

The Impact of HRM Practices on the Performance of Public Institutions (In Focus: Albanian Customs Administration)

Enis Fita^{1*} Remzi Keco²

1. Faculty of Economics, Professional Business Academy, Rruga Vangjel Noti Nr.25 Laprake, 1001, Tirana - Albania

2. Faculty of Economics & Agribusiness, Agricultural University of Tirana, Albania

Abstract

The field of human resource management (HRM) has attracted great attention among different disciplines because of the contribution and its impact on issues within organizations. The concept of human resources and their management has evolved in recent years. A particular area, which has received considerable attention through theoretical debate, is the relationship between HRM practices in the organizational performance (OP). Researchers are constantly trying to analyze and explain the impact of HRM practices in OP, often taking into account one of two perspectives: systemic perspective or strategic perspective. However, recently the debate has shifted towards a more integrated approach to management on how a universal set of HRM practices can contribute to the OP. After an expose of achievements to date on theoretical approaches and achievements empirical concept of HRM and performance, the impact and nature of the link between the two, through this study will argue theoretical and practical existence of ways and mechanisms to explained the impact of HRM on organizational performance. Thus, connection and influence between HRM and performance in this study includes multiple levels of analysis and is associated with a mechanism called practices of human resource management, such as training, recruitment, career opportunities, remuneration, job security, performance evaluation and job description, who individually or together is expected to have a greater impact, expressing so the synergy effect. Because generally the mechanisms that link organizational performance are mainly financial incentives, the difficulty is when operated largely in their absence such as public administration. Therefore, the primary focus of this study is to select a set of practices of HR that are supposed to have a big impact on the performance of public administration and in particular is taken to study Albanian Customs Administration (ACA) given its importance in maintaining and improving financial and economic indicators for the country. Because of the direct impact that the customs administration has in the performance of the Albanian economy and as well as the performance of this administration often is paralleled with the functioning of the state, explains the reason for its selection in this study. In this study we present an explanatory link of human resource practices against the performance of the customs administration and to broaden the debate about the theoretical and methodological issues and the impact of connectivity between HRM and organizational performance. Our goal is to build an agenda for further research in this field.

Keywords: practices of human resource management, customs administration, organizational performance

1. The importance of the study

The concept of HRM has evolved in recent years. Until a few years ago it was considered a novelty, now the treatment and management of human resources remains a thorny issue in the organization, whether private or public, because the practices of HRM are considered the most important competitive advantages of the organization. The level of HRM impact on organizational performance is highlighted as key issues in the field of research personnel / HRM (Becker, B., & Gerhart, B., 1996). The first results of research in this area suggests that some human resources practices can have a positive effect on organizational performance, human resources (HR) is considered as the most valuable asset of an organization (Pfeffer, J., 1998).

HRM is a bureaucratic practice that deals with the human dimension to achieve the objectives of the organization in the workplace. A good system of HRM and its practice keeps under control the level of performance while not leaving it to weaken (Khilji, S. E., 2001). For this purpose, HRM proves its effectiveness through a strong "package" of practices and activities intended to benefit on organizational effectiveness. HRM is an essential element of any service industry, but especially in the public service sector, whose employees are often the most valuable source because they provide services that should benefit the entire public. In this optics, public services are directed to a wide "customer", and offering them based on the report time-cost-quality is a key process for public organizations. Articulation of HRM and public management agrees with efforts to develop a systematic response to the reform and restructuring initiatives in the public sector, by achieving a greater operational efficiency of HR together with government spending cuts. However, the specificity of public sector which is in the spotlight of the broad public interest rather than private, add a measure of complexity that does not fit easily with HRM as a strategic partner in achieving competitiveness and organizational results.

The implementation of the HRM's principles within the public sector should displace traditional model of personnel administration, arguing the need for a new orientation to shift from a culture of compliance in performance-based culture. Generally, administrative system in public organizations is subject to a bureaucratization of procedures to ensure that decisions and actions are formalized through a predetermined application of the rules and processes. Management by a new model of public management involves the application of physical resources, financial and human resources to achieve the objectives of good governance. The rhetoric of the new public management is defined as "the art of management in the private sector" which stretches in the public sector (Gray, A., & Jenkins, B., 1995). So, the new orientation of public management and borrowing forms of private sector must also affect the style of management of HRM in public organizations.

HRM's new models must be realized through designing, conception, development, implementation, supervision, obtaining feedback policy practices to achieve performance results in line with the strategic direction of the organization of the public sector. In this study, we analyze theoretically through the literature review regarding the impact of HRM practices on the performance of public organizations. Therefore, the primary focus of this study is to select a set of practices of HR that are supposed to have a big impact on the performance of Albanian Customs Administration (ACA) given its role in preserving and improvement of financial and economic indicators for the country. Because of the direct impact that ACA has in the performance of the Albanian economy since the good functioning of this administration often paralleled with the functioning of the state explains its selection in this study.

1.1. The key research questions

Through reviewing the literature it seems that there isn't a consensus about the nature of HRM. Some studies focus on the effectiveness of the HR department (Teo, STT, 2002); other in terms of knowledge, skills and competencies, while some studies define HRM in terms of specific practices (Batt, R., 2002), or a "bundle" of practices (Cappelli, P & Neumark, D., 2001). Although, there is not a listing of practices applicable in HR, it is accepted that there are about 26 of them from which the top are 4 such as: training and development, rewards scheme, performance management (including assessment) and as well as recruitment / selection. These practices can reflect the main objectives of the "strategic" programs of HRM, namely the identification and recruitment of individuals with strong quality, equipping them with the skills and confidence to work effectively, monitoring their progress in relation to objectives required to progress their search objectives, and in the end the reward for those who exceed these targets.

This study will focus on some questions which constitute the main logic of chronological research.

- Does HRM practices affect the performance of public organizations?
- What are those practices that most impact in this relationship?
- Is the performance management in public administration, a process that crosses all stages (planning, setting goals, objectives and strategies) or occurs randomly or sporadically?

In order to answer these research questions, the study will address some issues in chronological order, which are.

- Identification of "bundle" of practices of HRM that affect organizational performance (PO).
- Review approaches and theoretical models that explain the mechanism connector between HRM and OP.
- Synthesis of existing models on a theoretical conceptual model based on the context of Albanian customs administration.

1.2. The objective of the study

This research aims to identify the different theoretical approaches concerning the assessment of the relationship between HRM and OP and as well the definition of a "bundle" of HRM practices that result as the most efficient on the performance of public organizations. The main objectives of the study include:

- Review of the literature regarding the approaches and models of HRM, which will serve as a theoretical framework in which we will support our research.
- To present an overview of the theoretical literature in order to provide a consistent solution to the questions raised in this study.
- To present a series of arguments on the issues raised by integrating the focus of the study.

More specifically, this study will investigate the relationship disclosure of a "bundle" of human resource practices that affect the performance of Albanian Customs Administration. As every study that has at its center an object of study "alive" as Human Resources, it is important to stress that HRM practices have an important role in the success of the organization. In order for this to happen it is essential that HRM in the organization became a dynamic process that includes the entirety of policies in order to maximize organizational integration, the commitment of individuals at work, flexibility, quality at work, realized through actions and management decisions that affect the work culture and quality of the relationship that is established

between the organization and its employees.

The selection for the study of the Albanian customs administration is related to the challenge and the necessity which represents the performance of this vital sector to the fiscal indicators in Albanian economy. Given that Albania has an economy which is still not focused on a consolidated production system, fiscal administration (tax and customs) and all activities arising from it take a major importance for economic and financial indicators and consequently for the country's economic performance. After 25 years of changing political and economic system, Albania continues to suffer the consequences of a difficult transition, the consequences of which are felt at all macroeconomic indicators. The effects of globalization, strengthening the role of the state in the fight against corruption and informality, meeting in view of European integration process, confront the public administration with significant challenges associated with improving the quality of services that provide, enhance and strengthen the efficiency in the revenue performance which play an role in the overall budget and state revenues. In this context, it emerges not only the importance of advanced programs or technologies, but also the importance of having a human framework skilled, dedicated and innovative. Employment and treatment of employees by some contemporary practices of HRM, such as the identification and recruitment of individuals with strong quality, providing them later with the skills and confidence to work effectively, monitoring their progress in relation to the objectives required, and finally the best reward for them that exceed these targets (Batt, R., 2002), assumes great importance not only for the development of an organization but also to create positive effects on economic and social development of a country. Customs Administration aims at satisfying the public (business) and his service performance (quality) and on time, while the private sector is aimed directly to the profit, which represents a considerable difference in the two sectors missions. Because that this administration has the primary mission of providing public services it is considered as an important sector that contributes to the development and progress of all aspects of society. The novelty of the study is to identify a "bundle" of HRM practices that affect the performance of the customs administration. Among other things, through this study we will try to contribute modestly in the trunk of HRM studies in public organizations in Albania.

2. Data's Collection

In this study the ways of providing data will be based on two stages. The first phase will be that of a secondary search that will be obtained through a review of existing literature using electronic libraries of different universities, as well as contemporary texts in this field manual. The second phase is the primary search, which will be realized through the collection of primary data to be provided directly by the authors through the development and distribution of a questionnaire as a survey instrument that serves for the systematic collection of data about key issues taken into consideration. For the design of the questionnaire we are focused on theoretical literature and interviewing heads of the human resources department at the General Directorate of the Albanian Customs. The data will be structured to take individual perceptions of the respondents in this study. The survey data are based on personal perceptions that employees of the customs administration have regarding HRM practices, the impact of those on their motivation and commitment to work, as well as their impact to the organizational performance. The questionnaires will include questions that are structured according to a Likert scale (1-5), and will be analyzed quantitatively based on the methods of descriptive statistics.

The questionnaire in its structure will be divided into 3 categories of questions: 1. Questions about individual context factors such as: age, education, field of graduation, years of work in the administration, job Position, etc. Biographical information such as: marital status, number of dependents and gender because these features according to the theory of organizational behavior have an impact on individual attitudes toward work; 2. Questions about the attitudes and perceptions of employees concerning the performance of organization where they work; 3. Questions regarding the elements of the study model concerning HRM practices (from recruitment to performance evaluation).

The questionnaire is important in designing some of the questions that integrate concepts of New Public Management and the integration of the organizational strategy with HR strategy. In the questionnaire would be require a detailed interpretation of the questions about HRM practices. For example, the recruitment will be investigated by referring its formal treatment, so if this practice is carried out in conformity with confirmed procedures in the regulation of the organization, as well as less formal aspects such as separation of duties or compliance values. The scale used for measuring the data is Likert scale as one of the methods used in these kinds of questionnaires, where attitudes are expressed through statements. Its use gives participants the opportunity to show what they think about the factors expressed and helps to differentiate between the responses given. The Licert scale consists of a series of statements expressing a favorable attitude or unfavorable through a digital file, with respondents asked to take a stand, from 1 - Strongly disagree to 5 - I fully agree. The main objective in this study is the Albanian Customs Administration. Therefore in terms of empirical study the population of this study is the customs administration, so the number of the total population is 1002 (information on the volume of the population is taken in the Ministry of Finance in the budget adopted for 2015 and the

Decision of Council of Ministers dated 04.12. 2013). The selection of the sample (sample) will be done in the way that the results produced by it should be significant for the population under consideration, while maintaining a high level of confidence. This sample may also describe other between biographical characteristics such as gender, age, marital status, and seniority.

3. The relationship between HRM and OP

Viewing theoretical and empirical literature on the added value of HRM, also known as the link between HRM and performance shows significant effects of HRM in the OP. However, there remains a need for additional studies to support HRM connection with the performance, and there is also a need for further empirical research from different angles. In this section we will present the nature of the relationship between HRM and OP. Treatment of HR as a competitive advantage to the organization is a matter already received in wide level (Pfeffer, J., 1994). But the creation of competitive advantage is the result of the importance that HRM plays in the organization process. In this optics, based on the literature review is noted the efforts of researchers to identify the role of HRM in the generation of the added value in the organization, thus highlighting the contribution of the department of HRM in creating this competitive advantage, which directly affects the OP .

Among the authors that offered systematic studies on the nature of the relationship between HRM and OP we can mention, such as: Arthur (1994) which focused on exploring the relationship between HRM and manufacturing performance and turnover; MacDuffie (1995) which highlighted the effect of “bundle” of HRM practices in manufacturing performance and flexible manufacturing systems; Huselid (1995) which dealt with the concept of working practices and systems to a high performance and their impact on organizational performance; Guest (1997) which addressed the impact of HRM practices on individual performance through financial incentives as representatives of organizational performance. Although the review of literature on this argument acknowledges the existence and impact of HRM practices in the OP, as otherwise some authors expressed doubt on the existence of such a relationship. In many studies focused on HRM practices is assumed that people are the main source of organization and organizational performance. So if there is a proper strategy of HR policies and if the processes are developed and implemented effectively, then HR will have a significant impact on the OP. The main research focus of many studies of HRM is evidence of the existence of a clear and positive relationship between HRM practices and OP.

As mentioned above, there have been many researches which aimed to answer two basic questions: Do they have HR practices an impact on the OP? If yes, what is the effect achieved? The second question is the most important. It is not enough to justify that HRM is an added value, but what matters is what can be done to ensure that HRM provide this added value to the organizational performance. This is the so-called “black box” mentioned by Purcell et al (2003) that lies between the goal and the result in this direction. From the literature review we note that there is a considerable progress, not only in theory but also in terms of empirical studies, about the analysis of the relationship between HRM and OP. Guest (1997) argued that there is no theory about performance *per se* and there is a need to build a theory on HRM, on performance, and a theory about the relationship between them. Later Boslie et al (2005) showed that there is no sufficient progress on the matter because there is a vacuum in the literature regarding alternative theories of HRM. According to him, strategic contingency approaches, AMO theory and theory based on resources seems to be the most popular theory. However, it is not yet clear how these theories link HRM and performance, so it is not clear the mechanism of the relationship between HRM and performance.

3.1. Pros and cons approaches on HRM-Performance relationship

However, there are other approaches in relation to the relationship between HRM and performance made possible by the level of HRM practices and policies of the organization for achieving this goal. This relationship is reflected in two directions: first, some HR results are approximate and most vulnerable to the HR practices than others; second, to influence the organizational performance HRM practices should initially affect results closer to its human resources. Savaneviciene A, Stakeviciute Z. (2010) argued that to make present the impact of HR practices to the OP is essential to see how they affect the results of proximal and distal outcomes.

However, the focus of our study is the performance of public organization and as we mentioned above there is a difference between the performance of public organizations and the performance of private organizations, while the philosophy of New Public Management encouraged the idea of implementing the principles of management of private sector to public organizations. However, many authors have identified and recognized the positive impact of management and its instruments in organizational performance issues. Performance management is a term used more and more in the context of public organizations, to show them the importance of managerial activities intended for monitoring, measuring, evaluating and improving the organizational performance. Performance management as a separate process of the organization, for the measurement or finding suitable indicators is a hot topic of debate among scholars and academic researchers in this field. According to the Boyne (2003) performance management process affects the performance of the

public organization in some elements, such as: leadership, organizational culture, HRM development and implementation of strategies.

As we noted earlier, there is already an important theoretical and empirical contribution concerning the identification of the relationship between HRM and OP. Regarding this relationship most critical point of debate is how exactly they affect each other and how they explain each other. Empirical researches that examine this relationship confirm the positive impact of HRM on organizational values. However, there are still gaps concerning the definition of variables that affect the relationship between HRM and Organizational Performance. Scientific researches have identified a positive relationship through the implementation of HR practices with high performance, such as: extensive training programs, workers' compensation based on performance, careful selection and staff recruitment and performance evaluation. By referring to the literature related to the exploration of the relationship between HRM practices and OP we may distinguish two approaches: the approach of "best practices" and the approach of "best fit".

The approach of "best practices" focuses on the need for a stable relationship between HR practices in order to achieve an effective performance. This approach has had a considerable support from empirical research of several authors (Huselid, 1995; Delaney & Huselid, 1996, Arthur, 1994; Ichniowski et al., 1994; MacDuffie, 1995). This approach relies on a limited number of HRM practices within an organization, as well as the idea that the right combination of them can influence the success and the organizational performance. While the authors who embrace the approach of the "best fit" argue the administration of those practices that best fit with the strategy of the organization, which brings as result the performance improvement. According to Wright and Boswell (2002), HRM practices are not isolated from one another, but must be combined appropriately to achieve an added value to a higher performance. MacDuffie (1995), initially suggested a configuration of best practices of HRM and their combined implementation. Pfeffer (1994) managed to identify a set of 16 best practices, reducing later (1998) in 7, such as safety at work, selection of staff, working group, remuneration, training, reduction of differences between statuses, sharing information. The resultant of all these approaches is that HRM cannot be treated as a whole, but must be separated right a set of practices that can be applied successfully to any organization, regardless of their characteristics.

However, the tendency to reach the identification of a list of these practices is faced with different critics. They underline the importance of analyzing the environment in which organizations operate. The so-called contingency perspective, argues that the positive impact of practices depends on how they comply with the internal and external environment of organization. The critics argue the need to evaluate the flexibility, when the compatibility is not enough but is important the ability to adapt them to the constant changes of the internal and external environment in which the organization operates. Lepak and Snell (1999) argued that an organization cannot use a single approach for all its employees within the organization because there are different types of employees and configurations and policies to address are so different. Lepek and Snell model suggests that the best way to invest in human capital needs to change in order to adapt to the variability of HR and their typologies. So, employees are distinguished on the basis of values that they create in the organization (contribution between the creations of competitive advantage) and their knowledge and specific skills to the organization (unique). On the other hand, some authors argue that whether an individual or bundle, HR practices not affect directly firm performance (Katou and Budhwar, 2006). According to these critics, human resource practices can directly affect some intermediate variables which in turn affect the performance of the firm; this is what can be called "black box" in the performance of HRM research. Some researchers have started looking into "black box" to better understand the practices of HR that can influence better are and significantly the organizational performance (Way, 2002; Katou and Budhwar, 2006). These authors call on researchers to HRM to conduct further studies to "black box" to find an effective mechanism to link the performance of HRM, which can help further academics and professionals to clearly understand the relationship between HRM and OP.

4. The conceptual model to study the relationship of HRM practices and OP (Albanian Custom Administration)

After an expose on reviewing the theoretical and empirical researches and some theoretical conceptual models concerning the understanding of the nature of the relationship and influence between human resources practices and organizational performance, in this section we will present (Figure 1) the conceptual model to study the relationship of HRM and OP in the case of Albanian Custom Administration. This model begins with HRM practices and finishes with organizational performance in the Albanian customs administration.

This model will try to explore how HR practices which includes a bundle of practices such as: recruitment and selection, job security, career opportunities, motivation, training, job descriptions, compensation and performance evaluation, impacts the custom administration performance in terms of: improvement of income, level of transparency, quality of service, law enforcement and facilitation of procedures. The final goal of this study is the identification of a combination of practices that have a direct impact on organizational performance.

However, as it was interpreted by many authors in the literature review, this system is inevitably affected by contextual (external and internal) factors of the organization. In our study we will be taken in consideration also individual contextual factors, such as: age, gender, education, working years in customs administration, category of job, occupation and civil status. In this context, individual characteristics receive a special significance. In the figure is shown a simplified connection of this relationship.

5. Expected results

In a developing country like Albania, which still faces with economic informality and the challenge of building the rule of law is a general perception that the practice of human resource management are not so effective because they are simply formalized in accordance with the law of civil employees. On the other hand is a general perception that these practice are not enforced in real terms due to phenomena such as: lack of merit in the recruitment process or in the way of career growth and ineffective way of motivation, reward or employee training.

As mentioned above, many researchers have highlighted the importance of effective implementation of HRM practices to stimulate the growth of organizational performance and achievement of long term objectives, even creating a competitive advantage for organizations concerned. This study will aim to give a modest contribution not only to other studies in this area but also to raise the awareness about the importance of the practice of human resource management in public organizations in our country.

This research aims to identify the different theoretical approaches about the evaluation of the relationship between HRM and OP and the definition of a “bundle” of practices of human resource management resulting as the most effective way to influence the performance of public organization. More specifically, this study will investigate the relationship of the “bundle” of human resource practices that affect the performance of the customs administration.

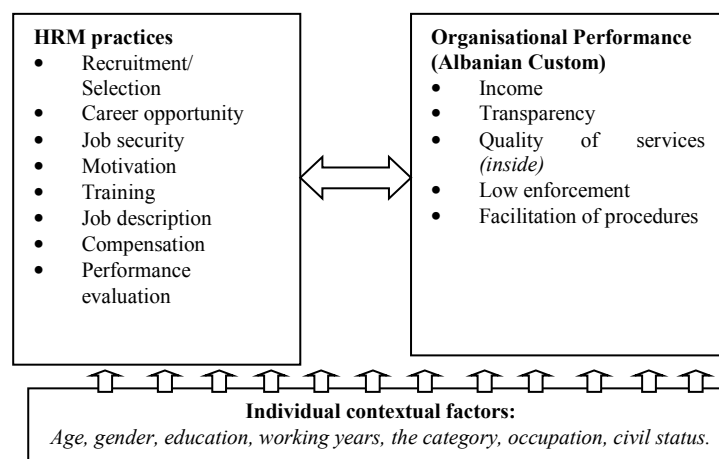


Figure 1: The conceptual model to study the relationship of HRM Practices and OP (Albanian Customs Administration)

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