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# Correlation of Recruitment and Selection of Human Resources and the Performance of Small and Medium Enterprises

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## Abstract

Human resources are the most significant resource of a company; this is especially true for small and medium enterprises (SMEs) in which they create the company's competitive advantage because of their uniqueness. Human resources manage other resources and are responsible for the efficiency and success of the organization. The main goal of this research is to determine whether and to what extent the recruitment and selection of human resources are in correlation with the performance of SMEs. The research was conducted in SMEs in the Herzegovina Region in the Federation of Bosnia and Herzegovina in April 2019. An original questionnaire was created for the survey, within which top managers views on recruitment and selection of human resources were collected as well as the four-perspective performance of the business based on the Balanced Scorecard model. SPSS 20.0 was used for data analysis. Descriptive measurements used for data analysis include mean, standard deviation, and mode. The Kolmogorov-Smirnov test was used to test distribution normality. To test the correlation of variables and to determine the significance of differences, the Pearson correlation coefficient and t-test for independent samples were used. The level of significance was set to  $p = 0.05$ . The research results showed the correlation between the studied variables and the correlation of recruitment and selection of human resources and the performance of SMEs viewed from all four perspectives. A limitation of the research is the sample size and the sampling method. The results can be applied in the human resource management of SMEs.

**Keywords:** Human Resources Management, Performance, Recruitment, Selection, Small and Medium Enterprises

## Introduction

Human resources represent the most important factor of business success and they represent the key strategic and competitive advantage of each organization. It's the people who, with their knowledge, skills, abilities, motivation, using and managing material, financial and information resources, have the most influence on the business results, development and survival of each company. This is particularly true for human resources in small and medium enterprises that, because of their size, seek the main support in a competitive struggle on a globalised market in the uniqueness of human resources and their quality and motivation.

Human resource management became a primary role in each enterprise and has become a key business function. Finding competent candidates and employees and choosing the ones that can affect the achievement of company goals the most has become one of the most important tasks of human resource management, but also of companies in general. Lately, young people with general development potential, who are flexible, innovative, communicative, prone to teamwork and dynamic working environment are increasingly sought after, while specific knowledge of doing a certain job is in the backseat.

Despite some progressions made, studies focused on small businesses indicate the use of rather informal HR practices than formal systems, with reluctance in formalization (Benmore & Palmer, 1996; Wiesner & McDonald, 2001; Kotey & Sheridan, 2004). The recruitment process is an important prerequisite stage in a successful hiring process. Since the quality of the recruitment process is crucial for the effectiveness of the employee selection, small companies need to invest more resources in recruiting good candidates (Zahaire & Osoian, 2013). According to Lai and Saridakis (2017) small firms, in contrast, are often reported to lack sophisticated and formalised HR practices and rarely have HR professionals and experts (Wapshott & Mallett, 2015). Instead, HR issues may remain the domain of organizational leaders, especially founders and owners, or may be delegated to other non-specialist staff as part of their wider managerial remit (Marlow, Taylor, & Thompson, 2010). It is interesting to note that over half of British employees (55%) are employed in small workplaces with no official HR specialist (Van Wanrooy et al., 2013), and the presence or absence of an HR expert largely depends on workplace size. Generally, HR activities in SMEs are informal, reactive and have a short-term outlook (De Kok, Uhlaner, & Thurik, 2002; De Kok & Uhlaner, 2001).

The main goal of this research is to determine whether and to what extent the recruitment and selection of human resources are in correlation with the performance of small and medium enterprises. Business performance of enterprises was observed according to the balanced scorecard (BSC) model. A BSC looks at an organization from four different perspectives to measure its success. Each of these perspectives focuses on a different side of a company, creating a balanced view of an organization. The perspectives that this method focuses on are the financial perspective, the customer perspective, the internal business processes perspective, the learning and growth perspective.

Numerous authors have dealt with the key elements of the BSC and their application in small and medium enterprises (Von Bergen & Benco, 2004) pointing out that the BSC model can equally be applied to small and medium-sized businesses as well as large companies. Robert Kaplan (Biazzo & Garengo, 2012) in the book dealing with the implementation

of BSCs in small and medium enterprises, points out that it is incorrect to observe that the BSCs can be applied only in large and global companies, emphasising the need for small and medium-sized enterprises to use this approach to measuring success.

Nair (2004) points out that the corporation, both big and small, can fail for several reasons. But the most significant cause of failure is not a lack of strategy, but the incapacity to execute on a balanced strategy. The BSC exists to serve this incapacity.

## Theoretical Background

### Recruiting and Selection of Human Resources

In modern business conditions, people have become the most important business segment, regardless of the great importance of material, financial and information resources. People have become what gives competitive and strategic advantage to organizations and businesses and enable them to survive and develop in a very globalised and competitive economy and the world. The organization is a reflection of its people and the success of the organization depends on the quality of the talent employed by the organization.

Given the evident importance of human resources for each organization and enterprise, human resources management has become a primary managerial and business function makes the essence of a manager's job that along with planning, organising, managing and controlling.

In the late 1990s, a landmark study conducted by McKinsey and Company focused on personnel talent as the most important corporate resource for organizations. As noted by researchers Jerome Rosow and John Hickey, as organizations now place a premium on human capital, a critical question centres on how people become part of an organization (Michaels, Handfield-Jones, & Axelrod, 2001, as cited in Goldstein, Pulakos, Passmore, & Semedo, 2017).

According to Barber (1998) and Rynes (1989) finding the right employees for any organization requires an intricate combination of systems working in tandem. Company needs effective systems to attract a suitable and substantial pool of applicants. You need to screen and select the most appropriate candidates, and ultimately you need to convince those selected to accept the job offer. Despite the interdependence of these systems, much of the literature on staffing organizations focuses on screening and selection, with far less attention being paid to the attraction functions. If an organization fails to attract sufficient quantities of candidates with the right

qualities, the selection system will not be effective regardless of its sophistication (Boudreau & Rynes, 1985).

Human Resources Planning should be seen as a strategic process in the management of human resources, which creates the prerequisites for taking on time the necessary actions to ensure the human resources necessary for solving problems that an organization faces in the implementation of the adopted strategy (Gutošić & Drašković, 2009).

According to Newman and Sheikh (2014, p. 416) recruitment and selection in SMEs are generally done on an informal, ad hoc basis through the use of practices which are convenient and inexpensive (Heneman & Berkely, 1999; Hornsby & Kuratko, 2003). Employee recruitment is often conducted through the use of personal connections and word of mouth rather than formally, via an established application and selection process (Carroll et al., 1999; Gilbert & Jones, 2000; Kotey & Sheridan, 2001; Cooke, 2005).

Once the planning of human resources has been completed, the recruitment process should start which is defined as a process of creating a group of qualified candidates for the vacancies within the organizations. In both professional and non-professional areas, recruitment will include an attempt to locate a diverse applicant pool with the necessary qualifications and potential, and communicate to them the available employment opportunities (Raghavi & Gopinathan, 2013).

Recruitment is a process of attracting candidates for job vacancies, who have the abilities, skills and features required for successful job performance and setting goals. Includes searching, attracting and providing candidates, and choosing the ones who best match job vacancy requirements. The purpose of recruiting is to find enough candidates to be able to choose the best.

Selection is the process of using predetermined and standard methods and techniques for a particular job for choosing those who best meet its requirements. The candidate selection process can be defined as a process of assessing the ability of candidates based on pre-defined criteria and methods, to select the best candidates. The selection process aims to predict and maximise the future performance of employees and organizations. It's also important to note that external recruitment is only one option for solving resource shortfalls in the organization.

According to Stoilkovska, Ilieva and Gjakovski (2015) the selection process consists of the following elements: the interest of the candidates for the job, review of the job, application forms, testing and interview, checking the accuracy of the information, feedback and job offer, medical examination and deployment and implementation at the workplace.

It is thought that selection is one of the most important parts in the successful management of human resources because it is the task of the selection process to find the right people for the right jobs. If this is not achieved, the organization will not be able to accomplish its mission, vision and goals (Stoilkovska et al., 2015). Managers, as well as specialists of HR departments and executives who find themselves in the role of the Committee for the admission of new workers, must know that selection is a two-way process. Both a potential employer and a potential candidate make decisions about the choice.

Numerous authors have analysed and researched what is attracting candidates to a particular company, which is the reason for talent to choose to hire in a particular company. The things that affect the employees' decisions about the right employer are also changing over time. Paterson reflects on Korn Ferry's study of 1,100 talent acquisition professionals which indicates that, unlike five years ago, compensation (i.e., salary and benefits) is no longer the top reason why candidates choose one employer over another. Nowadays, a company's culture is the number one factor. He believes that salary is still important and can help attract talent, but the overall impact is small and that the employer will not retain good people without commitment to positive culture and values, investing in improving the quality of senior management, and creating a career development opportunity (Paterson, 2018). A review of the literature shows that there is a positive relationship between the amount of pay and applicant attraction. A meta-analysis by Chapman et al. (2005) found this positive relationship to be strongest for early stages of attraction  $\gamma = 0.27$ , becoming less important in later stages such as actual job choice  $\gamma = 0.12$ .

Building an attractive job is on very important: If a job was a product to be sold, job characteristics represent the features and capabilities of the product that the company is trying to sell. The challenge is to identify what job characteristics are likely to be universally attractive to job applicants and/or to engage in job design with the target audience in mind. Chapman et al.'s (2005) meta-analysis found that the location of an organization was a significant predictor of attraction  $\gamma = 0.32$ , particularly for women. There are many reasons why location is important to job applicants. Proximity to family and friends, entertainment opportunities, lifestyle, spouse's job location, cost of living, school quality, crime rates, and so forth are all tied to where the organization is located (Nikolau & Oostrom, 2015).

According to Ehrhart and Ziegert (2005) researchers have distinguished between environmental and interactionist perspectives, insofar as perceptions of the organization's culture can have a main effect on organizational attraction, or they can interact with the cultural values held by potential applicants. According to Darnold and Rynes (2013) organizational characteristics such as organizational image, location, size,

familiarity, reputation, industry, and profitability have all been shown to have significant influence during the recruitment process.

The very important factor for attracting a candidate is the employer brand. The Employer Brand is the perception that current and future employees have about the company's business as a workplace. According to Nikolau and Oostrom (2015) recruiting practice has perhaps changed more in the past six years than it changed in several decades preceding.

## Balanced Scorecard

Business success can be measured by numerous financial or quantitative and qualitative measures. Quantitative data are more objective since they are listed numerically and are equally considered by all observers. However, these data are based on a particular accounting information system for legal and tax considerations that may distort the reality of the business. Despite the objectivity of financial indicators, they actually reflect past performance and do not necessarily point to the sustainability of success in the future. Over the last twenty years, great emphasis has been placed on the qualitative benchmarks of business success and achievement of company goals. Therefore, a multitude of standards has been developed focusing on quality and not quantity.

According to Kaplan and Norton (2001), one of the methods often used in many pieces of research, although modified in various forms, is the Balanced Scorecard (BSC) method, which represents a combination and a kind of balance between quantitative and qualitative business results.

The BSC framework is based on the balance between leading and lagging indicators, which can respectively be thought of as the drivers and outcomes of companies' goals. When used in the BSC framework, these key indicators tell management or owners whether or not they are accomplishing companies' goals and whether they are on the right track to accomplish future goals.

A BSC looks at an organization from four different perspectives to measure its success. Each of these perspectives focuses on a different side of a company, creating a balanced view of an organization.

The perspectives that this method focuses on are: financial, customer, internal business processes and learning and growth. BSC shows you a way to make strategy actionable. As a framework for action, it can be updated and creates a renewable methodology and framework (Nair, 2004).

## Small and Medium Enterprises

Small and medium enterprises (SMEs) represent more than 99% of the total number of enterprises and employ almost 70% of the total number of employees. Small and medium enterprises are the main drivers of innovation, employment and social and local integration in Europe. In many of its documents, the European Union has put small and medium enterprises at the top of their priorities, which emphasises the need to help this sector.

SME-s in Bosnia and Herzegovina are even more important given the fact that the economy in the war and after has significantly collapsed. It is expected that small and medium enterprises could and should be the backbone of Bosnia and Herzegovina's development, which could enable faster growth, and development.

Bosnia and Herzegovina are part of a complex state that consists of two entities, the Federation of Bosnia and Herzegovina and Republika Srpska, and the Brčko District. The definition of SME-s is not fully harmonised and each entity, as well as the Brčko District, has its definition and classification.

## Setting Hypotheses

Human resources are the most important resource of the enterprise. People, their development, their motivation and their satisfaction have become the main tool of competitive abilities and advantages in a highly competitive global marketplace.

**Table 1.** Classification of SMEs in Bosnia and Herzegovina

Classification criteria	Federation of BH			Republic of Srpska			District Brčko	
	Small		Medium	Small		Medium	Small	Medium
	Micro	Small		Micro	Small			
Number of employers	1 - 9	10 - 49	50 - 249	1 - 9	10 - 49	50 - 249	1 - 49	50 - 249
Income in KM (000)	400	4.000	30.000	10.000		50.000	2.800	11.000
Balance Sheet (Assets) in KM (000)	400	4.000	40.000	10.000		43.000	1.400	5.500

Note: KM – convertible mark

Source: The Laws of Bosnia and Herzegovina

The key managerial task and function has become to provide quality people, motivate them, educate and develop them to achieve high results and contribute to the achievement of the company's goals.

The defined problem has also defined the underlying objective of this research, which is to gain insight into the correlation of the recruitment and selection of human resources and the success of small and medium-sized enterprises. The sub-goals of this research are to come to the knowledge of whether and to what extent the recruitment and selection of human resources are in correlation with each of the four perspectives of business performance based on the BSC model (the financial perspective, customer perspective, the internal business processes perspective and the learning and growth perspective).

The problem and the objectives set for this study determined the content of the two hypotheses which state:

H1 – “There is a significant correlation between recruitment of human resources and business performance viewed from the financial perspective, customer perspective, the internal business processes perspective and the learning and growth perspective”.

H2 – “There is a significant correlation between selection of human resources and business performance viewed from the financial perspective, customer perspective, the internal business processes perspective and the learning and growth perspective”.

## Methodology of Research

### The Scope of the Research, Methods of Collecting and Processing Data Model

The research for this work was carried out in SME-s in Bosnia and Herzegovina in the Region of Herzegovina in the Federation of Bosnia and Herzegovina, which includes two Cantons in total, namely the Herzegovina-Neretva and Western Herzegovina Canton and part of Canton no.10. The criterion for defining SME-s was one-dimensional. The number of employees was used, which is identical in all three laws that define this matter in Bosnia and Herzegovina. Small businesses are those up to 49 employees and medium between 50 and 249 employees. The research was conducted in March and April 2019 in 32 companies.

For the study an original questionnaire was created, which consisted of three parts. In the first part of the questionnaire, basic questions were asked about the companies while in the second part of the questionnaire questions were asked about recruitment and selection of human resources in the companies. In order to measure and evaluate the recruitment

and selection of human resources, Likert scale type 1 to 5 is offered for answers to questions. To measure the performance of the company for this paper, a modified BSC method with four perspectives was used. For each of the perspectives, four indicators were selected from a group of possible indicators for that perspective. Qualitative indicators were used in a way that managers or owners were asked to give a subjective rating of performance for each indicator in four perspectives by assessing the movement over the last three years (in a scale ranging from 1 (strongly decreased) to 5 (strongly increased)).

Data are analysed using SPSS 20.0. Descriptive measurements were used in the analysis of the data: mean, standard deviation, mode. The Kolmogorov-Smirnov test was used to test distribution normality. To test the correlation of variables and to determine the significance of differences, the Pearson correlation coefficient and t-test for independent samples were used. The level of significance is set to  $p = 0.05$ .

### Operationalization of Variables

The independent variable in hypothesis H1 is the recruitment of human resources. It was measured by subjective assessment of the following indicators: human resource planning, recruitment way of human resources, sources of information of candidates, techniques and activities used for attracting quality staff, incorporating employees into attracting talent and activities during the advertising and searching for the job candidates.

The independent variable in hypothesis H2 is the selection of human resources. It was measured by subjective assessment of the following indicators: persons in charge for testing and selection of human resources, methods used for selection, types of testing used in the process of selection and types of interviews used in the process of selection and checking the past of job applicants.

The dependent variables are the business performance of SMEs viewed from four perspectives that BSC method focuses on: the financial perspective, the customer perspective, the internal business processes perspective and the learning and growth perspective.

The financial perspective of SMEs is measured by the following indicators: income, profit, costs and loss;

The customer perspective of SMEs is measured by market share, retention of existing customers, retrieving new customers and customer satisfaction.

The internal business processes perspective of SMEs is measured by introducing innovations to business process, percentage of made errors, finishing production and

supplying the product/service to customers in time and after-sales service/customer service.

The learning and growth perspective of SMEs is measured by investments in training and education of employees, enabling employees to use new technologies, mutual employee collaboration and knowledge sharing and empowerment and consideration of employee suggestions.

## Research Results and Discussion

### General Information on Research Enterprises

The results of the research on the characteristics of the enterprises involved in the research are presented in a few words. The largest share of the researched companies has 25% tourism and catering, followed by Wholesale and retail of 12.5%, then Manufacturing etc. The largest number of companies (31.2%) was founded after 2010 and then from 1996 to 2010, 25% of them.

Concerning the number of employees, 56.2% of them are small businesses, those with less than 50 employees, while

43.8% of them are medium-sized companies with between 50 and 250 employees. Most companies (62.5%) are legally organised as a limited liability company. In private ownership is 81.3% of all researched companies, while 34.4% of companies have one owner and 46.9% of them has multiple owners.

### Research Results on Recruiting of Human Resources

The results of the survey show that the average rating in the surveyed companies for “Properly updated employee database” is 3.81, for “Formed and accepted Human Resource Development Plan” is 3.03 and for “the development of the system for recruitment and selection of human resources” is 3.13.

Table 2 shows the descriptive statistics for assessing the adjustment of the candidate's recruitment process, the appraisal of training and employee adjustments, as well as the evaluation of competition monitoring when planning and recruiting staff.

Table 3 shows descriptive statistics for assessing the frequency of use of individual items when recruiting a job applicant.

**Table 2.** Human resource planning

	Min	Max	M	SD	C
The process of recruiting job candidates is adjusted to the different target groups of employees / professionals we want to hire.	1	5	3.84	1.05	4.0
We do the training and adaptation of those who are working on recruiting the staff in order for the process to be well done.	1	5	3.50	0.95	4.0
We keep track of what the competition is doing and offers to attract talented and competent candidates.	1	5	3.06	1.05	3.0

M – Mean; SD – Standard Deviation; C - Median

**Table 3.** Recruitment way of human resources

	Min	Max	M	SD	C
Internal Advertising (internal sources)	1	5	3.06	1.34	3.0
Manager Recommendations (internal sources)	1	5	3.59	1.04	4.0
Human Resource Department Information and Proposals (internal sources)	1	5	3.31	1.45	4.0
Outdoor Advertising through Media and the Internet (External Resources)	1	5	3.19	1.20	3.5
Direct applications, existing databases of potential candidates applying for a job	1	5	3.44	1.22	4.0
Manager's and Employee's Recommendations (External Resources)	1	5	3.59	1.04	4.0
Recommendations of friends, acquaintances,	1	5	3.50	1.11	4.0
Employment Agencies	1	5	2.69	1.38	2.5
Educational institutions	1	5	2.72	1.30	3.0
Professional internship	1	5	3.13	1.18	3.0
Professional meetings and conferences	1	5	2.31	1.26	2.0

M – Mean; SD – Standard Deviation; C - Median

The results of the research show that most of the manager's recommendations are used in the internal statements and recommendations of managers and employees for external recruitment, followed by the recommendation of friends. The results also showed very bad rating for professional meetings and conferences and employment agencies in which there is a dominant rating 1, while very low rating for educational institutions with a dominant rating 2.

Table 4 shows the representation of the use of individual sources of information on candidates.

**Table 4.** Using individual sources of information on candidates

	number of companies *	% (n=32)
Application form	12	37.500%
CV	25	78.125%
Motivational letter	12	37.500%
Questionnaire	7	21.875%
Recommendations	18	56.250%
Certificates and diplomas	15	46.875%
Diploma in Foreign Language Knowledge	10	31.250%
Evidence of abilities (computer literacy, driver's license, certificates etc.)	11	34.375%
Evidence of the previous performance of the jobs that the candidate worked for	15	46.875%
Other	9	28.125%

\* multiple answers possible

**Table 5.** Using techniques for attracting quality employment staff

	Min	Max	M	SD	C
High salary and additional compensations	1	5	3.41	0.87	3.5
Positive corporate culture and company's value	2	5	3.97	0.78	4.0
Good working environment	2	5	4.16	0.85	4.0
Investing in career development (education and promotion in the organization's hierarchy)	2	5	3.91	0.93	4.0
Quality management that uses a high-quality style of leadership	1	5	3.56	0.95	4.0

M – Mean; SD – Standard Deviation; C - Median

**Table 6.** Usage of different activities with the aim of preparing and attracting quality staff

	Min	Max	M	SD	C
We have completely created a model for an ideal job candidate pointing out to the details of the knowledge, skills, abilities i.e. competences that candidate should have.	2	5	3.38	0.71	3.0
We have fully worked out what characteristics and values candidates should have to match with company's values and corporate culture.	2	5	3.50	0.72	3.5
We have fully worked out and determined what kind of health, energy, and power is required for candidates.	2	5	3.34	0.75	3.0
We have fully clear presented the prospect of working for the company to all potential candidates to attract the best and most excellent ones.	2	5	3.53	0.80	3.0
Company information are transparent and publicly available to all interested parties on the web site so that applicants could meet the company and to keep them interested and attracted for working in it.	3	5	3.84	0.77	4.0

M – Mean; SD – Standard Deviation; C - Median

Table 5 shows descriptive statistics for assessing the frequency of using different techniques for attracting quality employment staff.

Research findings show that the most commonly used technique for attracting new employees is positive work environment with a score of 4.16 and it is followed by a positive corporate culture and company's value with rating 3.97. Table 6 shows the descriptive statistics for the evaluation of the use of different activities with the aim of preparing and attracting quality staff.

The highest rating is for activities the Company information are transparent and publicly available to all interested parties on the web site so that applicants could meet the company and to keep them interested and attracted for working in it with rating 3.84.

The survey results also show that the average rating for the claim "In the process of attracting and advocating for engaging talented and excellent employees we included present employees as company ambassadors." is 3.66. Table 7 shows the descriptive statistics for the evaluation of the use of various activities during the advertising and searching for the job candidates.

Research results show that very few companies have developed an online job application. The average rating for recruiting human resources is 3.47. The average rating for medium-sized companies for recruiting human resources is 3.59 and for small businesses is 3.38. The results show that statistically significant

differences in the scores between small and medium enterprises were not found ( $p > 0.05$ ). Nonetheless, if you look at the average values, certain differences can be observed.

### Research Results on Selection of Human Resources

Table 8 shows the representation of the answer to the question of who does testing and selection of human resources in the company.

Table 9 shows descriptive statistics for the frequency of using different methods for selection of human resources.

The results of the research show that companies for the selection of candidates mostly use the interview and then test work. Table 10 shows descriptive statistics for the frequency of use of different types of testing in the process of human resources selection.

**Table 7.** Activities during the advertising and searching for the job candidates

	Min	Max	M	SD	C
We publicly advertise that we are looking for candidates for certain positions.	2	5	3.75	1.11	4.0
On the company's website, we advertise that we are looking for candidates for certain positions.	2	5	3.50	1.08	4.0
We have developed an on - line job application.	1	5	2.53	1.02	2.0
Candidates and interested in the job had possibility to tour the office / facility in the company to get familiar with the working environment.	1	5	3.66	1.15	4.0
We organised a visit for the candidates and interested in the job, warmly welcomed them and allowed them to talk with employees in order to gain insight into the relationships and satisfaction of employees in the company.	1	5	3.53	1.24	4.0

M – Mean; SD – Standard Deviation; C - Median

**Table 8.** Person/department in charge of testing and selection of human resources

	Number of companies*	% (n=32)
An employee of the department of human resources	6	18.750%
Manager/Director	28	87.500%
Psychologist / expert	2	6.250%
Department of Human Resources	6	18.750%
Department of Human Resources, Manager and Expert / Psychologist	5	15.625%

\* multiple answers possible

**Table 9.** Using different methods for selection of human resources

	Min	Max	M	SD	C
Tests	1	5	2.59	1.60	2.0
Interview	2	5	4.44	0.80	5.0
Test work	1	5	3.72	1.22	4.0
General medical examination	1	5	2.31	1.40	2.0

M – Mean; SD – Standard Deviation; C - Median

Based on the results of the research testing is used very little and there are low ratings for all types of tests. The most used ones are knowledge tests. Table 11 shows descriptive statistics for the frequency of using different types of interviews in the process of human resources selection.

Table 12 shows descriptive statistics for the frequency of checking the past of job applicants.

The results of the research show very poor ratings and are particularly interesting low ratings for candidates on the Internet and social networks. Table 13 shows descriptive statistics for evaluating the significance / importance of some candidate selection criteria.

Research results show that it is considered as the most important for selection are job motivation, motivation for education and development with the rating 4.22, Professional competence with the rating 4.13 and flexibility and adaptability with the rating 4.12. The average rating for human resource selection is 3.11 and slightly lower than the rating for recruiting with the rating 3.47. There is a difference in the ratings for the selection of human resources between medium and small enterprises. The average grade for medium enterprises is 3.28 and for small businesses it is 2.97. The results show that statistically significant differences in the scores between small and medium enterprises were not found ( $p > 0.05$ ). Nonetheless, if you look at the average values, certain differences can be observed.

**Table 10.** Using different types of testing in the process of human resources selection

	Min	Max	M	SD	C
Computer and online testing	1	5	2.69	1.53	3.0
Situational testing and simulation	1	5	2.56	1.50	2.5
Ability tests (intelligence, sensory, psychomotor)	1	5	2.41	1.56	2.0
Knowledge Tests	1	5	2.78	1.60	2.5
Personality Tests - Psychological	1	5	2.31	1.51	2.0
Tests of interest	1	5	2.22	1.29	2.0
Tests of attitudes	1	5	2.06	1.19	2.0
Testing of analytical abilities	1	5	2.28	1.22	2.0
Unconventional testing (graph logical testing, drug testing, polygraph testing)	1	5	1.81	1.20	1.0
Other tests	1	5	2.53	1.46	2.5

M – Mean; SD – Standard Deviation; C - Median

**Table 11.** Using different types of interviews in the process of human resources selection

	Min	Max	M	SD	C
Preliminary interview (at the beginning of the selection process, to eliminate some candidates)	1	5	3.25	1.48	4.0
Diagnostic Interview (more detailed conversation of getting to know the candidate)	1	5	3.59	1.39	4.0
Reception interview (the final act of selection process, more focused on informing future employees)	1	5	3.72	1.33	4.0

M – Mean; SD – Standard Deviation; C - Median

**Table 12.** Checking the past of job applicants

	Min	Max	M	SD	C
We check the validity of the current (or previous) position and salary of the candidate with their current (or former) employer by phone or on the other way.	1	5	3.03	1.38	3.0
We contact the current or former candidate manager to learn more about candidate's motivation, technical ability and ability for working with others.	1	5	2.69	1.20	3.0
Reports about past form Credit worthy Organizations for Commercial Loans - Credit Status, Indebtedness, Reputation, Character and Lifestyle.	1	5	2.25	1.30	2.0
Evidence of the performance on the former jobs of the candidate.	1	5	2.94	1.34	3.0
We check candidates on Google search engines.	1	5	2.44	1.52	2.0
We check candidates on social networks (Facebook, Twitter, LinkedIn, Instagram).	1	5	2.63	1.48	2.5

M – Mean; SD – Standard Deviation; C - Median

### Estimation of Business Performance

Estimation of business performance was explored through a customised BSC method. Four perspectives for BSCs and trends for the past three years have been explored.

Table 14 shows descriptive statistics for assessing company business performance on the BSC dimensions.

The managers best rated the customer's perspective in the enterprise with the rate 4.02 and then the learning and

**Table 13.** Significance / importance of some candidate selection criteria

	Min	Max	M	SD	C
Professional competence	1	5	4.13	0.94	4.0
Cultural adaptability	1	5	3.97	0.97	4.0
Independence and self-confidence	1	5	3.94	0.91	4.0
Social skills	1	5	4.06	0.98	4.0
Physical and emotional health	1	5	3.81	0.78	4.0
Flexibility and adaptability	3	5	4.12	0.79	4.0
Linguistic ability	1	5	4.06	0.91	4.0
International job experience	1	5	3.31	1.12	3.0
Job motivation, motivation for education and development	1	5	4.22	0.87	4.0
Motivation for working abroad	1	5	2.75	1.41	3.0
Family status	1	5	2.91	1.42	3.0
Leadership skills	1	5	3.69	1.06	4.0
Something else	1	5	3.03	1.38	3.0

M – Mean; SD – Standard Deviation; C - Median

**Table 14.** Company's business performance on balanced scorecard dimensions

	Min	Max	M	SD	C
Financial perspective BSC1			3.83	0.56	
Income	1	5	4.09	0.82	4.0
Profit	1	5	3.97	0.86	4.0
Costs	2	5	3.44	0.91	4.0
Loss	3	5	3.81	0.86	4.0
Customer perspective BSC2			4.02	0.65	
Market share	1	5	3.91	0.86	4.0
Retention of existing customers	3	5	4.03	0.74	4.0
Retrieving new customers	2	5	4.00	0.72	4.0
Customer satisfaction	2	5	4.16	0.81	4.0
The internal business processes perspective BSC3			3.69	0.67	
Introduces innovations in business process	2	5	3.97	0.86	4.0
Percentage of errors made	2	5	3.38	0.83	3.0
Finishes production and supplies the product / service to customers in time	2	5	3.75	0.88	4.0
After-sales service / customer service	2	5	3.66	0.94	4.0
The learning and growth perspective BSC4			3.84	0.71	
Investments in training and education of employees	2	5	3.62	0.87	4.0
Enable employees to use new technologies	2	5	3.84	0.85	4.0
Mutual employee collaboration and knowledge sharing	2	5	3.94	0.76	4.0
Empowerment and consideration of Employee Suggestions	2	5	3.97	0.78	4.0

M – Mean; SD – Standard Deviation; C - Median

growth perspective with the rate 3.84. The worst is the perceived internal business processes perspective with the rate 3.69.

**Correlation of Recruitment and Selection of Human Resources and Business Performance of SMEs**

The correlation of recruitment and selection of human resources and small and medium-sized businesses has been calculated by determining the correlation coefficient between recruitment and the selection of human resources for small and medium-sized businesses. Business performance is calculated using a BSC model. It also calculated the correlation of recruitment and selection of human resources and each of the perspectives from the BSC model in particular.

According to the results of the research, it has been found that there is a correlation between the recruitment and selection of human resources and the business performance of small and medium enterprises.

All correlations are positive also for each question, a higher grade of an individual question means a higher rating of a particular BSC perspective. Correlation between recruiting human resources and business performance is significant with grade .441at the 0.05 level (2-tailed). Based on the results of the research it can be concluded that the hypothesis number 1 is fully accepted. The correlations between recruitment of human resources and the perspectives of three BSCs are significant, though all of them are positive.

According to the research results, it can be concluded that the second hypothesis H2 is not confirmed. The correlation between the selection of human resources and the perspective of learning and growth is significant, and the correlation between the selection of human resources and the three other perspectives is not significant although it is also positive for each of them.

**Conclusion**

Human resources are the most important resource of the company. Human Resource Management is one of the most important business functions as well as management functions. Recruitment and selection of human resources are very important for small and medium enterprises as well as for large ones.

Recruitment is best described as the way in which an organization tries to source or attract the people from whom it will ultimately make selections. Recruitment strategies include efforts to reach better pools of candidates and to sell the organization as an employer of choice. Recruitment is a process of attracting candidates for job vacancies, who have the abilities, skills and features required for successful job performance and setting goals. Includes searching, attracting and providing candidates, and choosing the ones who best match job vacancy requirements. The purpose of recruiting is to find enough candidates to be able to choose the best.

Selection is the process of using predetermined and standard methods and techniques for a particular job for choosing those who best meet its requirements. The candidate selection process can be defined as a process of assessing the ability of candidates based on of pre-defined criteria and methods, to select the best candidates. The selection process aims to predict and maximise the future performance of employees and organizations.

Company performance was observed using the BSC model, where four perspectives are observed: the financial perspective, the customer perspective, the internal business processes perspective and the learning and growth perspective.

The results of the research in small and medium enterprises implemented in the Herzegovina Region show that recruitment and selection of human resources are in correlation

**Table 15.** Correlation of recruitment and selection of human resources and the business performance of small and medium enterprises

		BSC1	BSC2	BSC3	BSC4	BSC
Recruiting	Pearson Correlation	0.150	<b>0.431*</b>	<b>0.386*</b>	<b>0.431*</b>	<b>0.441*</b>
	Sig. (2-tailed)	0.414	0.014	0.029	0.014	0.011
	N	32	32	32	32	32
Selection	Pearson Correlation	0.017	0.124	0.233	<b>0.427*</b>	0.261
	Sig. (2-tailed)	0.928	0.497	0.200	0.015	0.149
	N	32	32	32	32	32

Note: \*Correlation is significant at the 0.05 level (2-tailed).

with the performance of SME's - measured through 4 perspectives of the BSC. Recruitment and selection of human resources are more advanced in the middle than in small businesses. The process of recruiting human resources is especially significant for SMEs, as attracting excellent talents and employing them, companies improve business performance viewed from all observed perspectives.

The results can be used for the management of SMEs and departments of human resource management. The obtained results clearly and unequivocally point to the need to develop a human resources management function in enterprises, and in this context, that special attention is paid to recruitment and selection of staff, because by finding, by selecting and employing competitive staff, companies are able to achieve their business goals and compete with competition and ensure survival and development. Companies with higher-quality attractiveness and staff selection achieve better

business performance viewed from all four perspectives of the BSC. Small and medium-sized enterprises in Bosnia and Herzegovina, due to the general political and economic situation, large emigration of the population and the lack of labour force in BiH, despite the high unemployment, are difficult to reach quality staff. They need to pay special attention to recruiting staff because they are competing with each other for staff on the labour market.

The results obtained must be taken with reserve and can't be the basis for making general conclusions but can be the starting point for further research. The limitation of the survey is the sample size and sampling method. Research needs to be conducted on a large number of enterprises. Also, quantitative and qualitative data should be used for it. In the future, it should consider the fact whether the company has the Human Resources department (regardless of the size of the department, one employee or more).

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## Soodvisnost zaposlovanja in izbire človeških virov ter uspešnosti malih in srednjih podjetij

### Izvleček

Človeški viri so najpomembnejši vir podjetij, kar še posebej velja za majhna in srednje velika podjetja (MSP), v katerih ti zaradi njihove edinstvenosti ustvarjajo podjetniške konkurenčne prednosti. Človeški viri upravljajo druge vire in so odgovorni za učinkovitost in uspeh organizacije. Ključni cilj te raziskave je določiti, ali in do kolikšne mere sta zaposlovanje in izbira človeških virov v soodvisnosti z uspešnostjo MSP. Raziskavo smo izvedli v MSP v regiji Hercegovine Federacije Bosne in Hercegovine aprila 2019. Za anketiranje smo oblikovali izvirni vprašalnik, s katerim smo zbirali mnenja vrhnjih menedžerjev o zaposlovanju in izbiri človeških virov, kot tudi t. i. Balanced Scorecard model štirih vidikov uspešnosti podjetja. Za analizo smo uporabili SPSS 20.0. Opisne mere, ki smo jih uporabili v analizi podatkov, obsegajo povprečje, standardni odklon in modus. Za preverjanje normalnosti porazdelitve smo uporabili Kolmogorov-Smirnov test. Za preverjanje korelacije spremenljivk in določitev značilnosti razlik smo uporabili Pearsonov koeficient korelacije in t-test za neodvisne vzorce. Raven značilnosti je bila nastavljena na  $p = 0,05$ . Rezultati raziskave so pokazali korelacijo med analiziranimi spremenljivkami in soodvisnost med zaposlovanjem in izbiro človeških virov ter uspešnostjo MSP z vseh štirih vidikov. Omejitve raziskave je velikost vzorca ter metoda vzorčenja. Rezultate je mogoče uporabiti pri upravljanju človeških virov v MSP.

**Ključne besede:** upravljanje človeških virov, zaposlovanje, izbira, majhna in srednje velika podjetja