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**THE IMPACT OF HUMAN RESOURCES IN THE DIRECT INVESTEMENTS: CASE STUDY THE MUNICIPALITY OF GOSTIVAR**

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**Abstract:** Human resources are the greatest asset of the enterprises, as the whole development is depended on their work and commitment. Every business aims to maximize its profit. The company in order to achieve this, among other things must establish and develop a Human Resources Department. On the other hand, small and medium enterprises can be defined as independent companies who are employing a specified number of employees. The aim of small and medium enterprises should be the revealing of novelties and innovations, employment opportunities, independence in action and competition. The purpose of this scientific paper is to explore and enlighten the role of human resources in the growth of development, increase of investments and prosperity of enterprises in the Municipality of Gostivar. Furthermore, the research has been deepened to search in the professionalism and importance of trainings of employees in the enterprise and their impact on the performance of companies. As professionalism is one of the key factors of career development, this paper highlights how many enterprises in the Municipality of Gostivar have employed professionals, and what are the most common differences between employee's qualities. First, it will be analyzed the proficient background of working staff in several enterprises in the Municipality of Gostivar and further analyses in this contest will be made whether there is increase in the number of professional employees and what are differences between professional and non-professional staff. Secondly, it will be analyzed the importance of trainings in the targeted enterprises in the Municipality of Gostivar, while it will be presented how many enterprises train and develop their employees and by having this employee's training what has the impact been on performance of the business and what are the actual business training needs. Thirdly, it will be analyzed what measures have been taken to increase investment in small and medium-sized enterprises, the number of workers when businesses have started to work and where the actual number of employees has been reached up today in these enterprises. Primary and secondary sources will be used for the research of this paper. Secondary data are interlinked with contemporary literature and research that has been done so far on this subject. Primary data are collected through semi-structured questionnaires. A selection sample for the survey is 30 in the Municipality of Gostivar, from which results were achieved for the professionalization and training of Human Resources and their impact on the increase of investments and the development of Enterprises.

**Keywords:** Human Resources (HR), investments, professionalism, training

**1. INTRODUCTION**

In this paper, it has been searched whether the role of human resources is increasing the investments of Small and Medium Enterprises in the Municipality of Gostivar. All the developments and revolutions that has taken place, the main reason was the human factor, so even in the development and growth of investments, the human kind is the main source for achieving the vision and goals of the company. Many companies in Macedonia still do not pay enough attention in human resources, their planning, recruitment, job orientation, and performance appraisal. According to recent studies in Macedonia, a large number of small and medium enterprises do not take into account the trainings for the staff and according their opinions they are not important. This paper focuses on the professionalism and importance of training in SMEs and their impact on the performance of employees and in the performance of the entire company. In the up-to-date practices, small enterprises do not have the human resources department because of the small number of employees, but this does not mean that small enterprises do not have to train their staff, so in global life, trainings are more than necessary. This paper analyses the impact of training on the performance of employees and the differences between trained staff and those who did not attended any training.

**2. LITERATURE REVIEW**

Each business aims to maximize its profit. In order to achieve this, the company must amongst others to establish and develop the human resource department. The HR management is more focused on the workforce, mainly directed in the organization of employees, find appropriate trainings and train them, commitment on payments and rewards, meeting their needs while relying on their work as well as solving the problems that may cause dissatisfaction to them (Mullins, 2002 ).According the analysis of foreign investments, countries with developed

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human resources have attracted much greater investment in relation to countries with less developed department of HR (Aslam Khan M, 2007). So, in order the human capital to be the competitive advantage of each country, they should have high level of education and professional training (Aslam Khan M, 2007).

Small and medium enterprises can be defined as independent firms employing a specified number of employees. This number varies in different European countries, depending on the definitions in their national statistical systems. While in the European Union a small and medium-sized enterprise can be considered with a specified number up to 250 workers, in the United States this figure is more less than 500 workers, (OECD, 2000). In Macedonia, many businesses are registered as micro-enterprises that carry out their economic activity with 1 to 9 employees, small enterprises (with 10 to 49 employees) and medium enterprises (with 50 to 249 employees, (MTI 2012).

In every organization, the most important factor for development is the Human Resources Department as it has qualified and well-trained staff for the given job position. Smart workers are able to absorb through numerous and effective trainings, which are certainly organized by the management of this department. It is valued that in developed countries employers are often trained so that the organization as a whole is more productive. However, this does not happen with the same pace in developing and underdeveloped countries. The first problem here is that at the majority of the transition and underdeveloped countries is nonexistence of the Human Resources Department. In its absence, training opportunities for employees are minimal, which is certainly reflected in the productivity and efficiency of the organization. The underlying assumption is that HRs are unique to the extent that competitors cannot imitate them. Most countries use these practices: internal career opportunities, formal training systems, work safety, attendance, job descriptions and profit sharing. This approach is now known as "best practice" or otherwise called universal approach (Akhtar S, Z. Ding D, L Ge G, 2008). Over the last two decades there has been a change in the field of human resource management. This change has driven the HR focus from micro-analytical research that has dominated in the past in this area in a more strategic perspective. HR development is closely related to socio-economic developments (Abduli S, 2013). As the performance of the workers increases, the overall performance of the enterprise increases and this makes the enterprise much more competitive compared to other enterprises of the same branch of industry (Abduli S, 2013).

The key to continued survival and successful organization are not the rational or quantitative approaches, but they are activities of considerable employee and managers that are based on mutual support and loyalty. The organization's success today and tomorrow is seen to be increasingly dependent on HR management effectiveness (Sims, 2002).

### **3. METHODOLOGY**

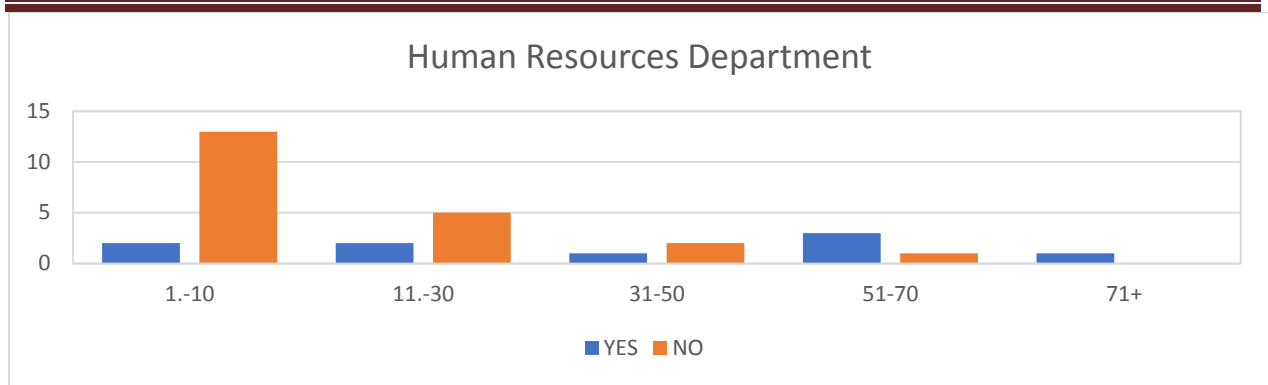
For the research of this paper, primary and secondary sources has been used. Secondary data are intertwined with contemporary literature and research that has been done so far on this topic. Primary data will be collected through semi-structured questionnaires. A selection sample for the survey is 30 SMEs in the Municipality of Gostivar, from which will be obtained the results for the professionalization and training of Human Resources and their impact on the development of SMEs. The methods that will be used during this paper are quantitative and qualitative. Secondary quantitative data are for increasing investments in small and medium enterprises in the Municipality of Gostivar. These data were obtained from DAP (Directorate of Public Revenues). The primary quantitative data are collected from the questionnaires with the current state and importance of HR in the growth of SMEs. In the secondary quantitative data will be perceived the dynamics of the growth of SME investments in the Municipality of Gostivar. While the primary quantitative data will be obtained from questionnaires regarding professionalism and enterprise training. Qualitative data have been collected through an interview with managers of small and medium-sized enterprises that have Human Resource Department in their enterprises.

### **4. DATA AND ANALYSIS**

The data was collected with the help of a team of students of "Mother Theresa" University who distributed questionnaires to a total of 30 small and medium enterprises in the Municipality of Gostivar, while the interviews with the managers were carried out with the help of a junior researcher in enterprises that have Human Resource Departments.

#### *4.1 The level of in small and medium enterprises in the municipality of Gostivar.*

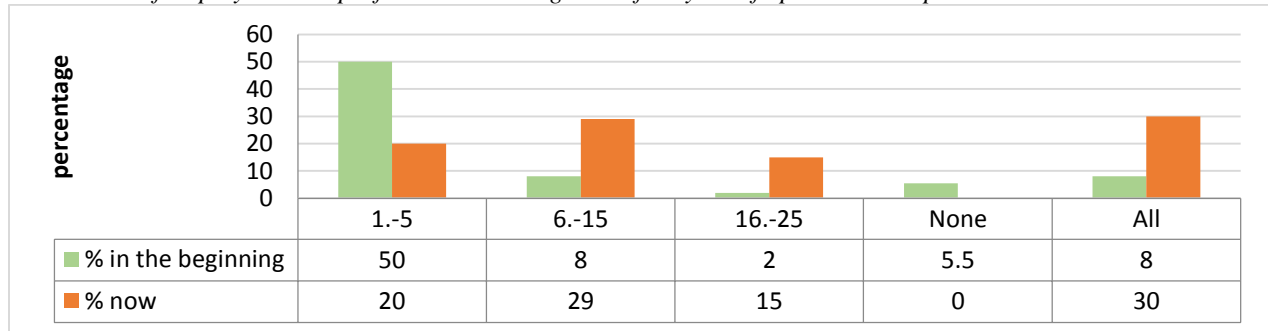
The level of professional development is one of the most important factors for increasing investments and business developments.



**Graph. 1 Human Resources Department in Enterprises**

Graphic 1 shows how many enterprises do have the Human Resources Department according by number of employees. Businesses with numbers ranging from 1 to 10, most of them do not have the human resources department, in this particular case 90% of them. As the number of employees increases, this percentage decreases. As it can be seen from the above graphs, enterprises employing 51 to 70 employees, most of them have a Human Resources Department where the percentage is 73%. Medium enterprises with over 70 employees, as shown in table 1, all have the Human Resources Department. So the higher of the number of employees in the company, the greater will be the percentage of having the Human Resources Department as such in the Municipality of Gostivar.

**4.2 Number of employees with professional training in the first year of operation and present**



**Graph. 2: Professional preparation of employees in the first year of operation and currently**

Graph 2 shows the number of professional employees at the beginning of business operation and the actual number of employees with adequate vocational training for the workplace that they are exercising. Usually enterprises have started work with 1 to 5 employees with professional qualifications resulting in 50% of surveyed enterprises, enterprises that have 6 to 15 employees responded 8%, the same percentage is for enterprises that all have been professionals. 5.5% of the enterprises have started working without a trained professional employee and enterprises with 16-25 workers, only 2% have started to work with professional workers. With the growth of businesses, the number of employees has increased, with this increase the majority of SME employees in the Municipality of Gostivar are professionally trained, and in this case 30% of companies answered that all staff are professionally trained, there is no operating company without skilled workers. 15% of enterprises with 16 to 25 employees, 6 to 15 workers with 8% of surveyed enterprises, and 20% of enterprises have 1 to 5 employees with professional training.

**4.3 Level of professional training and SME development.**

	I totally disagree	I do not agree	I do not know	I agree	Fully Agree
Employees with a high level of professional training show better performance	3%	7%	0%	30%	60%
Professionals that have influenced the business to expand	3%	3%	3%	33%	58%
Human resources are factor in boosting investment in business	5%	45 %	10%	20%	20%

**Tab 1: SME managers' opinion on the importance of professionalism and investment growth**

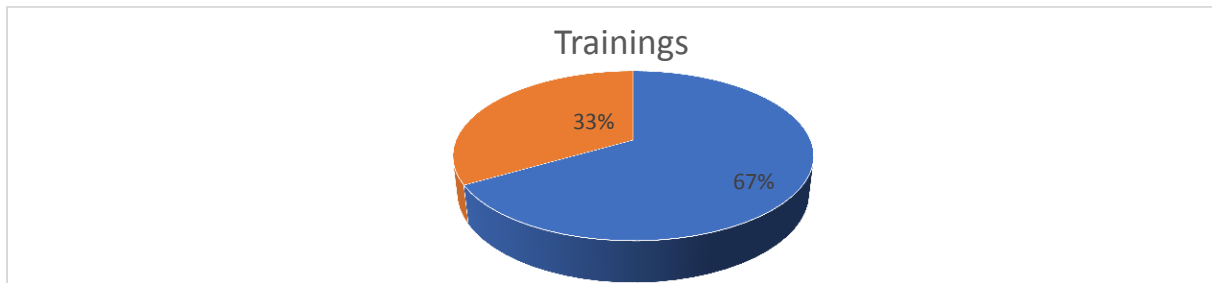
Table 1 shows the impact of professionalism on the development of SMEs according respondents. 90% of surveyed

enterprises agreed that professionally trained employees showed better performance compared to those who do not have professional training. Employees with high professional qualifications have influenced the business to expand and that have been agreed upon by 91% of surveyed enterprises. To the question of whether human resources are the main factor for increasing investment, 50% did not agree that they are the main factor, whereby the interview reveals that human resources are very important but not the main factor. 10% did not know what was the main factor for increasing investments and 40% stated that human resource is the main rising investment factor.

**5. Trainings and the importance of trainings in the SME - municipality of Gostivar**

According to Stiglitz.S, Globalization is a process of interaction and integration among people, companies and governments of different countries, a process driven by trade, international investment and information technology. This process has its effects on the environment, culture, political systems, economic development and prosperity in welfare and societies around the world. In order to adapt to the rapid global changes, such as trade, technology, education, recognition of recent discoveries, training at the enterprises is a necessity, so regardless of professional preparation and knowledge with changes and innovation in the company, professionals should also be updated/treated and be in a pace with time.

*5.1 Training of SMS employees*



**Graph 3. Training of the staff in SMSs in the Municipality of Gostivar**

Out of 20 enterprises or 67% of surveyed SMEs who send their staff to trainings and pay attention to trainings, 37% of SMEs practice once a year, 13% twice during the year and 17 % responded as much as needed, ie when there are changes in the enterprise.

Enterprises that are most in need of training are manufacturing and service providers. Respondents have emerged that among the most frequent trainings and most often presented as need for the staff of the enterprise are: Advanced Technology Training - Service Providers. The most frequent requirement is for training on various software, depending on business activity, while manufacturing is the most common training of production technologies and production lines and Trainings for leading staff - for planning, organization and innovation.

*5.2 Trainings and performance of workers*

	Frequency	Percentage
YES	20	67 %
NO	8	30%
Absent	2	3%

**Tab. 2: Impact of training on the performance of employees.**

Table 2 shows that from the enterprises that practiced the trainings, 70% of the staff had positive results in performance while doing the job and 30% failed to show success. From surveys, SMEs managers point out that the trained employees did manage to develop new skills and knowledge, whereby these skills and knowledge have benefited the whole enterprise both in terms of development and upgrading capacity. Some other companies have emphasized that with the help of training the employees have done the job faster, have been more effective and more efficient at work, resulting in the same work schedule being able to do more work by saving time. Another statement is that after the training we get more benefits, usually this is the opinion of service companies who have trained staff who are in constant communication with clients. Staff has managed to develop communicative and persuasive skills, welcome and good behaviour, and as a result, the number of clients in these companies has increased. From the surveyed enterprises, it results that there has been an increase in investments since their establishment. 92% of surveyed enterprises followed investment growth, while only 8% did not have an increase in investment.

*5.3. SME Development by Number of Employees*

One of the indicators for business growth or SME development is the number of employees, if during the years of operation, the number of employees increases, meaning that investments in those companies have also increased.

Years	Number of employees in %					Total
	1.-5	6.-10	11.-15	16.-20	21+	
0-1	0	0	0	0	0	0
2.-4	7,5	0	0	0	2,5	10
5.-7	12,5	0	2,5	0	5	20
8.-11	17,5	5	0	0	2,5	25
12+	37,5	5	0	0	2,5	45
<b>Total</b>	75	10	2,5	0	12,5	100

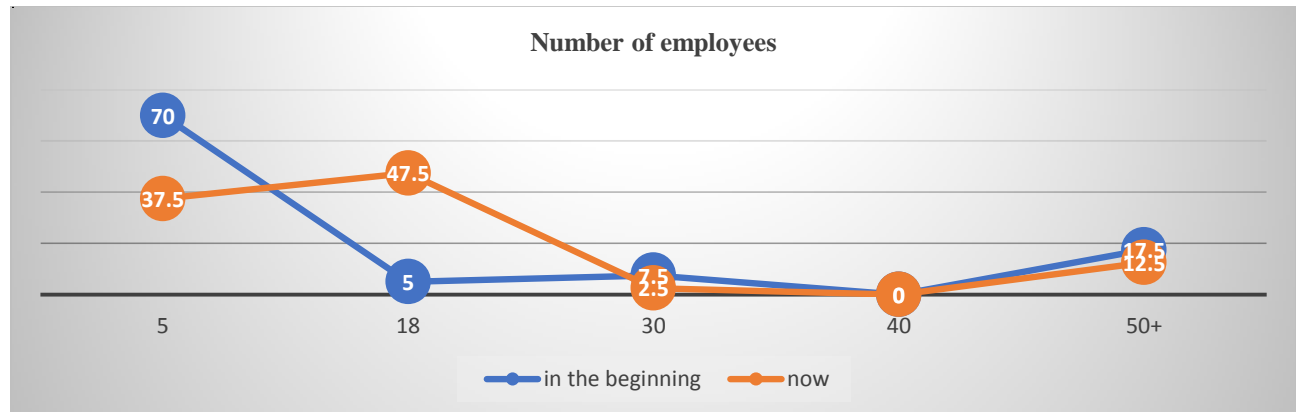
**Tab. 3 Number of employees in the first year of the operation of the business**

Table 3 shows the number of employees when business is opened and years of business operation. From the table above it is seen that most businesses have started work with 1 to 5 employees 75% of businesses, 10% with 6 to 10 employees, 2.5% with 11-15 and with over 21 workers have started work 12.5 % of businesses within which enter the medium enterprises. Out of a total of 30 SMEs, 10% of them are operating 2-4 years, 20% 5-7 years, 25% out of 18 and 45% over 12 years.

Years	Number of employees in %					Total
	1.-10	11.-30	31-50	51.-70	71+	
0-1	0	0	0	0	0	0
2.-4	2,5	7,5	0	0	0	10
5.-7	7,5	7,5	0	0	0	20
8.-11	10	7,5	0	2,5	5	25
12+	17,5	20	0	0	7,5	45
<b>Total</b>	37,5	47,5	0	2,5	12,5	100

**Tab. 4: Current number of the employees**

Table 4 shows the percentage of current employees in SMEs according to the operating years. Enterprises operating from 2 to 4 years have 2.5% of them employing 1 to 5 employees. This percentage increases for all levels according years of operation of the enterprises in the market.



**Graph 7. The correlation between the number of employees in the beginig of the businesses and currently**

Graphic 7 shows that the average number of employees in the first year of operation is 5 workers, which is the highest percentage, while currently the average number of employees is 20 employees, which results in a higher percentage in comparison with the number of employees in other enterprises. This connectivity has appeared as a result of analysing of table 1 and 2.

The SMEs managers from the interviews pointed out that they mostly had investments in: machinery; Investment in real estate (land, business premises, flats); Investment in technology; Expanding businesses; Increase in the number of employees; Growth of the company's overall assets; Extension of production line; Changes in business activities and Capital investment in general

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**6. FINDINGS, DISCUSSIONS AND STUDY LIMITATIONS**

The literature review reveals that the so far research carried out has been largely oriented to the role of human resources in economic development and the growth of foreign direct investment. The purpose of this paper was to focus mainly in human resources of small and medium-sized enterprises. The current research in Macedonia has shown that SMEs in the country do not pay much attention to staff training, and in our research, it emerged that 67% of surveyed enterprises in Municipality of Gostivar train their staff. In addition to the findings that were different in comparison to other studies, discussions with enterprise managers showed that technology is the main factor for increasing investment in enterprise rather than human being, while thinking that technology can replace a lot of work that human does.

This study is done only in the Municipality of Gostivar, so there is no wider territorial involvement. The role of increasing human resources in this work is limited to professionalism and human resources training. The trainings are also included in this paper. As we live in a time where technical-technological development and other managerial developments are growing fast, then trainings are indispensable for enterprises. So, human resources seem to be professionally prepared and well-managed in a timely manner in order that the SMEs provide a steady investment growth. In addition to trainings and professional trainings, there are other factors that have a significant impact on human resource performance such as motivation, organizational leadership, manager-worker relation, etc.

**7. CONCLUSIONS AND RECOMMENDATIONS**

Over the last five years there has been a steady increase in investments in small and medium enterprises in the Municipality of Gostivar. As a result, it was important to know whether human resources are one of the factors that have led to increased investment.

According to the results of the survey on professionalism and training in small and medium enterprises in the Municipality of Gostivar, it is worth mentioning that more than half of the businesses have the human resources department, i.e. 65 %, this percentage is higher in medium-sized enterprises, while at small enterprises this percentage is lower, meanwhile 35 % of the enterprises does not have the human resources department including here all small companies. All surveyed enterprises have started working with a small number of employees of 1-5, among which the number of professionals was small compared to the total number of current employees. With the growth of the number of professionals in these enterprises, investments have also started to grow steadily, so according to human resource managers highly qualified employees have shown better performance in relation to employees without professional preparation. Employees with professional training have influenced the business of the company to grow. Investment growth in the company is measured by the number of employees. Initially, the average number of employees was one to five, while the current average number of employees in SMEs is 18 to 40.

During this study it is worth mentioning that small and medium enterprises in the Municipality of Gostivar have started to pay great attention to the trainings since 67% of the surveyed enterprises train their staff and 33% do not practice the trainings. Managers of these companies have mentioned some of the differences between trained staff and those who did not attend the trainings, among them is that the staff who has attended a training has managed to develop new skills and knowledge to whom it has helped to take various initiatives for research and development within the enterprise. Another factor is "time", which is important for any kind of job, and the trained employees have managed to do things faster and better compared to those who did not attend trainings.

As a result of all the aforementioned arguments, human resources play an important role in increasing direct investments of small and medium-sized enterprises. They are also a key factor for an enterprise to survive the competition and to ensure sustainable growth. Despite the technology which we have to adapt, nothing replaces the human factor, creativity, innovations, etc. The development initiatives always are created by human beings and capital of knowledge, since technology has been developed by humans. Therefore, for an enterprise to achieve its goal, which is to maximize profits, it should employ staff who are adequate for the job, i.e. with the appropriate vocational training level and adapt to technical-technological changes by training and re-qualifying the working staff. Small and medium-sized enterprises and all other companies in general should not evaluate the staff as a tool, but as a value and biggest asset of the enterprise.

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