Also Melville *et al.* (2004) emphasized that to gain competitive advantage through human resources four conditions need to be fulfilled: value, rarity, impossibility of copying and replacing these competitive advantages.

Barney and Clark (2007) pointed out that “*The HR function can also adopt a strategic focus, applying the VRIO (Value, Rarity, Imitability and Organization) framework to identify specific HR resources that provide sources of temporary and/or sustainable competitive advantage.*”

According to Pesic *et al.* (2015) human resources that are characterized by VRIO framework elements can be considered as high-quality human resources, which can provide sustainable competitive advantage.

Out of 100% of Kosovo enterprises, 99% of them are SMEs. Our empirical study was conducted in distribution firms in Kosovo, all of them belonging to private sector.

Since Kosovo embarked on the road of transition to a market economy, it has continuously faced obstacles of different natures that, in one way or another, have reflected on the business environment and as a result, hindered the development of the private sector (Riinvest Institute, 2014).

Table 1: Registered Enterprises in Kosovo based on Number of Employees – 2010

Classification by Size	Number of Employees	Number of Enterprises	Percentage of Total (%)
Micro	1 - 9	102.070	98.37
Small	10 - 49	1.406	1.35
Medium	50 - 249	221	0.22
Large	250 or more	58	0.06
Total		103.755	100.00

Source: SME Development Strategy for Kosovo 2012-2016. SME's support Agency (2011: 13)

Kosovo has a new labour force and growing, which need to be educated and trained in order to meet the needs of the economy. More than 50 percent of Kosovo's population is under the age of 25 and 70 percent of them under the age of 35 (SME's support Agency, 2011). One of the results is presented in a research report on entrepreneurship and small business development in Kosovo, states: The majority of SMEs' (75.6 percent) owners are also managers. These findings indicate that SMEs in Kosovo may have problems of managerial capacities in solving managerial problems and this of course may inhibit firms from achieving their full potential (BSC Kosovo, 2011). Berisha-Namani (2007) has recommended for SMEs in Kosovo to use information technologies in SMEs in order to achieve competitive advantage, producing value-added products, development of processes and competitive strategies in regional and international terms.

METHODOLOGY

This study was based on primary data collected by questionnaire survey, investigating the role of HR in providing competitive advantages in distribution firms in Kosovo. The main methods used to address this issue were: analysis, synthesis and comparative method.

We have chosen seven distribution firms in Kosovo with different levels of HR development. These firms mainly deal with wholesale distribution of food and non-food products. Type of our research was empirical study. Selected samples were non-probability sampling - deliberate. Survey units were directors and managers of distribution firms. A total of 35 people were surveyed. The questionnaire consisted of 21 questions. Depending on the respondents' answers the number of answers varied, since a negative answer to a question could bypass some other questions. Research was planned in order to minimize the possibility of false results. The respondents were asked for permission to conduct the study. We mostly tried surveying employees with several years of experience in the firm because they better

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know strengths and weaknesses of respective firms. They were guaranteed that the data will remain confidential and were assured that they will be used for this study only. During the data analysis, we used descriptive and logical analysis and responses were processed and interpreted objectively.

In the questionnaire we submitted questions to test the five hypotheses as below:

1. Distribution firms in Kosovo do not consider HR as a source of competitive advantage.
2. Distribution firms in Kosovo do not have HR strategic plan.
3. The majority of distribution firms in Kosovo do not have HR department.
4. HR departments of distribution firms in Kosovo mostly deal with administrative work.
5. HR practices are similar in distribution firms that have and do not have HR department.

Out of 100 percent of respondents, 71.43 percent were males and 28.57 percent were females. The average age of respondents was 33 years. Their qualifications were as follows: none of the respondents were with primary and secondary education only, 85.71 percent of respondents were with higher education and 14.29 percent with superior education.

According to the report of SMEs in Kosovo 71 percent of all employees have secondary education, either high schools or vocational schools (SME's Report, Riinvest 2006). But as we explained in previous section, we targeted for survey only managers and directors. Out of 100 percent of respondents, 66.67 percent were directors while the remaining 33.33 percent were managers. Regarding the size of enterprises, 71.43 percent had 0-50 employees thus falling into the category of small enterprises, 14.29 percent had 50-150 employees and 14.29 percent had 150-250 employees. The total of the last two amounts to 28.58 percent which are categorized as medium sized enterprises.

RESULTS

THE RESEARCH RESULTS RELATED TO THE FIRST HYPOTHESIS

H₁: *Distribution firms in Kosovo do not consider HR as a source of competitive advantage.*

H₀: *Distribution firms in Kosovo do consider HR as a source of competitive advantage.*

In the questionnaire we submitted some questions about the perception of the role of HR in the distribution firms in Kosovo. Below we presented the results.

In the question: How much the employees are valued in the firm you work for? Respondents were given the opportunity of selecting some of the 13 descriptions dealing with the elements of the model VRIO, for the level of value, rareness, imitation and how is the firm organized about HR at all. Respondents did not have limited maximum and minimum number of selections. They selected the descriptions accordingly to the evaluation of employees in the firm they work for. Following are the results according to their selection. The sum of each description chosen by respondents we have divided to the potential maximum of same description. Therefore, each description is evaluated based in 100 percent.

Table 2a

The perception of HR value	Positive chosen answers in %	Negative or not chosen in %	Total (%)	Participation in total %
Very valuable	28.57	71.43	100.00	20.00
Valuable	57.14	42.86	100.00	40.00
Needed	57.14	42.86	100.00	40.00
Invaluable	0.00	100.00	100.00	0.00
Total				100.00

As per level of value of HR: 28.57 percent thought that HR are *very valuable*, 57.14 percent thought that HR are *valuable*, 57.14 percent answered that HR are *needed* and none of them thought that HR are not valuable. From this we may conclude that surveyed distributions firms in Kosovo assess HR mainly as valuable.

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Table 2b

Perception of HR rareness	Positive chosen answers in %	Negative or not chosen in %	Total (%)	Participation in total %
Very rare	0.00	100.00	100.00	0.00
Rare	14.29	85.71	100.00	25.00
Not rare	42.86	57.14	100.00	75.00
Total				100.00

The level of rareness for HR was evaluated as follows: none of them thought that HR are *very rare resources*, 14.29 percent of them thought that HR are *rare resources* and 42.86 percent of them thought that HR are *not rare* resources. From these results we can conclude that distribution firms in Kosovo assess HR as *not rare* at all.

Table 2c

Perception of HR imitability	Positive chosen answers in %	Negative or not chosen in %	Total (%)	Participation in total %
Difficult to imitate	0.00	100.00	100.00	0.0
Easy to imitate	0.00	100.00	100.00	0.0
Very easy to imitate	42.86	57.14	100.00	100.00
Total				100.00

The results for perception of level of HR imitability are as follows: none of them didn't think that HR are *very difficult to imitate*, also none of them thought that HR are easy to imitate and 42.86 percent did they think that they are very *easy to imitate*. So, we conclude that surveyed distributions firms in Kosovo consider the HR an easy resource to imitate.

Table 2d

Perception of HR substitutability	Positive chosen answers in %	Negative or not chosen in %	Total (%)	Participation in total %
Not substitutable	0.00	100.00	100.00	0.00
Substitutable	71.43	28.57	100.00	83.00
Easy to substitute	14.29	85.71	100.00	17.00
Total				100.00

Regarding the substitution level of HR: none believes that HR are not substitutable, 14.29 percent of them think that they are easy to substitute and 71.43 percent of them think that they are substitutable. From this we may conclude that surveyed distributions firms in Kosovo assess the HR as substitutable.

As per the level of organisation for HR, 72.86 percent of them said that there exists organization around them.

Table 3: Evaluations of HR in distribution firms in Kosovo (%)

VRIO FRAMEWORK				
Valuable?	Rare?	Difficult to imitate?	Supported by organization	Result
No				Competitive Disadvantage
Yes	No			Competitive Parity
Yes	Yes	No		Temporary Competitive Advantage
Yes	Yes	Yes	No	Unexploited Competitive Advantage
Yes	Yes	Yes	Yes	Sustained Competitive Advantage

In the table 3, we have presented the results of research (in bold) for HR perceptions in distribution firms in Kosovo. From this result we can conclude that current perception of HR in surveyed distribution firms in Kosovo, is that such firms may have just *Competitive Parity* not the Competitive Advantage in the terms of Human resources.

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So, based on the above results we conclude that the first hypothesis is confirmed, that surveyed distribution firms in Kosovo do not consider HR as source of competitive advantage. This conclusion derives from previous knowledge that to achieve competitive advantage through HR, they should be rare, valuable, difficult to imitate and almost non-substitutable.

THE RESEARCH RESULTS RELATED TO THE SECOND HYPOTHESIS

H₂: *Distribution firms in Kosovo do not have HR strategic plan.*

H₀: *Distribution firms in Kosovo do have HR strategic plan.*

From 100 percent of respondents, 85.71 percent stated that the firms where they work do not possess specific strategy for HR, while only 14.29 percent of respondents stated that they have such strategies. Also according to the respondents, 100 percent of the firms that possess HR strategy, have integrated this strategy with the overall strategy of the firm.

Based on the above results we conclude that in general the second hypothesis is confirmed, *most of these distribution firms in Kosovo do not have HR strategic plan.*

THE RESEARCH RESULTS RELATED TO THE THIRD HYPOTHESIS

H₃: *The majority of distribution firms in Kosovo do not have HR department.*

H₀: *The majority of distribution firms in Kosovo do have HR department.*

In order to test the hypothesis 3, respondents were asked if they have HR department at the firms they work for. Out of 100 percent, 42.86 percent responded that they have, while 57.14 percent of them replied that they have not HR department.

Based on the above results, we can say that there is a generally certified third hypothesis that the majority of surveyed firms distribution in Kosovo do not have HR department. But when we submitted the hypothesis we have emphasized the majority, therefore we consider that this hypothesis is not confirmed in full.

THE RESEARCH RESULTS RELATED TO THE FOURTH HYPOTHESIS

H₄: *HR departments of distribution firms in Kosovo mostly deal with administrative work.*

H₀: *HR departments of distribution firms in Kosovo mostly deal with strategic work.*

Based on previous results of empirical studies made earlier that HR department mainly deal with administrative work, we have assumed that most of HR departments in distribution firms in Kosovo deal with administrative matters and very little with strategic work.

Table 4: Types of tasks in HR departments of distribution firms in Kosovo, expressed in %

	Description	Percentage (%)
a)	Administrative work only	0.00
b)	Mainly administrative work	66.67
c)	Administrative work and strategic work	
	<i>c1) Administrative work</i>	<i>12.59</i>
	<i>c2) Short term planning</i>	<i>9.17</i>
	<i>c3) Long term planning</i>	<i>11.57</i>
	Total: <i>administrative work and strategic work</i>	33.33
	Total	100.00

The results presented in Table 4 indicates that HR department in surveyed firms in Kosovo mainly deal with administrative work (66.67 percent), and according to the respondents, none of these departments deals only with administrative work. While 33.33 percent of them replied that they deal with administrative work and strategic planning. So, we can conclude that distribution firms in Kosovo deal mainly with administrative work (79.26 percent = 66.67 percent + 12.59 percent (see results of table

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4)). While this research turns out that only 11.57 percent HR departments of distribution firms deal with long-term planning and 9.17 percent of them deal with short-term planning).

Based on the above results we can conclude the fourth hypothesis is proven that HR departments of surveyed distribution firms in Kosovo mostly deal with administrative work.

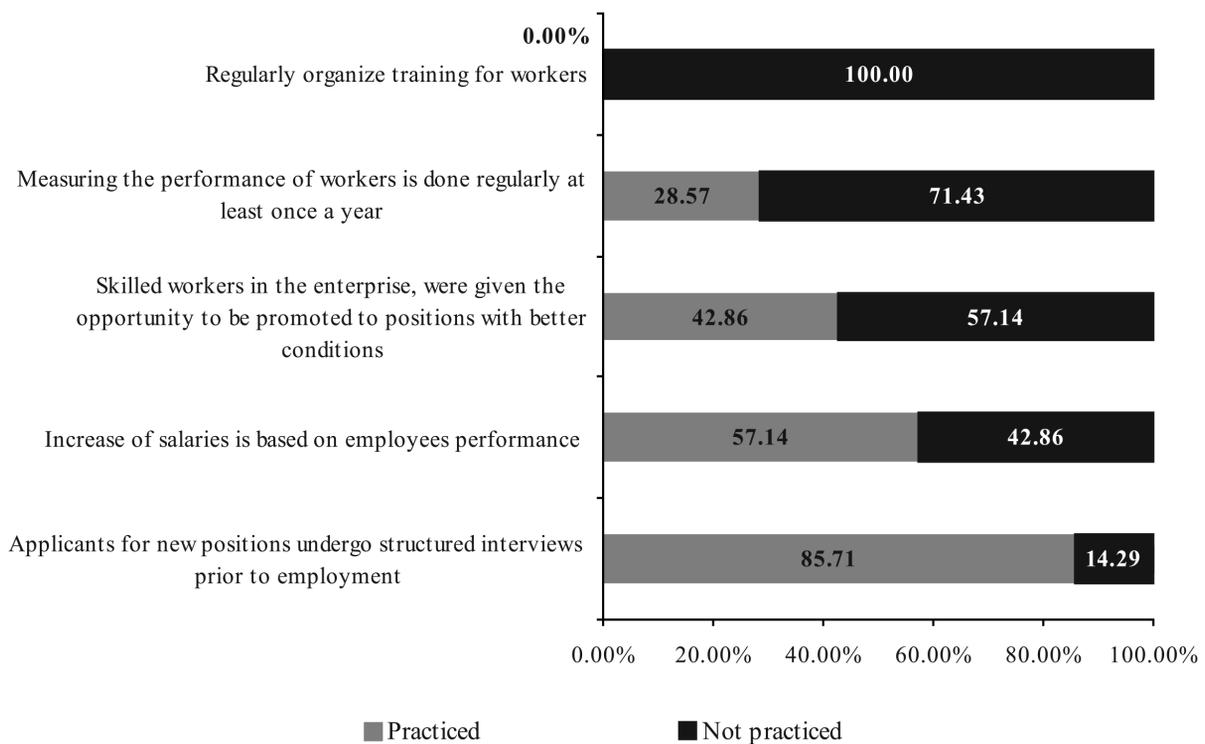
THE RESEARCH RESULTS RELATED TO THE FIFTH HYPOTHESIS

H₅: *HR practices are similar in distribution firms that have and do not have HR department.*

H₀: *HR practices are not similar in distribution firms that have and do not have HR department.*

Research on HR practices is done in all distribution firms whether firms have HR department or not.

Diagram 1: HR practices in distribution firms in Kosovo, expressed in %
The overall results will be presented below in **Diagram 1**.



The most common practices of HR in surveyed distribution firms in Kosovo are: *Interviewing applicants for vacancies* with 85.71 percent, then another practice is *salary increase based on the performances of workers* with 57.14 percent. This relates to the fact that most distribution firms in Kosovo have quantitative or financial monthly targets for their employees, and in addition to basic salary, employees who exceed the set target are rewarded with extra bonuses. According to statements from respondents on average 28.57 percent of them measure the performance of employees regularly, at least once a year. That definitely shows no enjoyable indication as practice in this aspect. None of distribution firms in Kosovo regularly organize training for workers. This does not mean that the trainings do not exist as practice, but not on a regular basis.

In the following we will compare these practices between firms that have and do not have HR departments.

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Table 5: Comparison of HR practices in distribution firms with and without HR departments, expressed in %

Description	Firms that have HR department (%)	Firms that do not have HR department (%)	Total (%)
Applicants for new positions undergo structured interviews prior to employment	50.00	50.00	100.00
Increase of salaries is based on employees' performance	50.00	50.00	100.00
Skilled workers in the firm, were given the opportunity to be promoted to positions with better conditions	33.33	66.67	100.00
Measuring the performance of workers is done regularly at least once a year	60.00	40.00	100.00
Regularly organize training for workers	0.00	0.00	0.00

From the table above results that distribution firms in Kosovo have almost the same HR practices.

From 100 percent of surveyed distribution firms that apply interviewing applicants for vacancies, 50 percent of them are having HR departments while the remaining 50 percent do not. The same results are also about the practice of the salary increase based on the performances of workers. Regarding the practice of promoting employees in positions, it indicates that 33.33 percent of distribution firms that have HR departments practice it and 66.67 percent of firms that do not have HR departments practice it too. Regarding the distribution firms that measure the performance of the workers regularly, at least once a year, 60 percent are having HR department and 40 percent of them do not have.

Knowing the basic purpose of passing by personnel in Strategic Management of HR is focus on more strategic issues of HR development and their treatment as the main resource of the firm turns out that HR departments in Kosovo are playing a role mainly as a unit that once was known as personnel.

Therefore, based on the above results, we can conclude that the fifth hypothesis is proven, that HR practices are similar in surveyed distribution firms that have and do not have the HR department.

In the following will present some additional information derived from this research. Respondents were asked to rank in order of priority impact factors in providing competitive advantage, as per their perceptions. The results briefly summarized below.

Factors most impacting competitive advantage as per respondents' view:

1. Brand;
2. Knowledge Management in organization;
3. Cash;
4. Differential Advantage;
5. Real Estate;
6. Organizational Culture and
7. Information Technologies.

In the question: How do you evaluate working conditions that firm offers at your workplace? From 100 percent of respondents, no one answered much more favourable than the competition, 57.14 percent of them answered *more favourable than the competition*, 28.57 percent of them answered *neither favourable nor unfavourable and* 14.29 percent of them stated *more unfavourable than the competition*. It is also important to note that all respondents answered that they have no health insurance at work. This phenomenon is rampant at all high levels in Kosovo's private firms.

Respondents were asked: *Do you think that the firm where you work is a convenient place to develop your career?* From them, 85 percent answered **Yes**, while 7.14 percent answered **No** and 7.14 percent of them answered **I don't know**.

At the end, the respondents were asked to rank the importance of factors that might influence them to change workplace. Five factors that most employees appreciate in the surveyed firms as influencers to change the workplace are:

1. Career Development;

2. Higher salary;
3. A new experience in international firms;
4. Monotony at work and
5. Low appreciation of work in current workplace.

While according to respondents, the five factors that have the least influence on them to change workplace are:

1. Workplace location close to their residence;
2. Great work pressure;
3. New challenges;
4. The transition to larger firms and
5. The poor relations with co-workers.

The latter referred phenomenon, relations between workers, should be studied more deeply into these firms since findings of Gambetta 1988; Barney and Hansen 1994 and Mishra 1994 indicate that good relations between members of the organization are specific property of the firm that provide value, they are rare and difficult to be imitated by competitors. Therefore, distribution firms in Kosovo should identify these and other relevant factors in order to enhance their HR strategies for the benefit of furthering competitive advantage. According to a group of authors (Becker and Gerhart 1996; Bae and Lawler 2000; Huang *et al.*, 2002, Trepstra and Honoree 2003) good relations between workers creates long-term employment relations and gaining the commitment of employees.

DISCUSSION AND CONCLUSION

Human resources are amongst the most important resources of the firm. Without a doubt, HR can create competitive advantage for the firms. High efficiency of human resources is strongly related to firms' high performance. Firms that yesterday performed well and had competitive advantage, do not mean that today would perform the same. Therefore, for firms to have competitive advantage, they should focus on turning talents into a source of competitive advantage.

Many firms maintain records for basic data for HR as follows: how many employees are, what salary and other benefits they have, their demographic structure, etc. Some other firms maintain records of commitment, motivation and satisfaction of employees at work. But as Lawler (2008) mentioned that when we are at the development and use of talents, organizational capabilities and core competencies, information systems at most firms are not developed. Therefore, firms that focus on the human capital must communicate to individuals that they are a firm that focuses on talent and human capacity. Their rewarding system can do this best by supporting development of talents as well as the winners based on their high performance...*thus, organizations that excel at talent management will continue to enjoy a competitive advantage* (Lawler, 2008).

Individuals who possess values and rare skills are usually able to demand higher compensation for this. However, the possibility to offer better compensation and working conditions to these individuals is there. The transition of many senior managers from one firm to another and rapid growth of the salaries of these executives is made with the intention of seeking competitive advantage from their individual skills.

Research results have confirmed strongly hypothesis 1, 2, 4 and 5. The third hypothesis is not fully proved. The information derived from empirical research data revealed the perception that surveyed distribution firms in Kosovo have for the role of HR. They consider HR as a valuable resource, not rare, easy to imitate and substitutable. Organization of HR emerges that it is at an appropriate level.

From this result we conclude that current perception of HR in surveyed distribution firms in Kosovo, such firms may have the result of competitive parity and not competitive advantage in terms of HR.

Most of respondents stated that firms where they work do not have a HR strategic plan. We assumed that most of surveyed distribution firms in Kosovo do not have HR department but the results pointed out that nearly 50 percent of them have these departments. Also from this study we learned that HR departments in surveyed distribution firms in Kosovo mainly deal with administrative work and few of them with both administrative and strategic work.

HR practices in surveyed distribution firms in Kosovo mainly are as follows: *interviewing applicants for new positions, salary increases based on performance of employees and promotion of skilled workers*. Measuring performance at least once a year is not a common practice at these firms.

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None of surveyed distribution firms in Kosovo organizes regularly training for workers. This does not mean that there are not training held in those firms, but they are not organized on a regular basis.

The surveyed Kosovo's distribution firms seem to have almost the same HR practices, in a very limited range of focus. However, based on the results of Becker and Huselid (1998) derived from their research in 740 firms, which indicated that firms that practice more HR practices have on average higher market value for employee, strongly emphasize that distribution firms and commercial firms in Kosovo should have a greater focus on the development of HR practices. As we see from the results of this empirical study, departments of HR in these firms mainly are doing the same tasks as personnel before. Therefore, HR department has to take her place to deal with both administrative and strategic work.

RECOMMENDATIONS

Based on the results of this empirical study and the knowledge from work experience, we present the following recommendations in italic for Kosovan wholesale distribution firms:

- *They should establish HR to be a relevant source of competitive advantage to firm, they must be valuable, rare, difficult to imitate and their department to be well-established and supported by the firm's overall organizational values.* The first hypothesis tested resulted that surveyed distribution firms in Kosovo, mainly assess HR as valuable, not rare, easy resource to imitate and substitutable, and there is a pleased level of organization around HR. So in this manner such firms may have the result of *competitive parity* and not *competitive advantage* in terms of HR.
- They should value employees as human capital because is the most important source of competitive advantage;
- *They should invest in talented employees making them professional masters;*
- *They should have specific strategies for HR and those strategies to be incorporated in the overall strategy of the firm.* According to the results of second hypothesis most of the surveyed firms do not have a HR strategic plan.
- *They should established HR department and these departments to have focus also in strategic work, not only in administrative work.* We assumed that most of surveyed distribution firms in Kosovo do not have HR department but the results pointed out that nearly 50 percent of them have these departments. Also from this study we learned that HR departments in surveyed distribution firms in Kosovo mainly deal with administrative work and few of them with both administrative and strategic work.
- *They should improve and enrich the function of HR department according to their main duties.*
- *They should transparently measure and monitor the performance of workers regularly, at least every six months;*
- *They should organize staff training from relevant experts on top of on-job daily training.*

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