

Industry Variations and Financial Impact of HRM practices in Slovenian SMEs

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Purpose: This study analyzes the implementation of selected HRM practices in small and medium-sized enterprises (SMEs) across four Slovenian industries and examines their relationship with financial performance.

Methods: A survey was conducted among 60 SMEs in four industries (motor vehicle trade and repair, construction, food and beverage manufacturing, and ICT) to assess their involvement in productivity, motivation, satisfaction, organizational climate, organizational culture, engagement, and quality management. Statistical analysis in SPSS examined industry differences and links between HRM practices and financial performance, measured by return on assets (ROA).

Findings: Results indicate significant industry differences in HRM. Car dealerships and ICT companies place greater emphasis on HRM, while construction and food manufacturing companies exhibit lower levels of implementation. A weak but observable relationship was found between HRM implementation and ROA, with the strongest association in organizational culture.

Conclusion: While statistical significance was not fully established, the findings indicate that HRM implementation is associated with improved financial outcomes, with discernible industry-specific patterns in both adoption and effects. These results underscore the need for tailored HRM strategies that align with industry-specific contexts and operational requirements.

Keywords: HRM, Financial performance, SMEs, Industry differences, Slovenia

1 Introduction

Financial performance is a key objective for organizations, as it determines long-term viability and growth (Glykas, 2011; Anandan & Gupta, 2022). While various internal and external factors contribute to business success, human resource management (HRM) is a crucial determinant (Armstrong, 2020; Dessler, 2020). Systematic HRM practices are consistently linked to improved organizational outcomes and profitability (Huselid, 1995; Becker & Gerhart, 1996; Kaur & Kaur, 2021; Chourasia & Bahuguna, 2024). However, much of this evidence comes

from research on large corporations (Rotich, 2015; Ferjan, 2018), leaving a gap in understanding the contributions of specific HRM practices to the performance of small and medium-sized enterprises (SMEs) (Harney & Alkhalaf, 2021).

SMEs are the backbone of most economies, accounting for 95% of global businesses and employing over 73% of the workforce (OECD, 2022). Slovenian SMEs play a similarly crucial role in the national economy, contributing significantly to employment and value creation (OECD, 2022, 217-218). Recent empirical studies confirm HRM's effect on financial indicators, particularly in SMEs (Khan et al., 2020; Lai et al., 2017; Byarugaba et al., 2022; Ru-

bio-Andrés et al., 2022), and meta-analyses further validate this positive relationship (Hu et al., 2022; Kaur & Kaur, 2021; Saridakis et al., 2017). In Central, East, and South European economies, which faced global downturns during transitions, sectors and organizations that invested heavily in human resources experienced above-average, sustainable growth (Kmecova and Androniceanu, 2024). Despite their economic importance, research on HRM within SMEs remains fragmented.

SMEs differ significantly from larger companies in structure, resources, and managerial capacity. Their smaller scale requires more informal and adaptive HRM approaches, shaped by external pressures and resource constraints (Harney et al., 2022; Kroon & Paauwe, 2021; Patel & Conklin, 2012). These factors constrain the implementation of formal and strategic HRM (Harney, 2021). In the Slovenian context, Čater and Pučko (2009) identified that HRM practices are more prevalent in large and medium companies than in smaller ones. This reflects broader patterns seen in SMEs (Harney & Alkhalaf, 2021; Kmecova & Androniceanu, 2024).

Beyond firm size, HRM implementation varies across industries (Harney et al., 2022; Byarugaba et al., 2022), reflecting differences in operations, workforce, and competition. Some sectors show higher HRM adoption than others (Ahmad & Schroeder, 2003). In service and knowledge-focused industries, where employees drive value, HRM practices are more strategically integrated than in more manual sectors (Kmecova & Androniceanu, 2024). Although studies highlight HRM's importance for financial performance (Bowen & Ostroff, 2004; Kaur & Kaur, 2021), the specific impacts on SMEs and across industries remain unclear.

HRM theories mostly originated in large, Western manufacturing organizations, which differ from smaller, modern, service-oriented organizations (Rotich, 2015; Ferjan, 2018). The transferability of HRM theories to SMEs and different cultural and economic contexts remains underexplored (Harney & Alkhalaf, 2021; Harney et al., 2022; Kmecova & Androniceanu, 2024). In CEE economies like Slovenia, the HR function developed in the shadow of socialist administrative models and still shows low strategic integration (Zupan & Kaše, 2005; Psychogios et al., 2016; Pološki Vokić et al., 2017; Soulsby et al., 2021). The spread of Western HRM faces strong institutional and cultural legacies (Rabenu et al., 2018; Pološki Vokić & Vidović, 2008), keeping the shift to more strategic, human-oriented, and performance-enhancing HRM, beyond core processes, slow and uneven (Psychogios et al., 2016; Pološki Vokić et al., 2018). Combined with SME-specific structural constraints, this legacy creates a context in which HRM is implemented selectively and unevenly across industries.

While theoretical support for HRM practices is strong (Armstrong, 2020; Dessler, 2020), their role in financial outcomes remains complex (Lai et al., 2017; Saridakis

et al., 2017). Boon et al. (2019) reviewed 295 empirical studies, finding a positive influence of HRM practices on financial outcomes, but also noting inconsistencies in their definition and measurement, and confirming that the HRM–performance link varies across industries and organizations. The Slovenian context offers further insights: Zupan and Ograjenšek (2004) and Čater and Čater (2009) confirmed HRM's influence on financial performance, though the relationship is moderated by context. While required administrative practices are widespread in Slovenia, the use of strategic HRM remains inconsistent. Foundational HRM theories—from early management principles and motivation, to human relations and organizational behavior—provide a framework for practices that should impact performance. However, applying these theories and understanding their effects across contexts remains unresolved.

To address these gaps, this study examines HRM practices across industries in Slovenian SMEs and their link to financial performance. It focuses on seven practices from foundational theories: productivity measurement, employee motivation, employee satisfaction, organizational climate, organizational culture, employee engagement, and quality assurance. This research answers two questions: (1) Do HRM practices differ by industry in Slovenian SMEs? (2) Is the presence of HRM practices in SMEs associated with financial performance, as measured by return on assets (ROA)? By providing empirical evidence on industry-specific HRM adoption and its financial effects, this study aims to bridge research gaps. The findings benefit academics and practitioners, offering a deeper understanding of HRM in SMEs and its impact on organizational success. As Slovenia's economy is SME-driven, the results may be relevant for other small economies.

2 The content and origins of HRM practices

Human resource management (HRM) involves a range of activities to manage and optimize human resources to achieve organizational goals. It encompasses various activities related to people and their work in an organization, all designed to ensure employees perform successfully (Story, Ulrich, & Wright, 2019). The HR function is responsible for systematically and integratively managing human resources in alignment with the business strategy (Boxall & Purcell, 2016; Svetlik & Kohont, 2023). HRM practices play a critical role in providing and developing the human resources essential for achieving organizational objectives (DeCenzo & Robbins, 2016; Armstrong, 2020; Dessler, 2020).

Functionally required HR practices encompass the core HR processes rooted in Fayol's (1916) scientific approach to management. They include workforce planning,

recruitment and selection, training and development, performance management, and compensation and benefits management (DeCenzo & Robbins, 2016; Armstrong, 2020; Dessler, 2020; Kroon & Paauwe, 2021). These practices are intertwined with all organizational functions, ensuring the right number of qualified personnel are in place to achieve goals and are often defined as personnel management practices. Additionally, some bureaucratic and administrative practices are necessary in HR, including legal obligations related to employee documentation and record-keeping. Personnel management and administrative practices are universal, well-defined, and functionally required for organizations to operate (Ferjan & Bernik, 2022).

Beyond the operationally required HR practices that tend to be implemented uniformly, different themes and approaches of performance-driving HRM have emerged, reflecting evolving organizational needs. Theoretical advancements in this domain have profoundly influenced modern HRM practices, expanding its scope from administrative to a strategic function that integrates motivational, behavioral, and relational theories (Obedgiu, 2017). Although not essential to organizational functioning, these HRM practices aim to enhance employee efficiency (Kobayashi, 2018; Armstrong, 2020; Dessler, 2020).

The theoretical roots of this human-oriented dimension span several decades of scholarship. The development of HRM has its origins in the Industrial Revolution, when structured personnel management became essential for large-scale production. Taylor (1911) and Fayol (1916) established the foundations of systematic HR practices and focused on work productivity. This influenced subsequent theories, including the famous Hawthorne studies by Elton Mayo (1933), which revealed the importance of social and individual factors in productivity. This led to the emergence of human relations theories, which emphasize the psychological and social aspects of work.

The mid-20th century witnessed further advancements in understanding human behavior in the workplace. During this period, theories shifted HRM's focus toward creating performance-driving work environments. Maslow's hierarchy of needs (1943) laid the foundation for motivational theories, proposing that employees are driven by a progression of needs and Herzberg's two-factor theory (1964), which distinguished between hygiene factors (salary, work conditions, job security) and motivators (recognition, career growth, personal achievement) provided the conceptual foundations for employee motivation and satisfaction as distinct HRM constructs. Uhrbrock (1934) and Bullock (1952) were among the first to define job satisfaction as an employee's emotional response to their work environment, while Brayfield & Rothe (1951) further developed its measurement using systematic, standardized methods. Tagiuri (1968) and Redding (1972) introduced the organizational and communication climate as a distinct organi-

zational environment factor, while Kahn (1990) identified the personal factors that drive work performance, arguing that employee engagement is more important than mere motivation and encompasses emotional, cognitive, and behavioral commitment to work. As challenges in a competitive, rapidly evolving market driven by technological advancements shifted the focus from quantity (e.g., productivity) to the quality of work, the application of quality assurance frameworks advanced quality management as a strategic HRM orientation (Deming, 1986; Anderson et al., 1994). Later, the study of organizational cultures gained prominence with the emergence of globalization (Hofstede, 2001).

Over time, HRM has thus evolved to not only manage staffing but also to enhance critical employee-related factors in achieving sustainable success, integrating motivational, behavioral, and relational theories (Guest, 2011). While HRM is a well-researched field, its practical relevance beyond core HR processes remains unclear (Kaufman, 2020; Guest, 2011). In particular, little is known about the implementation of human-oriented, performance-driving HRM practices in Slovenian SMEs, whether their adoption differs across industries, and how they relate to financial performance.

3 Literature review and hypothesis

Drawing on the historical development of HRM, this study examines seven constructs that represent the core themes of behavioural and human relations theories applied to HRM: productivity measurement, employee motivation, employee satisfaction, organizational climate and culture, employee engagement, and quality management. These constructs were selected because (a) they represent theoretically well-established dimensions of HRM, (b) they are operationally distinct and measurable in practice, and (c) they are explicitly excluded from the basic personnel management framework yet are proposed to enhance organizational performance. Broader topics related to organizational practices and human-oriented approaches (e.g., leadership, teamwork, or communication), though relevant, fall outside the scope of this study, which is delimited to well-known, systematically manageable HRM practices.

The seven constructs thus serve as the independent variables in the empirical analysis, and their relationships with financial performance and their variation across industries, as identified in the literature review, form the basis for our hypotheses. To situate the seven selected constructs within the existing empirical landscape, a scoping review was conducted focusing on two dimensions for each practice: evidence of variation in adoption across industries, and evidence of association with financial performance. Table 1 summarises the conceptual description of each construct—

with the variable names used in the empirical analysis—alongside the key findings from this review.

A literature review reveals a broadly positive, yet consistently context-dependent, empirical picture. Associations between HRM practices and financial performance are most robust for quality management, organizational culture, and employee satisfaction, yet their strength varies considerably with industry type, firm size, and broader economic context. Evidence of cross-industry variation in adoption is similarly uneven: practices tied to operational standards (such as productivity measurement and quality assurance) appear most sensitive to sector-specific demands, while practices such as motivation and satisfaction are more uniformly present across industries. These patterns point to two interconnected questions that motivate the empirical analysis: whether HRM implementation differs across industries in Slovenian SMEs, and whether it is associated with their financial performance.

Two theoretical perspectives offer explanations. First, contingency theory (Donaldson, 2001; Delery & Doty,

1996) predicts that HRM practices are most effective (and therefore most likely to be adopted) when aligned with sector-specific operational demands, workforce composition, and market dynamics. Given the sector-specific needs of SMEs, HRM adoption is expected to vary significantly across industries. Second, resource-based theory (Barney, 1991) holds that human resources, when effectively managed, constitute a source of sustained competitive advantage and superior financial performance. SMEs implementing HRM practices are expected to leverage human capital as a competitive asset and achieve superior financial performance. Given the empirical and theoretical foundation, the study proposes two hypotheses.

- *H1: The implementation of HRM in Slovenian SMEs differs significantly across industries.*
- *H2: There is a relationship between HRM implementation and the financial performance of Slovenian SMEs.*

Table 1: HRM concepts – descriptions and key findings

Concept description for each examined HRM practice	Key Findings
Systematic Measurement of Productivity (PROD)	
The OECD Productivity Manual (2001) offers the most comprehensive interpretation on productivity measurement and management. It defines productivity »as the ratio between the output volume and the volume of inputs« (OECD, 2001, 12), measuring how efficiently production inputs, such as labor and capital, are utilized to produce a given level of output. Systematic productivity management involves continuous monitoring, optimization, and strategic alignment of processes to enhance efficiency and performance.	Productivity management impacts operational efficiency, resulting in improved financial outcomes (Feng et al., 2022; Tarigan et al., 2022; Huynh et al., 2020; Kengatharan, 2019). Mueti et al. (2024) identified complexities in measuring productivity in knowledge-intensive industries compared to production and Tarigan et al. (2022) demonstrated the economic significance of service productivity management. Regardless of how productivity is defined in different work contexts, its measurement remains meaningful. Industry-specific productivity strategies may therefore be necessary (Klingner et al., 2015).
Motivation and Motivating Employees (MOTI)	
Motivation is the internal drive that compels individuals to take action toward achieving a goal and, according to various theories, stems from an individual's needs. HRM plays a key role in recognizing these needs and implementing incentive systems that drive individuals to achieve goals by addressing intrinsic and extrinsic needs. This includes structured motivation strategies such as recognition programs, career development opportunities, and performance-based rewards.	Well-structured motivation strategies and elevated levels of employee motivation enhance both operational and financial outcomes (Akerlele, 2023; Zakaria, 2022; Morosan-Danila et al., 2020; Grecu et al., 2016). Hu et al. (2022) conducted a meta-analysis on high-performance work systems (HPWS) in organizations, using the Ability-Motivation-Opportunity (AMO) framework. Their findings demonstrate that the implementation of motivation-related HRM practices is influenced by management's strategic focus on HR, prior operational performance, and the complexity of the industry. While motivation strategies may be context-dependent, studies indicate no significant industry variation in the implementation and effects of employee motivation practices (Gillow, 2019).

Table 1: HRM concepts – descriptions and key findings (continues)

Concept description for each examined HRM practice	Key Findings
Employee Satisfaction (SATI)	
<p>One of the first definitions of job satisfaction was put forward by Bullock (1952), who stated that job satisfaction is the result of the balance and summation of a number of specific “likes” and “dislikes” in relation to a job. To foster employee satisfaction, HRM must be systematically involved in ensuring positive work conditions and relationships.</p>	<p>Tarigan et al. (2022), Bakotić (2016), Malik et al. (2017), and Chang et al. (2021) found that job satisfaction positively influences financial performance. It also mediates the relationship between HRM and firm performance, enhancing both operational and financial outcomes (Ginting et al., 2024; Hauret et al., 2022; Mali et al., 2022; Choi et al., 2013; Arumugam & Mojtahedzadeh, 2011; Wagar et al., 2011).</p> <p>Accentuating employees’ level of satisfaction improves the quality of services rendered to customers (Jawaad et al., 2019), and in manufacturing SMEs, job satisfaction has a statistically significant influence on work outputs and financial performance (Khan et al., 2020). Companies with strong employee satisfaction initiatives tend to achieve better financial results (Hauret et al., 2022; Mali et al., 2022). Ginting et al. (2024) confirmed this through a systematic literature review, additionally finding that contextual factors moderate the strength of this relationship. Similarly, Marc Tiana et al. (2022) found that firm size and industry type significantly influence how employee satisfaction translates into financial performance.</p>
Caring for Organizational Climate (CLIM)	
<p>Tagiuri (1968) defined the organizational climate as “the quality of the internal environment of an organization that (a) is perceived by the members of the organization, (b) influences the behavior (conduct) of the members of the organization, and (c) influences the value system of the members of the organization.” Caring for the organizational climate involves establishing incentives or inducements for desired behaviors, aligned with organizational values.</p>	<p>HRM actively influences organizational climate (Bowen & Ostroff, 2004), while organizational climate itself also moderates the impact of HRM on performance outcomes (Dang et al., 2021). Organizations’ approach to climate management impacts productivity, creativity (Parke & Seo, 2017) and fosters innovation and knowledge transfer (Miswaty, 2020), thus improving employee performance outcomes. Nevertheless, organizational climate is highly context-dependent, influenced by numerous factors that are difficult to standardize or manage uniformly (Banwo et al., 2020). To the best of our knowledge, there is no empirical evidence of direct climate-focused HRM practices and financial performance link based on the scoping review. However, positive organizational climate is linked to improved financial outcomes (Miswaty, 2020; Schneider et al., 2013).</p>
Maintaining Organizational Culture (CULT)	
<p>Organizational culture is the internal psychological environment of organizations. It reflects shared values and norms that influence employee behavior (Hofstede, 2001). It consists of the values and beliefs that derive from members’ perceptions of the organization. A strong, performance-oriented organizational culture encourages employees’ dedication and commitment, fostering a sense of belonging and alignment with organizational goals. This is why the involvement of management and HR in shaping and reinforcing organizational culture is one of the key tasks (Gallup, 2018).</p>	<p>Organizational culture contributes to various business outcomes (Akpa et al., 2021; Imran et al., 2021; Moustaghfir et al., 2020; Chopra & Gupta, 2020; Gallup, 2018; Mali et al., 2022). While some authors described the impact of organizational culture on financial outcomes (Hijazi et al., 2024; Chew & Sharma, 2005; Sudiantini et al., 2022), others argue against that (Savić et al., 2023; Mali et al., 2022).</p>

Table 1: HRM concepts – descriptions and key findings (continues)

Concept description for each examined HRM practice	Key Findings
Employee Engagement (ENGA)	
Employee engagement originates within the individual and is reflected in the effort that the employee puts into the job (Schaufeli & Baker, 2003). Employees can be categorized as engaged, disengaged, or actively disengaged. Kahn (1990) studied the relationship between employees and their work tasks and found that engagement is influenced by personal commitment, the meaningfulness of work, job security, and the availability of physical, emotional, and mental energy to perform work tasks. Engagement reflects employees' emotional and cognitive connections to their work, making it a key HRM function to align employees with their roles and create a work environment that fosters engagement (Gallup, 2020).	Authors agree that systematic engagement management in organizations correlates with various positive outcomes (Mansor et al., 2023; Shrotryia & Dhanda, 2020; Albrecht et al., 2015; Hooi, 2021; Corbeanu & Iliescu, 2023). A meta-analysis by Neuber et al. (2022) confirmed a positive association between work engagement and task performance, particularly through its three facets: vigor, dedication, and absorption, a finding supported by a Gallup (2016; 2020) and Kossyva et al. (2023) meta-analysis.
Quality Assurance (QUAL)	
Systematic monitoring of quality assurance refers to processes that ensure products and services meet specified quality standards. Quality is defined as the totality of features and characteristics of a product or service that determine its ability to satisfy stated or implied needs. Quality management systems (for example the European Foundation for Quality Management (EFQM) established the total quality management (TQM) approach, aimed to improve performance, that is widely implemented worldwide) serve as tools to structure, control, and improve standard organizational processes, ensuring efficiency and compliance.	Quality assurance mechanisms enhance both operational and financial metrics (Manley et al., 2024). Dubey (2015) demonstrated the positive influence of TQM on performance in manufacturing, while Yousaf (2024) highlighted that quality-certified companies outperform non-certified ones in manufacturing and construction industries, as measured by ROA and ROE. Abbas and Kumari (2023) suggest similar benefits in knowledge and service based organizations. Despite strong evidence for the financial benefits of quality assurance, some studies (Safari et al., 2020; Yousaf et al., 2021) suggest no consistent impact on financial outcomes in some environments, indicating that contextual factors play a critical role in the effectiveness of HRM practices, directed toward quality management.

4 Methodology

This study aimed to explore the implementation of seven HRM practices across different industries and their relationship with financial performance in Slovenian SMEs. To achieve this, we employed a combination of methods to analyze and synthesize existing knowledge. A compilation approach was used, incorporating descriptive, synthesis, and comparison methods to establish a theoretical basis for HRM practices. Based on the literature review, two hypotheses were formulated: the first tested whether there were significant differences in HRM implementation among industries, and the second examined whether systematic HRM implementation positively influenced financial performance. Hypotheses were empirically tested using a sample of Slovenian SMEs.

The independent variables in this study covered the HRM practices and were conceptualized (also see Ta-

ble 1) as follows: Systematic Productivity Measurement (PROD), Employee Motivation (MOTI), Employee Satisfaction (SATI), Fostering Organizational Climate (CLIM), Maintaining Organizational Culture (CULT), Employee Engagement (ENGA) and Systematic Quality Assurance and Monitoring (QUAL). The dependent variable was financial performance, measured by ROA.

The study targeted Slovenian SMEs operating in four distinct industries: motor vehicle trade and repair, construction, food and beverage manufacturing, and information and communication technologies (ICT). The selection of these industries and companies was carefully considered. In Slovenia, the small market size and high variability among SMEs within the same industry present significant challenges to comparability. Slovenian companies range from many very small ones to a limited number of large, often with substantial differences in business structure and operations even between companies of similar size (Povšnar et al., 2020). To ensure greater comparability

ty, the study focused on SMEs with 50 to 150 employees. This range was chosen because companies with at least 50 employees are large enough to encompass diverse business functions, while those with over 150 employees may exert disproportionate influence within their respective industries. The sample was selected using the advanced search function on the *bizi.si*, a directory of Slovenian companies. The first filtration by employee size yielded approximately 1,900 SMEs that met the employee size criteria. Next, we chose the four industries large enough to obtain comparable samples in each. Around 10 % of SMEs meeting the size criteria belong to the chosen industries, demonstrating diversity (and thus uniqueness) and challenging the comparability of Slovenian SMEs.

Data collection for this empirical study relied on two complementary methods. First, a survey targeting HR managers and, in some cases, top managers of Slovenian SMEs was conducted between May and June 2022. Initially distributed via email, the survey received a limited response rate, prompting a follow-up by telephone. Of the 200 questionnaires initially sent, 60 responses were collected by calling. This final sample comprised 16 car dealerships (CD), 14 construction companies (CO), 15 food and beverage manufacturing companies (FBM), and 15 tech companies (ICT). Second, financial performance data for the sampled companies were obtained from publicly available 2021 annual reports, sourced from the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES). ROA was calculated by dividing net income by total assets, as reported in the companies' annual financial statements.

The survey questionnaire aimed to gain insight in the implementation of HRM practices within SMEs. It consisted of seven items. For each item, respondents were asked to indicate whether their organisation systematically engaged in the specified HRM practice. Each item was directly linked to one of the seven constructs and designed to assess the presence of deliberate, managed HRM activity under the oversight of management or the HR department, rather than informal or ad hoc practices. The items were thus formulated as closed yes/no questions; for example: "Does your organisation systematically measure employee productivity?" or "Does your organisation systematically manage organisational culture?"

To measure HRM variables, prior studies have used both binary and Likert-type scales (e.g., Tarigan et al., 2022; Byarugaba et al., 2022; Hijazi et al., 2024). Binary coding was deemed appropriate based on insights from conversations during the survey process, which revealed diversity in how companies approached HRM. In many cases, these activities were either not pursued at all or carried out systematically under clear managerial oversight. Binary scales effectively capture the presence or absence of HRM activities (e.g., Zupan & Ograjenšek, 2004; Lai et al., 2017), thereby justifying assigning 0 (no systemat-

ic engagement) and 1 (systematic, managed, and planned implementation) to each concept. This approach was chosen pragmatically to ensure comparability across SMEs and to establish an initial empirical foundation for HRM presence patterns based on objective assessment, thereby avoiding subjective measurement bias. However, binary operationalization carries inherent statistical limitations: by reducing each construct to a dichotomy, it constrains data variability and does not capture the intensity or quality of HRM implementation. It may limit the detection of more nuanced relationships that could emerge with more granular measurement approaches. This attenuates correlation coefficients and reduces statistical power, meaning that associations between HRM practices and financial performance may exist but remain undetected at conventional significance thresholds (a limitation that should be borne in mind when interpreting the results of H2).

The data were analyzed using IBM SPSS Statistics 19, employing a comprehensive range of quantitative statistical techniques tailored to test the two hypotheses. To address the first hypothesis, which examined whether significant differences in HRM implementation exist across industries, descriptive statistics were calculated to summarize the distribution of HRM practices and provide an overview of their variability. This was followed by a one-way ANOVA to determine whether the differences across the four industries under study were statistically significant. Post-hoc analysis was subsequently conducted to identify which specific industry pairs exhibited significant differences in HRM practices. To delve deeper into patterns of HRM adoption, k-means clustering was applied to group SMEs based on their level of HRM implementation. This clustering not only revealed distinct HRM adoption patterns but also enabled analysis of the corresponding ROA values for each cluster. The Kruskal-Wallis test was then used to determine whether the observed differences in ROA among these clusters were statistically significant. For the second hypothesis, which investigated the relationship between HRM practices and financial performance, a t-test for equality of means was conducted to compare the ROA of respondents who systematically implemented specific HRM practices with that of respondents who did not, shedding light on the potential financial benefits of HRM adoption. Lastly, Pearson correlation analysis was used to assess the strength and direction of associations between individual HRM practices and ROA, thereby identifying the practices with the strongest links to financial outcomes. The study combines parametric and nonparametric tests to provide more reliable hypothesis testing and stronger support for the interpretation of findings. ANOVA and t-tests are robust with balanced group sizes, and the underlying assumptions of homogeneity of variance and normality were confirmed prior to hypothesis testing.

5 Results

5.1 Descriptive statistics

First, we calculated ROA values for each respondent and average ROA values for each industry, and then analyzed the survey results. Table 2 summarizes the average ROA values for each industry and indicates whether HRM content was implemented (variable value 1) or absent (variable value 0) in our sample.

Tech companies (ICT) report the highest average ROA (0.161), followed by construction companies (CO) at 0.076 and food and beverage manufacturers (FBM) at 0.059. Car Dealerships (CD) have the lowest average ROA (0.040).

Survey results indicated that, within the sample, the highest levels of attention were directed towards employee satisfaction (SATI, 55 out of 60), employee motivation (MOTI, 49 out of 60), and quality assurance (QUAL, 45 out of 60). More than half of the respondents also focused on productivity, organizational culture, climate, and employee engagement. The response frequencies for the dependent variables relating to HRM in Table 2 also show that the largest differences between industries occur for HRM practices that are less common across the whole sample, further accentuating differences in HRM between industries.

5.2 HRM in Slovenian SMEs across industries

To test the first hypothesis, we examined HRM practice implementation across industries to determine whether, as hypothesized, there are differences in HRM implementation among SMEs. The analyses included descriptive statistics, one-way ANOVA, post-hoc tests, and clustering methods to depict patterns of HRM adoption.

We first calculated the arithmetic means and standard deviations (SD) for HRM variables within each industry. The key differences in HRM between industries are:

- Systematic Productivity Measurement (PROD): Car Dealerships (CD) had full adoption (mean = 1.000), while food and beverage manufacturers (FBM) had the lowest adoption (mean = 0.400). The standard deviations were generally low, with car dealerships even reporting no variability (SD = 0.000), indicating consistent implementation.
- Motivation (MOTI): Generally high across industries, with car dealerships (CD) (mean = 0.938) and tech companies (ICT) (mean = 0.933) leading, and food and beverage manufacturers (FBM) indicating the least involvement in employee motivation (mean = 0.733). Differences between industries were less pronounced compared to other HRM variables.

Table 2: Summary table of average ROA and responses for HRM-related variables by industries for the entire sample

		Industry				
HRM variables	Variable value	CD (N=16)	CO (N=14)	FBM (N=15)	ICT (N=15)	TOTAL (N=60)
PROD	0	0	6	9	2	17
	1	16	8	6	13	43
MOTI	0	1	5	4	1	11
	1	15	9	11	14	49
SATI	0	0	4	1	0	5
	1	16	10	14	15	55
CLIM	0	5	9	1	1	21
	1	11	5	13	13	38
CULT	0	6	12	7	2	27
	1	10	2	8	13	33
ENGA	0	0	11	13	1	25
	1	16	3	2	14	35
QUAL	0	0	4	10	1	15
	1	16	10	5	14	45
Average ROA		0.040	0.076	0.059	0.161	0.084

- Employee Satisfaction (SATI) was reported as the most consistently implemented practice across all industries. car dealerships (CD), food and beverage manufacturers (FBM), and tech companies (ICT) exhibited nearly full adoption (means of 1.000, 0.933, and 1.000, respectively), while construction companies (CO) showed slightly lower levels (mean of 0.714). Despite this small difference, satisfaction appeared to be a key focus across SMEs, with standard deviations reflecting minimal variability.
- Organizational Climate (CLIM) showed a similar pattern, with tech companies (ICT) achieving the highest mean (0.867) and construction companies (CO) the lowest (0.357).
- Organizational Culture (CULT): Highest in tech companies (ICT) (mean = 0.867), lowest in construction companies (CO) (mean = 0.143). Standard deviations across industries reflected moderate variability.
- Employee Engagement (ENGA): Highest in car dealerships (CD) (mean = 1.000) and tech companies (ICT) (mean = 0.933) significantly lower in construction companies (CO) (mean = 0.214) and Food (mean = 0.267). These results indicate that industries with higher adoption of other HRM practices also prioritize engagement. Standard deviations showed moderate variability, suggesting differing levels of implementation within the same industry.
- Quality Assurance (QUAL): Car dealerships (CD) (mean = 1.000) and tech companies (ICT) (mean = 0.933) exhibited the highest adoption, while food and beverage manufacturers (FBM) scored lowest (mean = 0.333). Standard deviations suggested less variability in industries with higher adoption rates.

To statistically evaluate these differences, a one-way ANOVA was conducted. The results showed significant differences between industries for Systematic Productivity Measurement ($F = 7.289$, $p = 0.000$), Quality Assurance ($F = 10.812$, $p = 0.000$), Organizational Culture ($F = 6.693$, $p = 0.001$), and Organizational Climate ($F = 3.034$, $p = 0.037$), showing that these HRM practices are implemented unevenly across industries. However, no significant differences were found for Motivation ($F = 2.246$, $p = 0.093$), Employee Engagement ($F = 1.589$, $p = 0.200$), or Employee Satisfaction ($F = 1.071$, $p = 0.367$).

The ANOVA results revealed statistically significant differences ($p < 0.05$) in four HRM practices (PROD, QUAL, CULT, CLIM) across industries, warranting a post hoc analysis to identify which specific industry pairs exhibit these differences. The Tukey HSD test compared all four industries in pairs (six comparisons: CD-CO, CD-FBM,

CD-ICT, CO-FBM, CO-ICT, FBM-ICT) and identified significant contrasts. Car dealerships (CD) demonstrated significantly higher HRM implementation compared to both construction companies (CO) (mean difference = -0.429 , $p < 0.001$) and food and beverage manufacturers (FBM) (mean difference = -0.583 , $p = 0.001$). However, no significant difference was observed between car dealerships (CD) and tech companies (ICT) (mean difference = -0.134 , $p = 0.846$). Tech companies (ICT) also showed significantly higher HRM adoption than construction companies (CO) (mean difference = -0.563 , $p = 0.002$) and food and beverage manufacturers (FBM) (mean difference = -0.417 , $p = 0.015$). No significant differences were found between construction companies (CO) and food and beverage manufacturers (FBM) (mean difference = 0.154 , $p = 0.561$).

To gain deeper insights into the patterns of HRM implementation across industries, K-means clustering was used to group SMEs based on their HRM practices. The analysis identified three distinct clusters, as summarized in Table 3, which includes the number of SMEs from each industry in each cluster, the average HRM variable values, and the average ROA for each cluster.

The analysis revealed the following patterns:

- Cluster 0: SMEs in this cluster exhibit limited implementation of HRM practices, reflected in low adoption of Systematic Productivity Measurement (0.100) and no adoption of Quality Assurance (0.000). Organizational Culture (0.600) and Organizational Climate (0.700) are moderately implemented, while Motivation (0.600) shows some adoption. This cluster has the lowest ROA (0.066) and is primarily dominated by food and beverage manufacturers (FBM).
- Cluster 1: This cluster represents SMEs with comprehensive HRM implementation. Systematic Productivity Measurement (0.931), Quality Assurance (0.966), and Motivation (1.000) are systematically adopted, along with high levels of presence of Organizational Culture (0.931) and Organizational Climate (0.966) practices. These SMEs achieve the highest ROA (0.096) and are mainly composed of car dealerships (CD) and tech companies (ICT).
- Cluster 2: SMEs in this cluster show selective implementation of HRM practices, with moderate adoption of Systematic Productivity Measurement (0.714) and Quality Assurance (0.810). However, Organizational Culture (0.000) and Organizational Climate (0.143) are largely neglected. Motivation (0.667) is moderately implemented. This cluster has an intermediate ROA (0.075) and is primarily composed of construction companies (CO).

Table 3: Number of SMEs and Average HRM Variable Values by Cluster

	Cluster	0 (N=10)	1 (N=29)	2 (N=21)
Number of SMEs (N060) from each industry in each cluster	CD (N=16)	0	12	4
	CO (N=14)	2	1	11
	FBM (N=15)	8	3	4
	ICT (N=15)	0	13	2
Average Variable Values by Cluster	PROD	0.100	0.931	0.714
	MOTI	0.600	1.000	0.667
	SATI	0.400	0.966	0.429
	CLIM	0.700	0.966	0.143
	CULT	0.600	0.931	0.000
	ENGA	0.500	0.983	0.476
	QUAL	0.000	0.966	0.810
	ROA	0.066	0.096	0.075

Table 4: ROA arithmetic means for different values of the independent variables in the HRM group

HRM variables	Variable Value	N	ROA Mean	ROA Std. Deviation
PROD	0	17	0,09	0,089
	1	43	0,082	0,088
MOTI	0	11	0,059	0,057
	1	49	0,089	0,093
SATI	0	5	0,072	0,029
	1	55	0,085	0,091
CLIM	0	22	0,066	0,075
	1	38	0,094	0,094
CULT	0	27	0,065	0,074
	1	33	0,099	0,096
ENGA	0	25	0,065	0,072
	1	35	0,097	0,096
QUAL	0	15	0,051	0,08
	1	45	0,095	0,088

To validate the clustering results, the Kruskal-Wallis test was applied to assess differences in HRM implementation across clusters. The results confirmed statistically significant differences in overall HRM adoption among the clusters ($H = 31.54$, $p < 0.001$), reinforcing the distinct nature of each cluster.

5.3 HRM and financial performance in Slovenian SMEs

This section explores the relationship between HRM practices and ROA. The analyses for the second hypothesis employed mean comparisons, multiple linear regres-

sion, and Pearson correlation analyses. As the cluster analysis revealed differences in HRM variable implementation across clusters and suggested variations in ROA with differing levels of HRM adoption, we examined whether these differences in ROA were statistically significant. The results of the Kruskal-Wallis test indicate that the differences in ROA among clusters are not statistically significant ($H=3.785$, $p=0.151$). This implies that, while there are variations in ROA across clusters, these differences cannot be confidently attributed to differences in HRM implementation.

To directly analyze the relationship between HRM and financial performance, regardless of industry, mean ROA values were calculated for SMEs that implemented each HRM practice (variable value "1") and for those that did not (variable value "0"). The results are shown in Table 4.

The mean value of the ROA variable is higher across all independent variables within the HRM group when the independent variable is assigned a value of "1," indicating the organization's adoption of HRM practices. Mean comparisons indicate that implementing Quality Assurance ($M=0.095$) and Organizational Culture ($M=0.099$) is associated with higher ROA. To assess the statistical significance of the differences in ROA between firms that implement HRM practices and those that do not, a t-test for equality of arithmetic means was conducted. The results indicate that none of the HRM practices showed statistically significant differences in ROA ($p > 0.05$, all variables). However, Quality Assurance ($t=-1.701$, $p=0.094$) and Organizational Culture ($t=-1.516$, $p=0.135$) trended toward significance, indicating their potential meaningful impact on financial performance.

A multiple linear regression model was used to examine whether HRM practices predict ROA. The model explained 17.2% of the variance in ROA ($R^2 = 0.172$), but the adjusted R^2 of 0.023 indicated a weak overall fit. None of the HRM practices significantly predicted ROA. However, weak positive trends for Quality Assurance ($\beta=0.062$, $p=0.182$) and Organizational Culture ($\beta=0.064$, $p=0.162$) suggest potential associations with improved financial performance.

Pearson correlation coefficients were calculated to measure the strength and direction of relationships between HRM practices and ROA. Quality Assurance ($r=0.218$) and Organizational Culture ($r=0.195$) exhibited the strongest positive correlations with ROA, although these correlations were weak. Organizational Climate ($r=0.157$) and Employee Motivation ($r=0.134$) also showed weak positive correlations with ROA. Systematic Productivity Measurement and Employee Satisfaction showed a negligible correlation with ROA.

To capture industry-specific dynamics, Pearson correlations were calculated for each industry:

- Car dealerships (CD): A moderate positive correlation between Organizational Culture and ROA

($r=0.311$),

- Construction companies (CO): A moderate negative correlation between Organizational Climate and ROA ($r=-0.487$),
- Food and beverage manufacturers (FBM): A moderate positive correlation between Organizational Climate and ROA ($r=0.416$),
- Tech companies (ICT): Quality Assurance ($r=0.420$) exhibited a moderate positive correlation with ROA.

While weak and unpredictable relationships between HRM variables and ROA may reflect limitations related to sample size or variability in HRM implementation across industries, these results emphasize the importance of tailoring HRM strategies to the unique needs of each industry to optimize financial performance.

6 Discussion

The implementation of seven theoretically well-established HRM practices in Slovenian SMEs across industries and their relationship with financial performance was empirically examined through two hypotheses. The findings are discussed here with a focus on their implications and significance, as well as potential limitations and future research directions.

6.1 Findings

The first hypothesis (H1) proposed that HRM practices differ significantly across industries. The results confirmed this, with significant inter-industry differences in HRM. The motor vehicle trade and repair and ICT industries exhibited higher adoption of HRM practices than the construction and food and beverage manufacturing industries, with statistically significant differences in systematic productivity measurement, quality assurance, organizational culture, and organizational climate. The observed differences in HRM adoption and its financial effects across industries highlight the importance of industry-specific dynamics and operational requirements, echoing previous findings (Mueti et al., 2024; Klingner et al., 2015; Safari et al., 2020; Yousaf et al., 2021). Tech companies and car dealerships, which rely on knowledge-intensive processes and customer interactions, demonstrated higher HRM adoption. In contrast, construction and food and beverage manufacturing SMEs, where work is more task-based and physical, lag in HRM implementation. This aligns with the literature, which suggests that HRM's impact is more pronounced in service-oriented and high-skill industries. Byarugaba et al., 2022; Harney & Alkhalaf, 2021; Kmečova & Androniceanu, 2024). Notably, no significant industry differences were found in motivation, employee

engagement, or employee satisfaction, suggesting that these approaches may be adopted more uniformly across sectors, which partially aligns with Gillow (2019), who reports no significant industry variation in motivation-related practices.

The second hypothesis (H2) posits a link between HRM implementation and financial performance. Across the entire sample, SMEs that implemented HRM had higher average ROA values than those that did not, particularly for quality assurance and organizational culture. For these two variables, weak positive associations were also supported by multiple regression models. Pearson correlation coefficients also indicated weak positive correlations, with the highest observed for quality assurance, followed by organizational culture, organizational climate, and employee motivation. These directions are broadly consistent with prior meta-analytic evidence: Boon et al. (2019) confirmed a positive influence of HRM practice combinations on financial outcomes, while Kaur and Kaur (2021) similarly found a positive HRM–performance association across studies, though both noted considerable variability in effect sizes across contexts. However, industry-specific correlation analyses revealed divergent patterns, reinforcing H1 but not H2. Although no direct, statistically significant relationship between HRM and ROA was established, weak positive trends were observed, so H2 is only partially confirmed.

The absence of statistically significant effects warrants critical reflection. Several complementary explanations are plausible. First, the binary measurement of HRM practices reduces variance and attenuates correlations, lowering the likelihood of detecting significant effects. Second, financial performance as measured by ROA is subject to a time lag: the effects of HRM implementation on organizational outcomes typically materialize over months or years, whereas this study relies on cross-sectional data from a single year. Third, the relationship between HRM and financial performance is likely mediated by unmeasured intermediate variables (e.g., job performance). The absence of these mediators may explain why the direct HRM–ROA link did not reach significance, as the influence of HRM practices on financial outcomes is indirect (Saridakis et al., 2017). Fourth, the relatively small and industry-diverse sample ($N = 60$ across four sectors) limits statistical power and may introduce heterogeneity that obscures aggregate associations. Together, these factors suggest that the weak positive trends observed should be interpreted as preliminary empirical signals rather than evidence against the proposed positive association between HRM practices and financial performance.

The lack of a clear, direct relationship between HRM and ROA suggests that financial performance is influenced by multiple factors beyond the presence of the examined HRM content alone (Hu et al., 2022; Kaufman, 2020). Interestingly, HRM practices aimed at enhancing productiv-

ity, satisfaction, and engagement did not emerge as strong predictors of financial success. Therefore, findings delineate the contrasting conclusions observed in prior research (Mansor et al., 2023; Shrotryia & Dhanda, 2020; Albrecht et al., 2015; Feng et al., 2022; Huynh et al., 2020; Ken-gatharan, 2019; Tarigan et al., 2022; Bakotić, 2016; Klingner et al., 2015; Savić et al., 2023; Mali et al., 2022).

6.2 Theoretical and Practical Implications

This study offers both theoretical and practical insights. From a theoretical perspective, it contributes empirical evidence on practice-level HRM implementation and its relevance in an underresearched context: Slovenian SMEs across four industries. Rather than directly testing foundational HRM theories, the study examines whether practices derived from these theories are adopted across different settings and whether their presence is associated with financial outcomes, thereby providing empirical grounding for theoretical propositions that have largely been developed and validated in large-firm, Western contexts. The findings reinforce the resource-based view (Barney, 1991) and demonstrate the continued practical value of foundational HRM concepts. While the results suggest that traditional HRM may not universally apply across all contexts, when considered alongside prior research, they underscore the advantages of industry-specific HRM adaptations. These findings emphasize the need for industry-specific HRM strategies, advocating for context-adapted HR policies rather than a one-size-fits-all approach, as proposed by contingency theory (Donaldson, 2001; Delery & Doty, 1996). For instance, structured quality assurance practices appear particularly beneficial for tech companies, while culture-driven incentives may be more effective in service-oriented industries (e.g., trade, like car dealerships). From a practical perspective, SMEs should align HRM with their specific operational and workforce needs to maximize its impact.

Despite HRM's proposed positive impact on financial performance in SMEs (Kmecova & Androniceanu, 2024; Harney & Alkhalaf, 2021), its effectiveness may depend on industry-specific dynamics and organizational context (Psychogios et al., 2016; Harney, 2021). Čater and Pučko (2009) confirmed that organizational and HR practices vary across industries in Slovenia, while Zupan and Ograjenšek (2004) and Čater and Čater (2009) confirmed the influence of HRM on financial performance in Slovenian firms, though the relationship appears moderated by context. Ahmad and Schroeder (2003) demonstrated significant industry differences in the impact of HR practices on operational performance.

6.3 Limitations and Future Research

While this study provides valuable insights, it has limitations. The binary measurement of HRM practices constrains data variability, potentially oversimplifying the complexity of HRM implementation and the effectiveness of each practice. It does not capture the degree of adoption, thereby obscuring the true strength of the relationship between HRM and performance. Future research should consider Likert-type scales, though these also have limitations, such as restricting response options, introducing subjectivity, and reducing measurement precision, as identical responses do not necessarily reflect identical approaches or equal levels of systematicity and implementation scope. Refining HRM measurement methodologies would provide a deeper understanding of how HRM is applied in practice.

A further limitation concerns the choice of financial performance indicator. ROA was selected for its objectivity and wide use in comparable studies; however, it may not fully capture the performance dynamics of all industries in the sample. Alternative indicators, such as return on equity (ROE), revenue growth, or EBITDA, could capture different dimensions of financial performance. Future research would benefit from incorporating multiple financial performance measures to triangulate findings and better account for industry-specific performance logics.

Additionally, although the sample is representative within the study's context, its relatively small size and focus on Slovenian SMEs may limit the generalizability of the results. The sample size limits statistical power and restricts the robustness of findings, which should be interpreted as preliminary evidence requiring cautious extension to broader populations of SMEs. Expanding future research to SMEs from different countries and industries would improve the generalizability and robustness of conclusions. Longitudinal studies could assess the long-term effects of systematic HRM implementation on financial performance, while qualitative approaches, such as interviews with HR managers and employees, could provide deeper insights into the mechanisms shaping HRM implementation patterns and their relevance for organizational performance.

7 Conclusion

This study contributes to the ongoing debate on the relevance of foundational HRM theories across diverse business environments. It provides empirical evidence on the implementation and financial effects of HRM practices in Slovenian SMEs across four industries, addressing gaps in research on SMEs in small and transitional economies. Different theoretical perspectives, such as organizational behavior, human relations, and motivation theories, have

emphasized different aspects of HRM over time. However, market conditions, organizational structures, and industry requirements have evolved significantly since these theories were first developed, raising questions about their continued relevance across different contexts.

The results demonstrate significant industry-specific patterns (tech and automotive sectors show higher HRM adoption than construction and food manufacturing), highlighting the importance of strategic, context-specific HRM investments, particularly in sectors where human capital is a key driver of organizational success. The findings also offer preliminary support for HRM-ROA associations, particularly for organizational culture. While weak, non-significant relationships between HRM variables and ROA cannot provide definitive theoretical generalizations about HRM's relationship with financial performance, they establish an initial empirical foundation for understanding HRM implementation and its importance for Slovenian SMEs across different industries.

While the small sample size and binary measurement approach may limit statistical significance, the overall trends indicate a positive association between HRM and ROA across industry differences in HRM implementation. These findings provide preliminary empirical support for the continued practical value of foundational HRM concepts, suggesting that the core principles of human relations and motivational theories retain relevance when adapted to the operational and institutional specificities of individual industries and economies. This suggests that applying HRM practices to enhance performance is less about reinvention and more about the context-sensitive application of well-established principles to yield the greatest benefits.

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