Research Article

Strategic Human Resource Management and Its Impact on Organizational Performance: Empirical Insights

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Abstract

In light of today's dynamic economy, Human Resource Management (HRM) has become a strategic lever for enhancing organizational performance, resilience, and long-term competitiveness. This study presents an original pioneering investigation into the strategic role of HRM within the Albanian private sector, making the first study of its kind in the country. It introduces an innovative conceptual model that integrates both HR roles and practices as dual expressions of HR strategy, offering a novel and internationally relevant framework. Grounded in more than two decades of international literature, the study applies a robust econometric approach to examine the multidimensional relationships between HRM and the performance of the organization. Data were collected through a structured questionnaire among private companies of varying sizes in Albania with over fifty employees. The evaluation was conducted using the Structural Equation Model (SEM) via the "LaVan" package in R. Findings reveal that key strategic components business strategy, the role of Human Resources, HR practices, and HR outcomes collectively contribute to strategic and internal fit, significantly enhancing organizational performance. By addressing a critical research gap in developing economies, this study establishes a strong theoretical and methodological foundation for future research both in Albania and in other transitional markets. The implications are particularly relevant for scholars, policymakers, and business leaders seeking to advance sustainable performance through strategic human resource development.

Keywords: Business Strategy; HRM Practices; Role of HR; Organization Performance; Strategic fit; Internal fit.

INTRODUCTION

Human Resource Management (HRM) has emerged as a strategic lever for enhancing organisational performance, particularly in competitive private sector environments [1-4].

No longer confined to administrative functions, HRM now plays a pivotal role in shaping business outcomes by aligning human capital with strategic objectives. In today's global economy, performance is increasingly measured not only by financial indicators but also by the ability to attract, develop, and retain talent. Recognising employees as valuable assets has become central to long-term success, prompting a transformation in organisational structures, leadership roles, and management practices [5, 6].

In Albania, the situation looks comparable to what has been described in the studies of Qehaja and Kutllovci on Kosovo [7] and Pološki Vokić in Croatia [8]. However, scholarly attention to HRM in the Albanian context remains limited. Cania [9] found that most surveyed organisations were familiar with strategic HRM and anticipated its positive impact, yet the study lacked deeper investigation into actual practices. Berberi and Ceni [10] contributed primarily through literature synthesis, while public sector reforms—driven by EU and UN initiatives—have focused on accountability and staff quality [11], [12]. In contrast, private sector firms, facing competitive pressures, have begun to invest more seriously in HRM, especially in the wake of the COVID-19 pandemic, which underscored the need for resilient and adaptive workforce strategies. Guest [13] expanded on this notion, presenting employees as valuable assets and emphasising the role of line managers in implementing HRM policies effectively. His research highlighted the importance of employee engagement in driving organisational performance, underscoring HRM's strategic significance.

Paauwe & Richardson [14] investigated the link between HRM policies and business success. Their study confirmed that HRM practices directly influence motivation and engagement, which are key drivers of performance. This idea was further substantiated by Huselid [15], whose research indicated that effective HRM strategies reduce employee turnover, boost productivity, and improve financial performance. Jackson & Schuler [16] took a more technical approach, arguing that HRM management—both from a strategic and operational perspective—affects firm performance. Their work emphasised that aligning HRM with business objectives is crucial to organisational success. Pfeffer [17] introduced a practical framework for improving performance, recommending seven key HRM practices aimed at enhancing employee commitment and motivation. His recommendations have since influenced many HRM strategies worldwide. In 2004, Wright & Nishii [18] divided HRM into three levels: strategic HRM practices, managerial implementation, and employee perception. Their research found that employee-perceived HRM effectiveness is a major determinant of organisational performance. Katou [19], through an empirical study in the Greek manufacturing sector, provided early evidence that HRM practices function as mediators between business strategy and organisational performance. Her findings support the argument that HRM practices—when strategically aligned—do not act in isolation but contribute to performance through employee-related outcomes such as motivation, skills, and commitment. This view is reinforced by her subsequent integrative model [20], which emphasises both direct and indirect effects of HRM on performance, aligning with both universalist and contingency perspectives.

Armstrong [21], in a more practitioner-oriented framework, emphasised the importance of aligning HR systems with strategic goals, noting that the effectiveness of HRM depends not only on the practices implemented but also on their coherence with business objectives. His work highlights how the HR function evolves from an administrative to a strategic partner role, capable of influencing long-term performance. Boselie, Paauwe, and Jansen [22] investigated the Dutch context and proposed a conceptual framework in which performance is a function of the internal fit among HRM practices and their external alignment with business strategy. Their study underscores the importance of both vertical and horizontal integration, and advocates for a balanced, context-sensitive approach to strategic HRM. Boxall and Purcell [23] contributed further by grounding HRM strategy within the resource-based view (RBV) of the firm. Their argument posits that human capital—when managed strategically—constitutes a valuable, rare, inimitable, and non-substitutable resource, thereby enhancing firm-level performance. Their work highlights the significance of integrating HRM with strategic management processes to develop and retain core organisational capabilities. Kuipers and Giurge [24] examined the performance implications of HR roles connected to organisational strategy. Their findings suggest that clarity, strategic positioning, and integration of HR roles significantly enhance organisational performance. This supports Ulrich's [4] multi-role framework for HR, positioning HR professionals as strategic partners, change agents, and administrative experts. Zhou, Liu, Chang & Hong [25] examined the role of HRM in fostering innovation, concluding that flexible organisational structures and strong social networks enhance innovative capabilities. In "Disruptive Human Resource Management Technologies: A Systematic Review" [26], De Alwis and Welmilla suggest that companies invest in disruptive HRM technologies, such as AI and automation, to enhance HR functions and decision-making. HR leaders are encouraged to adopt data-driven approaches to improve both employee experience and organisational performance [27-36]. The study calls for future research to examine the long-term impact of these disruptive HR technologies on workforce management [37-45]. These studies illustrate the multidimensional and integrative nature of strategic HRM [46-51]. They consistently highlight that the effectiveness of HRM depends on its strategic alignment, its internal coherence, its adaptability to environmental change, and its consideration of human and social sustainability [52-59]. This evolving body of literature underscores the critical role of HRM not only as an operational function but as a strategic enabler of long-term organisational performance [60-67].

Although much of the foundational evidence in HRM originates from developed economies, research in transitional contexts has gained increasing attention. In Central and Eastern Europe (CEE), authors at [68-73] observed a gradual convergence of HRM systems with Western practices, albeit shaped by enduring institutional legacies and capacity constraints. Karoliny, Farkas, and Poór [73] further illustrated how Visegrád countries adapt HR strategies to balance global competitiveness with local institutional pressures. In Romania, Bercu & Vatamanescu [54] emphasized the strategic importance of training and

talent management in enhancing organizational competitiveness. Comparable dynamics have been documented in Croatia [74] and Kosovo [7].

In Albania, however, scholarly inquiry into HRM remains limited. Cania [9] explored managerial perceptions of strategic HRM, though the study was based on a narrow sample and self-reported familiarity. Berberi & Ceni [10] offered a theoretical overview, while public sector reforms have attracted more attention due to EU and UN-driven reform initiatives [75]. In contrast, private sector firms have historically prioritized investments in physical capital over human resources, often to the detriment of employee engagement and productivity. The COVID-19 pandemic marked a turning point, prompting greater recognition of HR's strategic role and catalyzing investment in workforce development and training. This institutional and managerial volatility positions Albania in a compelling yet underexplored context for advancing Strategic HRM (SHRM) theory.

A notable development in recent literature is the increasing integration of digitalization, analytics, and artificial intelligence (AI) into HRM. Strohmeier & Piazza [76] conducted a systematic review of digital HRM, highlighting how algorithmic decision-making and automation are reshaping traditional HR functions. Authors at [77, 78] argue that HR analytics has evolved from a supportive tool into a strategic capability that links HRM decisions with organizational value creation. Authors in [79, 80] underscore the transformative impact of digital HRM across European firms, where HR professionals are increasingly positioned as data-driven strategists. Authors at [81] caution that while AI adoption in HR creates opportunities for efficiency and innovation, it also raises governance and ethical challenges - particularly in transitional economies. Authors in [26] further stress the need for longitudinal studies to assess the long-term implications of disruptive technologies such as automation and machine learning on HRM.

Collectively, these contributions signal a digital transformation of HRM, where traditional practices - recruitment, training, performance management - are increasingly supported or replaced by data-driven systems. For transitional economies, this presents both opportunities to leapfrog into advanced HRM paradigms and challenges stemming from infrastructural limitations, institutional fragility, and a managerial capacity gap.

The reviewed literature highlights three critical gaps. First, while classical models affirm the strategic relevance of HRM, they are seldom empirically tested in a transitional context characterized by informal strategies and unstable HR structures. Second, existing frameworks often examine isolated dyadic relationships (e.g., HR practices → performance) without tracing the full strategic pathway from business intent through HR mechanisms to performance outcomes. Third, the integration of AI and digital HRM into SHRM models remains nascent, particularly in transitional settings.

This study seeks to address these gaps by developing and empirically validating an integrative model within the Albanian private sector. The proposed framework traces the sequence: Business Strategy → HR Strategy → HRM Practices → HR Outcomes → Organizational Performance. It synthesizes classical theoretical foundations with contemporary perspectives on HR roles and digitalization, thereby extending SHRM

applicability to transitional economies and contributing to the ongoing discussion of how digital HRM innovations influence organizational performance.

INNOVATIONS OF THE STUDY

This study introduces a novel conceptual and empirical model in the field of Strategic Human Resource Management, offering several innovations that distinguish it from existing international frameworks. It addresses a critical gap in HRM literature by focusing on a transitional economy context. Most research was centred on developed economies with formalized strategies and institutional stability [27, 28]. This study is conducted in Albania, an environment where strategy is often informal and the HR function lacks structural stability. By exploring SHRM in this setting, the study extends the relevance of existing theories to underexplored contexts [29].

Second, this study addresses a critical and underexplored gap in the SHRM literature, specifically the complete conceptualization and empirical measurement of the link between business strategy and organizational performance through HRM mechanisms. While existing models often acknowledge the role of HRM in strategic processes, they tend to offer fragmented frameworks that either examine isolated dyadic relationships, such as the impact of HR practices on performance [15] or the alignment between HR strategy and business strategy [31] or do not provide a full, testable sequence that captures the translation of strategic intent into measurable outcomes. This study advances the field by proposing a comprehensive and logically sequenced model that maps the pathway from Business Strategy → HR Strategy → HRM Practices → HR Outcomes → Organizational Performance. This integrative structure builds upon Guest's [36] model, extending it by incorporating the strategic role of HR as a mediating mechanism, rather than treating HRM as a monolithic function. Such a design not only enhances the theoretical clarity of strategic alignment but also improves the model's empirical testability, particularly in transitional economies where formal strategic documentation is often lacking [29, 30]. The model therefore provides a richer and more precise framework for understanding how strategic decisions are operationalized through HRM and how these, in turn, influence performance.

Third, the study introduces a novel operationalization of HR strategy, addressing another long-standing gap in the SHRM literature: the challenge of distinguishing between strategic intent and implementation. While many previous studies either infer HR strategy from the firm's overarching business strategy [31] or assume it is reflected entirely in the implemented HR practices, this study conceptualizes HR strategy as a dual construct, captured through (1) the strategic role of the HR function, based on Ulrich's role typology [4], and (2) the bundles of HRM practices adopted. This dual-lens approach enables a more granular and empirically observable understanding of HR strategy, aligning with recent calls for clearer conceptual boundaries in SHRM models [27, 32, 33]. By operationalizing HR strategy through both the role and the practices, this study offers a way to bridge the theoretical-practical divide. It allows researchers to distinguish between what the organization intends through its strategic orientation and what it implements in daily HR

operations, an important consideration, especially in developing and transitional economies where strategy may not be formalized but is embodied in managerial behaviours and role enactment [34, 35]. This refinement enhances both construct validity and cross-context comparability in SHRM research.

The originality of this study lies in the integration, adaptation, and operationalization of existing HRM frameworks—specifically in how HRM strategy is conceptualized and measured. Traditionally, HRM strategy has been treated as an abstract construct or inferred indirectly from HR practices. This study introduces a novel operationalization by measuring HRM strategy through both the roles and practices of HR, offering a more tangible and actionable framework.

A key innovation of this research is the reconceptualization of HR roles—not as static descriptors, but as mediating mechanisms that link corporate strategy to HRM practices and, ultimately, to organizational performance. This approach addresses a persistent gap in the literature, where HRM strategy remains underdefined and insufficiently operationalized. By embedding HR roles within a causal framework, the study contributes to ongoing debates on "strategic fit" and "internal fit," demonstrating how HR functions translate strategic objectives into concrete practices. This model has not previously been empirically tested in transitional economies.

The proposed framework establishes a sequential causal chain: Corporate Strategy → HR Role → HRM Practices → HRM Outcomes → Organizational Performance This structure enhances conceptual clarity and reflects the realities of HRM in emerging market contexts, where strategic intent is often expressed through functional roles rather than formal documentation.

Although studies on HRM and performance have been conducted in other transitional economies, this research is the first of its kind in Albania. By empirically testing the strategic alignment of HR roles, practices, and outcomes, the study introduces an integrated model that advances both regional scholarship and international understanding of HRM-performance dynamics. Furthermore, while similar studies exist in other transitional contexts, their findings vary depending on the stage and nature of economic transition—underscoring the importance of localized empirical inquiry.

Reasoning about unique elements: We believe the model advances the field by providing both methodological and theoretical innovations, rather than simply replicating existing frameworks.

In line with recent advances, this study incorporates elements of digital HRM and AI, such as human resources analytics and HRIS systems. Recent studies emphasize that digital technologies and AI tools enable HR departments to become more strategic by improving decision-making quality, enhancing workforce planning, and fostering innovation [76, 82]. By embedding these practices into the framework, the study situates Albania's digital transformation within the broader global HRM discourse, thus extending beyond traditional HR-performance approaches.

Albania provides a distinctive institutional and cultural environment, characterized by the progressive formalization of HR functions. Similar transitional contexts have shown that cultural and institutional legacies significantly shape HRM design and effectiveness [70, 83-89]. By explicitly embedding these contextual factors, the study develops a hybrid model that differentiates it from other transitional economies and enhances explanatory power, positioning Albania as a unique case within international HRM research.

The study further extends the HRM-performance framework by incorporating sustainability, employees' well-being, work-life balance, and employee involvement. Recent literature highlights that sustainable HRM fosters organizational resilience, thus expanding the role of HRM beyond financial outcomes towards long-term sustainability [90-92]. Integrating these practices into the model reflects the increasing importance of responsible and future-oriented HRM systems.

Lastly, this is the first study to test such an integrated model in Albania's private sector using SEM, offering both theoretical originality and practical value for similar emerging markets. The study contributes to both Albanian and regional scholarship and to the wider international debates on HRM in transitional [70, 88].

METHODOLOGY

This study was conducted in private companies in Albania at the organizational level. This study provides both theoretical and empirical contributions by testing a comprehensive model of HRM alignment in the underexplored context of Albania. Its value lies not in the number of supported hypotheses but in the clarity of its conceptual framework, the methodological rigor applied, and the contextual insight it offers. By examining the full chain from business strategy to HR roles, practices, outcomes, and performance, and applying structural equation modelling (SEM) to data from 252 private firms, the research delivers a robust and nuanced understanding of HRM dynamics in a transitional economy.

The study's two main objectives are based on two approaches: first, to examine how each variable affects organizational performance; and second, to explore how all elements integrated together can have strategic and internal fit, influencing organizational performance.

The sample selection in this study was built upon an integrated theoretical, statistical, and practical approach, aimed at accurately reflecting the complex reality of private enterprises in Albania. The process involved several interconnected steps and criteria, while also addressing existing gaps in the national literature and the empirical-institutional limitations of the context. Data were collected through a structured questionnaire, developed at the organizational level and distributed to private companies with more than 50 employees. This threshold was chosen in line with existing literature [19, 37], under the assumption that companies of this size are more likely to have at least one dedicated human resource management function. The final sample reflects a proportional representation of the actual business structure based on data from INSTAT [38]. The

selection process followed a stratified and purposive sampling strategy, grounded in multiple official and integrated data sources. Several key criteria guided the company selection: Organizational structure: Companies were included only if they had at least one identifiable human resource role. This was verified through publicly available sources, and where such data were missing, international HR-to-employee ratios were applied (CIPD, Deloitte, SMBNJ); Employment growth and impact on market: Companies that had demonstrated positive employee growth between 2021 and 2023 were prioritized, as this was considered an indicator of organizational development and a proxy for increasing pressure on the HR function; Sectoral representation: Firms were classified into manufacturing and service sectors to ensure sectoral diversity. Overall, the sample selection methodology was not random but designed on empirical and rational grounds, reflecting the challenges and specificities of the Albanian private sector. This approach aims to ensure external validity, structured representativeness, and a meaningful assessment of how HRM practices impact organizational performance within a transitional institutional and economic context.

To ensure the robustness of the proposed model, a Confirmatory Factor Analysis (CFA) was conducted to assess the validity and reliability of the constructs. Convergent validity was tested using two standard indicators: Average Variance Extracted (AVE) and Composite Reliability (CR), both of which exceeded the recommended thresholds of 0.50 and 0.70, respectively. Discriminant validity was assessed using the Fornell-Larcker criterion by comparing the AVE values with the inter-construct correlations, which were lower in all cases, thus confirming the conceptual distinctiveness of the constructs. In parallel, internal reliability was evaluated using Cronbach's Alpha, which for all model indicators exceeded the minimum recommended threshold of 0.70.

The structural relationships between constructs were tested using Structural Equation Modelling (SEM) in R, applying the Diagonally Weighted Least Squares (DWLS) estimator, which is appropriate for Likert-scale data. Model fit was assessed through the following standard indices: Comparative Fit Index (CFI) = 0.994 Tucker-Lewis Index (TLI) = 0.994 Root Mean Square Error of Approximation (RMSEA) = 0.030, and Standardized Root Mean Square Residual (SRMR) = 0.051.

To complement the structural equation modelling (SEM), a multivariate linear regression analysis was conducted to examine the direct effects of HRM-related variables on organizational performance, see Table 1. The estimated regression model is presented as follows:

Organizational Performance = β_0 + β_1(HR Strategy) + β_2(HR Role) + β_3(Recruitment) + β_4(Training and Development) + β_5(Rewards) + ε.

The results indicate that the SEM model demonstrates excellent fit to the data, as key fit indices (CFI/TLI $\geq$ 0.95, RMSEA < 0.05, SRMR $\approx$ 0.05) fall within the recommended thresholds. These findings confirm that the tested theoretical structure is valid and accurately reflects the relationships between the variables in the study.

Table 1. Table of SEM Model Fit Indices

Metric	Standard	Scaled/Robust
Estimator	DWLS	
Optimization method	NLMINB	
Number of model parameters	74	
Number of observations	252	
Model Test User Model: Test Statistic	253.778	604.46
Model Test User Model: Degrees of freedom	487	487.0
Model Test User Model: P-value (Chi-square)	1.0	0.0
Scaling correction factor		0.901
Shift parameter		322.82
Model Test Baseline Model: Test statistic	19926.864	3144.613
Model Test Baseline Model: Degrees of freedom	528	528.0
Model Test Baseline Model: P-value		0.0
Scaling correction factor (Baseline Model)		7.414
User Model vs Baseline Model: Comparative Fit Index (CFI)	1.0	0.955
Tucker-Lewis Index (TLI)	1.013	0.951
Robust Comparative Fit Index (CFI)		0.995
Robust Tucker-Lewis Index (TLI)		0.994
RMSEA	0.0	0.031
90% CI RMSEA Lower	0.0	0.022
90% CI RMSEA Upper	0.0	0.039
P-value H0: RMSEA <= 0.050	1.0	1.0
P-value H0: RMSEA >= 0.080	0.0	0.0
Robust RMSEA		0.029
90% CI Robust RMSEA Lower		0.021
90% CI Robust RMSEA Upper		0.037
P-value H0: Robust RMSEA <= 0.050		1.0
P-value H0: Robust RMSEA >= 0.080		0.0

SRMR	0.051	0.051
Estimator	DWLS	
Optimization method	NLMINB	
Number of model parameters	74	
Number of observations	252	
Model Test User Model: Test Statistic	253.778	604.46
Model Test User Model: Degrees of freedom	487	487.0
Model Test User Model: P-value (Chi-square)	1.0	0.0
Scaling correction factor		0.901
Shift parameter		322.82
Model Test Baseline Model: Test statistic	19926.864	3144.613

All predictors are statistically significant at the 1% level ($p < 0.01$), demonstrating robust relationships with organizational performance. The strongest effects are observed for the HR Role and Rewards, indicating the strategic and motivational dimensions of HRM are especially influential. These results provide empirical support for the theoretical expectations outlined in the conceptual model.

The Root Mean Square Error of Approximation (RMSEA) was computed using the following formula (Equation 1) $RMSEA = \sqrt{\frac{\chi^2 - df}{df(N-1)}}$ where χ^2 is the chi-square statistic, df is the degrees of freedom, and N is the sample size. where $\eta \backslash eta\eta$ represents the endogenous latent variables, $\xi \backslash xi\xi$ the exogenous latent variables, BBB the coefficient matrix for the endogenous variables, $\Gamma \backslash Gamma\Gamma$ the coefficient matrix for the exogenous variables, and $\zeta \backslash zeta\zeta$ the error terms: $\eta = B\eta + \Gamma\xi + \zeta$.

All model fit values fall within the optimal ranges established in methodological literature (Hu & Bentler, 1999), indicating an excellent fit of the model to the empirical data and supporting its legitimacy for testing the theoretical hypotheses proposed in this study.

Data were collected using a closed-question questionnaire rated on a 1-5 Likert scale, in Microsoft Office Forms, for four months, where each section included items aligned with the variables and hypotheses. The questionnaire was carefully distributed to the target population, 61 private companies with over 50 employees, to ensure validity. To define the target population, we conducted an analysis.

This study was conducted through a structured organizational-level questionnaire distributed to private companies in Albania. The private sector was deliberately selected as it is the backbone of GDP and employment generation, yet remains under-researched in terms of the HRM-performance link. Companies in Albania face challenges such as shortages of skilled labour, youth emigration, informality, and weak HR structures,

making them a particularly relevant context for examining how HRM practices influence performance under transitional and resource-constrained conditions [84, 93].

The focus was placed on companies with more than 50 employees, ensuring the presence of at least one formal HR function. In line with international standards such as the Workplace Employment Relations Survey (WERS), the questionnaire integrated measures of HRM practices, HR outcomes, and organizational performance [89, 94-96]. Sampling followed a stratified approach based on INSTAT [38], resulting in 61 firms (26 with 50–250 employees and 35 with more than 250 employees). Selection was guided by multiple criteria: classification as large taxpayers, verified presence of HR representatives, and market position based on revenue rankings (Open Corporates). This multi-criteria design ensured the sample was both representative of the Albanian private sector and aligned with international empirical standards [87, 97, 98]. The primary instrument for data collection in this study was a structured questionnaire with closed-ended questions and clear statements, designed to capture participants' perceptions and attitudes regarding the role of human resources and their impact on organizational performance. The questionnaire was developed based on established literature and key studies in the field [19, 20, 24, 87, 88, 98-100], while also being adapted to the Albanian context. A draft version was pre-tested to ensure clarity and applicability of the statements to organizational practice. The questionnaire was distributed both electronically and through in-person contact at selected companies, with careful sampling procedures and guidance provided to address potential ambiguities. It was structured into two main sections: (1) questions related to organizational context (industry, firm size, tenure, and job position) and (2) questions on individual context (age and gender). Respondents were assured of confidentiality and the protected use of their data. Perceptions were measured using a five-point Likert scale (ranging from "Strongly Disagree" to "Strongly Agree"), which provides standardized and reliable measures for statistical analysis. In addition to the main questions, control items were included to verify response consistency and attentiveness.

To enhance scientific rigor, multiple validation procedures were employed. Reliability was assessed using Cronbach's alpha (all constructs > 0.7), and Composite Reliability (CR) conforming to internal consistency. Convergent validity was tested through Average Variance Extracted (AVE) (> 0.5 for all constructs), while Confirmatory Factor Analysis (CFA) confirmed construct validity. Discriminant validity was verified using the Fornell–Larcker criterion.

The structural model was tested using SEM via the LaVan package in R, applying the DWLS estimator, appropriate for Likert-scale data and small-to-medium sample sizes. To ensure robustness, results were also compared with PLS-SEM, in line with recommendations from recent HRM-performance studies. Model fit indices, including (CFI, TLI, RMSEA, SRMR), indicated a strong model fit.

This study relies on perceptual data collected through self-reported questionnaires; a methodological approach widely accepted as a method in HRM-Performance research over the past decade. While perceptual measures are appropriate for capturing subject

evaluations, triangulation was achieved by incorporating objective financial indicators - company sales, profitability, HR department size, existence of formal HR policies, written policies and procedures, organizational culture, and sensitivity to corporate social responsibility (CSR). These indicators served as selection criteria to ensure a more accurate and representative sample.

To mitigate potential bias, several safeguards were implemented: respondent anonymity, the use of a standardised Likert-scale instrument, and the application of advanced statistical techniques (SEM and CFA) to validate constructs and ensure data integrity.

According to INSTAT [38], there were 1,286 firms in Albania employing between 50 and 250 people, accounting for a total of 129,322. Additionally, 168 firms employed more than 250 people, representing 97,824 employees. Private companies constitute approximately 95 % of these institutions. Based on this distribution, a representative sample was completed, resulting in a sample of 293 firms in the 50–250 employee range and 114 firms with more than 250 employees. This sampling approach ensured proportional representation across firm sizes and reinforced the study's alignment with national labour statistics and international research standards.

Reflecting the contextual reality of Albania, we assumed that companies with 50–250 employees typically include one general manager, one HR manager, and two-line managers. Companies with over 250 employees have one general manager, two HR managers, and three-line managers. To select the study firms, we applied proportional weighting based on employee count: 57 % in the 50–250 group and 43 % from the over-250 group, using a 15 % representation rate. This yielded a final sample of 35 companies in the 50–250 bracket and 26 companies with more than 250 employees.

To determine the number of respondents, we adjusted the sample size according to role distribution and converted roles into individual survey participants. This process resulted in 149 respondents from the 50–250 group and 103 respondents from the over-250 group, ensuring a balanced and role-representative sample for statistical analysis.

Company strategy is assessed via company culture, cost strategy, innovation strategy, and quality strategy. Human resources strategy is assessed via the HR role and HR practices. HR role is measured along Ulrich's four dimensions, while practices focus on the most frequently cited: recruitment & selection, training & development, and compensation & motivation. HR outcomes are measured via employee retention, job satisfaction, and engagement. Organizational performance is measured via effectiveness, efficiency, development, stakeholder satisfaction, innovation, and quality.

Models used in theoretical and empirical studies on the impact of HRM on organizational performance: This study draws on the ten key most evaluated theoretical and empirical works that have examined the impact of human resource management (HRM) on organizational performance from 2001. The evidence shows that HRM is a decisive factor in business success, as policies and practices such as recruitment, training, compensation, and employee engagement enhance skills, motivation, and commitment.

HRM outcomes act as a mediating mechanism between HRM practices and organizational performance, thereby reinforcing efficiency and contributing to long-term business success.

Model 1: Boselie, Paauwe & Jansen (2001) [22]

This model emphasizes the impact of the legal, institutional, and cultural context on the relationship between HRM and performance. The study in the Netherlands shows that, unlike the US and UK, which focus on productivity and financial returns, in continental Europe, the major role is played by collective agreements, labor law, and stakeholders. The model draws on contingency theory, socio-technical theory, and resource-based theory, suggesting that "best practices" alone are insufficient without considering political pressures, coercive mechanisms, and social norms. Its main contribution lies in highlighting an institutional and contingent approach, showing that HRM effects depend on how practices are implemented within a given environment. This model has been valued as an important approach to understanding the institutional conditioning of HRM [28], but it has also been criticized for lacking a universal framework and for the need for cross-country comparative testing [101, 102].

Model 2: Boxall & Purcell (2003) [23]

This model places commitment and job satisfaction at the center, framing HRM as part of the business strategy. It identifies 11 key practices that drive motivation and performance. A unique element is the role of line managers in implementing practices and communicating messages to employees. The model underscores the importance of both internal fit (coherence among HRM practices) and external fit (alignment with business strategy and the environment). Its major contribution is the creation of a framework that balances universalistic and contingent approaches, though it remains mainly conceptual and requires further empirical testing.

The model has been described as one of the most influential frameworks for explaining the HRM-performance link [28]. However, it has also been seen as more normative than empirical, leaving room for further research on strategic alignment [102, 103].

Model 3: Guest et al. [104], adapted by Armstrong [105]

This model presents a clear framework where HRM strategy influences HR practices (resources, development, rewards, relationships), which in turn affect employees' abilities, motivation, and opportunities (AMO theory). Through these, employees' commitment and behavior are shaped, ultimately improving organizational performance. A central feature is the role of line managers, who act as key implementers of practices. The model is valuable in clarifying mediating mechanisms, yet it is considered more normative than empirical, and requires validation in different contexts, especially regarding financial outcomes. It is seen as a useful theoretical starting point [101], but scholars highlight the need for further empirical testing to confirm its validity [28, 102].

Model 4: Katou (2008) [20]

Katou's study in Greece [20] empirically tests the HRM-performance link by incorporating HRM outcomes as mediators. Practices such as recruitment, training, appraisal, and rewards do not directly affect performance but do so through employees' satisfaction, motivation, and commitment. Based on a sample of 178 firms, regression models were applied to examine mediating effects, thereby illuminating the "black box" mechanism in HRM-performance research. The key contribution lies in empirically demonstrating the role of HRM outcomes as mediators, making the model a widely referenced framework in subsequent literature.

This model has been praised for its empirical strength and influence on advancing the literature on HRM outcomes as mediators [87, 97]. More recent studies have extended its use to link HRM with analytics and sustainability [79, 89].

Model 5: Kuipers & Giurge (2017) [24]

This model focuses on HR roles (strategic and operational) and their fit with business strategy. Findings show that the strategic HR role strongly impacts performance, especially when an innovation strategy is absent. By contrast, the operational HR role is more relevant in the case of cost strategies. The model builds on Ulrich's HR roles framework and suggests that strategic alignment is a source of competitive advantage. Its major contribution lies in clarifying the differentiated effects of operational vs. strategic HR roles on organizational performance.

The model has been valued as a basis for understanding the role of the HR Partner in efficiency [106], but scholars have emphasized the need for cross-national testing and cultural integration [107]. It has also been highlighted as significant for HR analytics and green HRM research, though requiring expansion toward sustainability goals [103, 106].

Model 6: Budhwar & Patel [86] – Content vs. Process in the HRM–Performance Link

The study distinguishes between the content of HRM practices (e.g., selection, training, rewards, appraisal) and the process of implementation (how they are applied, understood, and supported by management). The central question is: what matters more for performance the actual practices or the way they are implemented? The model shows that real effects depend on perceptions and managerial involvement, not just the existence of a list of practices.

Recognized as a major step in unpacking the HRM–performance "black box," integrating practice (content) with implementation (process) [97, 98]. It emphasizes the critical role of employee/manager perceptions [85, 87] and its applicability in developing contexts where institutions weigh heavily [84, 93]. Connections to HR digitalization/analytics highlight its usefulness for measuring intermediate outcomes [77, 79], although empirical operationalization remains methodologically demanding [89].

Model 7: Katou (2017) [87] – The Integrative HRM Model

HRM is conceptualized as a system that creates performance through internal fit (coherence among practices) and strategic alignment (fit with overall business strategy). Practices influence HRM outcomes (skills, motivation, commitment), which mediate the impact on performance; meanwhile, culture, the strategic role of HR, and environmental factors act as moderators. Evidence from SEM confirms that the impact is stronger when both internal and strategic fit occur simultaneously.

Valued for integrating universalistic, contingent, and configurational perspectives, clarifying that effects are mediated [87, 97]. Provides a flexible basis for cross-country/industry comparisons [85, 93] and connects to digital transformation and HR analytics [76]. Scholars suggest that more advanced designs are required for broader testing [89, 103].

Model 8: Tensay & Singh (2020) – AMO in the Public Sector (Ethiopia) [98]

Using the AMO framework (Ability–Motivation–Opportunity) and SEM with 340 employees in federal institutions, the study classifies practices into: Ability: recruitment/selection, training/development; Motivation: performance appraisal, rewards; Opportunity: autonomy, participation in decision-making.
Findings reveal strong positive links between HRM practices and both organizational performance and employee retention; the mediating role of retention is partial. Organizational culture and national context are highlighted as key determinants of the strength of these relationships.

 Praised for highlighting employee engagement as a mediating mechanism in developing-country public sectors [84, 88]. Applied to link HRM with well-being, sustainability, and innovation outcomes [93, 94]. However, the literature stresses the need for cross-cultural validation for stronger generalization [34, 89].

Model 9: Katou, Budhwar & Patel (2021) [88]– Organizational Ambidexterity, Leader Social Intelligence & Employee Engagement

The model links leader social intelligence and employee engagement with the firm's ability for organizational ambidexterity (balancing exploration and exploitation). Socially intelligent leaders foster trust, communication, and collaboration, thereby increasing engagement that, in turn, drives both innovation and efficiency. Environmental changes act as pressures requiring organizations to balance both strategies. HRM is positioned as the lever enabling this balance.

Widely valued for integrating leadership, engagement, and environmental dynamism in explaining ambidexterity [108, 109]. Scholars, however, call for broader cross-sectoral testing and more precise measurement of social intelligence and engagement constructs [110, 111].

Model 10: Tortia, Sacchetti & López-Arceiz (2022) – A Human Growth Perspective on Sustainable HRM [99]

Based on data from 310 Italian non-profit organizations (4,134 employees), this model links sustainable HRM practices (participation, teamwork, autonomy) with non-material satisfaction, which mediates their impact on organizational performance (service quality, innovation). Results show that involvement and workload strongly influence outcomes, while autonomy and teamwork have weaker direct effects. The model emphasizes "decent work" and the balance between participation and pressure as a foundation of sustainability. Considered a valuable framework for integrating Sustainable HRM, employee well-being, and sustainable performance [98]. It advances the agenda of Green/Responsible HRM, but requires more cross-cultural validation and deeper operationalization [112].

The development of models linking human resource management (HRM) to organizational performance reflects a clear theoretical and empirical progression over the past two decades. This evolution can be traced across several phases.

First phase (2001–2003): Context and fit. Early studies emphasized the impact of institutional factors and the alignment of HR practices with business strategy. Authors in [22] argued that legislation and collective agreements are key determinants of HRM outcomes. Shortly after, authors in [23] shifted attention to the importance of both internal fit among HR practices and external fit with business strategy, highlighting the critical role of line managers.

Second phase (2006–2008): Mediating mechanisms and the "black box." Guest, as adapted by [105], proposed a framework where HRM influences abilities, motivation, and opportunities (AMO), which then translate into performance. Authors in [20], through empirical testing in Greece, demonstrated that HRM outcomes such as motivation, commitment, and satisfaction mediate the relationship between practices and performance, thereby shedding light on the "black box" mechanism.

Third phase (2010–2017): Deepening and integrating approaches. Kuipers and Giurge [24] differentiated between operational and strategic HR roles depending on business strategies. In the same year, authors at [86] introduced the distinction between content and process of HRM practices, stressing the role of perceptions and implementation. Katou [87] further advanced the field by developing an integrative model that combined universalistic, contingent, and configurational approaches, showing that both internal and strategic fit are critical for organizational performance.

Fourth phase (2018–2021): Expanding dimensions, authors in [98] applied the AMO framework in the Ethiopian public sector, highlighting employee engagement as a key mediator. Authors at [88] introduced the concept of organizational ambidexterity, integrating leader social intelligence, employee engagement, and environmental change as critical factors for balancing innovation and efficiency.

Fifth phase (2022 onwards): Sustainability and well-being. The model of [99] presented a novel "human growth" perspective, linking sustainable HRM practices with employee well-being and long-term performance, positioning HRM as a pillar of social responsibility and sustainable development.

The progression through decades is shown from institutional and strategic frameworks to the exploration of mediating mechanisms, then to integrative and contextual models, and ultimately to the incorporation of innovation, leadership, and sustainability. This evolution demonstrates that HRM research has moved from a narrow and linear vision toward a more complex, holistic, and future-oriented understanding aligned with the challenges of the twenty-first century.

In addition to the summary of the ten models presented earlier, a chronological overview is provided in the Table 2 for the development of studies that have applied, either fully or partially, models similar to this research. This approach aims to ensure solid theoretical support for the selection of the elements that constitute the model of this study.

Table 2. Summary table of similar studies

References	Business Strategy	Human Resource Management Practices	HR Outcomes	Organizational Performance
[36]	Firm size	Selection, Training, Appraisal, Rewards, Job design, Participation, Status, and Security	Commitment, Quality, Flexibility	Profit, ROI
[119]	Cost, Quality	Training, Appraisal, Rewards, Job design, Participation, Status, Security	Quality, Flexibility	Profit
[15]	Organizational structure, Union coverage, Strategy	Recruitment, Training, Motivation, Performance appraisal, Compensation	Turnover, Commitment, Positive behavior, Socialization	Productivity, Financial performance
[31]	Firm size, Firm age	Internal career opportunities, Training, Performance appraisal, Job security, Job description, Talent management	Involvement, Commitment	Profit, Quality, Productivity, Market share
[17]	–	Job security, Selective hiring, Teamwork, Compensation, Training, Reduction of status differences, Information sharing	Performance	Performance

[120]	Organizational culture, Firm size, Firm age	Recruitment/Selection, Motivation, Performance appraisal, Job security, public sector motivation, Career and talent management, Promotion	Commitment, Performance, Motivation, Job satisfaction, Citizenship behaviour	Efficiency, Respect for diversity, Perceived leadership, Fairness
[121]	–	Planning, Recruitment, Training, Development, Performance, Compensation	Skills, Knowledge, Motivation, Empowerment, Opportunities	HR outcomes, Business results, financial results, public satisfaction
[122]	–	Selection, Planning, Rewards, Participation, Decentralization, Training, Promotion, Autonomy, Formal procedures, Coaching	Motivation, Social climate, Involvement, Attendance, Retention	Market position, Customer satisfaction, Product development, Investment
[123]	Strategy, Objectives	Recruitment, Selection, Training, Motivation, Performance appraisal, Career management & promotion, Performance management	Commitment, Positive behaviour	Effectiveness, Efficiency, Goal achievement, Perceived business position
[20]	Cost, Quality, Innovation	Selection, Training, Job design, Performance, Compensation, Promotion, Incentives, Participation, Involvement	Cooperation, Competence, Motivation, Commitment, Satisfaction, Attendance	Effectiveness, Efficiency, Development, Satisfaction, Innovation, Quality
[24]	Cost, Innovation	HR roles according to Ulrich	–	Quality, Efficiency
[124]	Business strategy alignment, Internal efficiency, Flexibility	–	Signal strength	Employee behaviour
[98]	HRM system	Recruitment, Selection, Training, Development, Performance, Rewards, Compensation, Autonomy, Participation	Retention	Productivity, Quality, Goal achievement, Satisfaction

[106]	Country, Industry, Number of employees, Institutionaliz ation of HR role	–	Efficiency, Retention, Awareness	Quality, Productivity, Profitability
[116]	Non-material satisfaction	Participation, Collaboration, Autonomy, Work pressure	–	Quality, Social innovation, Services
[125]	–	Training, Development, Performance, Rewards, Compensation, Empowerment, Participation	Well-being, Environmental awareness	Financial results, non-financial results

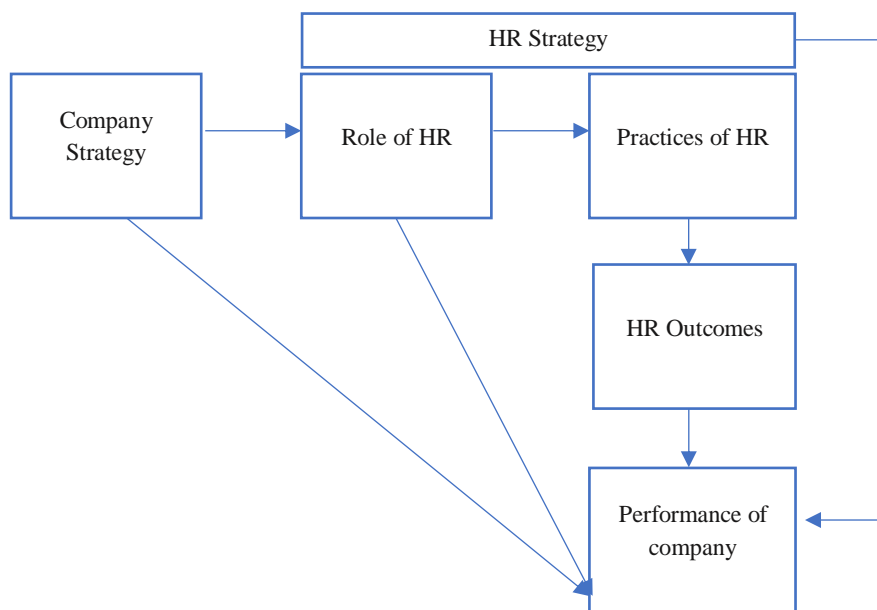Figure 1 depicts the model designed for this study:

Figure 1. The measurement of Organizational performance

This study aims to empirically evaluate the relationships between company strategy, the role and practices of human resource management (HRM), HRM outcomes, and organizational performance, based on the theoretical models of Katou [20] and Kuiper [24]. To conduct this evaluation, a structural equation model (SEM) was developed and tested using the "lavaan" package in R. The estimated model demonstrates an excellent fit to the data: CFI = 0.995, TLI = 0.994, RMSEA = 0.029 (CI: 0.021, 0.037), SRMR = 0.051. These indicators confirm that the structural model closely aligns with the empirical data.

The structural equation model (SEM) yielded excellent fit indices (CFI = 0.994; TLI = 0.994; RMSEA = 0.030; SRMR = 0.051), indicating robust consistency between the theoretical framework and empirical data. Based on this validated model, the following hypotheses were tested and interpreted:

Hypothesis 1

The company's strategy has a direct impact on organizational performance. This hypothesis is supported. The results indicate a statistically significant direct effect of business strategy on organizational performance ($\beta = 0.471$; $p < 0.001$). This finding aligns with the universalistic perspective in strategic HRM [20, 31], which suggests that consistent strategic choices enhance performance regardless of contextual variables. The result is particularly relevant for transitional economies like Albania, where strategic consistency may substitute for institutional maturity. Similar strength has been reported in European and transitional economies, with direct effects of strategy on performance ranging from 0.40–0.55 [70, 112], which confirms the robustness of strategic alignment as a universal driver of performance.

Hypothesis 2

The alignment between company strategy and the role of HR positively impacts organizational performance. This hypothesis is supported indirectly. A significant indirect relationship was identified: strategy strongly influences the strategic role of HR ($\beta = 0.799$; $p < 0.001$), which in turn predicts performance ($\beta = 0.399$; $p < 0.001$). These results confirm the mediating effect of the HR role and highlight its bridging function between strategy and outcomes [39, 40]. The findings reinforce the resource-based view [41], emphasizing that HR must be strategically positioned to contribute to performance. Kuipers & Giurge [24] and later extensions, Zhang & Morris [113], also show the mediating role of HR functions in translating strategy into performance outcomes. These findings reinforce the importance of HR's strategic role, consistent with state-of-the-art alignment models.

Hypothesis 3

The alignment between company strategy and HRM practices positively influences organizational performance. This hypothesis is not supported. Although strategy significantly predicts HRM practices ($\beta = 0.542$; $p < 0.001$), the direct effect of HRM practices on performance was negative and non-significant ($\beta = -0.051$; $p = 0.812$). This challenges assumptions from earlier models of vertical fit (Schuler & Jackson [42]; Arthur [43]) and implies that in the absence of strategic implementation channels, HRM practices alone may lack sufficient traction to impact performance. While classic studies [15] emphasized practices as direct drivers, newer studies argue that the effect is context-contingent [112, 114]. These findings support the contemporary view that HRM practices may not directly impact performance but act through intermediate outcomes.

Hypothesis 4

The role of HR positively affects organizational performance through HR practices. This hypothesis is not supported. The HR role weakly predicts HR practices ($\beta = 0.201$; $p = 0.149$), and the latter do not significantly affect performance ($\beta = -0.051$; $p = 0.812$). The indirect path is therefore not substantiated. This suggests that without strategic context and authority, HR may be unable to activate practices in ways that translate into performance improvements a finding that resonates with the arguments of [24, 44].

Hypotheses 5 and 6

The strategic and operational roles of HR positively affect performance through HR practices. This hypothesis is not supported. These paths were excluded from the revised model due to statistical insignificance in intermediary relationships. Thus, the hypotheses could not be tested in their original form. The absence of a clear link between HR roles and practices suggests that role clarity alone does not suffice unless embedded within a broader strategic architecture.

Hypothesis 7

HRM practices have a stronger impact on performance through HR outcomes. This hypothesis is partially supported. HR practices have a strong effect on HR outcomes ($\beta = 0.921$; $p < 0.001$), while HR outcomes show a marginally significant effect on performance ($\beta = 0.193$; $p = 0.315$). The mediated pathway suggests that practices generate value primarily when they produce measurable outcomes, corroborating findings from [44, 45]. In this study, the transmission mechanism between practices and performance is weak but evident. Similar mediating effects have been confirmed in recent meta-analyses [70, 98], though the strength of the Results → Performance link often varies. This confirms the "black box" debate—HRM practices produce strong HRM outcomes, but the link to performance is weaker and context-dependent.

Hypothesis 8

The integration of strategic components has a stronger effect on organizational performance than individual factors. This hypothesis is fully supported. The final SEM confirms that strategy ($\beta = 0.471$), HR role ($\beta = 0.399$), and HR outcomes ($\beta = 0.193$) are jointly significant predictors of performance, resulting in an overall explanatory power of $R^2 = 0.709$. These results validate Katou's [20] causal model of HRM, emphasizing internal alignment over isolated effects. They also reflect a dual theoretical foundation: universalistic principles (i.e., consistent high-performance practices) coexist with contextual contingency (i.e., the importance of HR's strategic positioning). In the Albanian context, where formal structures are often imposed externally, this duality reflects partial institutionalization and a hybrid HRM system [9, 46]. Thus, rather than being contradictory, universalism and contingency appear as complementary in transitional market settings. It matches with integrated HRM-performance frameworks proposed by [87] and updated in transitional economy studies [70]. This strengthens the argument that

strategic and role-based HR alignment is a more powerful predictor of performance than practices alone.

The findings of this study demonstrate that company strategy remains the key variable, exerting both direct and indirect effects on organizational performance. This result is consistent with recent evidence from European and transitional economies, where the alignment of strategy with organizational structures explains a substantial share of performance variance [70, 112]. Similarly, the mediating role of the HR function, linking strategy with performance, reflects contemporary literature that emphasizes the strategic empowerment of HR as a business partner [113].

In contrast, HRM practices did not show a significant direct impact on performance, a finding in line with post-2020 research, which argues that their influence is primarily indirect and highly contingent on institutional and cultural contexts [114]. This insight has particular relevance in the Albanian private sector, where many companies continue to rely on traditional approaches and have not fully institutionalized modern HRM systems.

Nevertheless, the study confirmed that HRM practices exert a very strong effect on HRM outcomes ($\beta = 0.921$, $p < 0.001$), supporting the notion that internal processes such as recruitment, training, and motivation directly shape employee skills, engagement, and retention. However, HRM outcomes displayed only a weak and statistically marginal link with organizational performance, thereby reflecting the ongoing "black box" debate in contemporary HRM literature [98]. In the Albanian context, where market dynamics and managerial structures are often unstable, this weak link suggests that the translation of HRM outcomes into measurable organizational performance remains fragile.

Finally, strategic integration of HRM proved significant and meaningful, reinforcing the growing consensus in recent literature that HRM effectiveness depends less on isolated practices and more on the alignment of company strategy with HR roles and processes [70]. For Albanian private companies, this finding is particularly relevant as it highlights that performance improvements can only be achieved through the systematic integration of strategic objectives with the HR function.

This study aimed to empirically examine the relationship between business strategy, the role and practices of human resource management (HRM), HRM outcomes, and organizational performance within the distinctive institutional and economic context of Albania. The adoption of an integrated HRM-performance framework, tested through regression analysis and structural equation modelling (SEM), provided an advanced approach for analysing the complex interactions among the core components of strategic HRM.

The results revealed that four hypotheses were strongly supported, one was partially supported, while three did not receive sufficient statistical backing. Rather than undermining the scientific rigor of the study, these mixed outcomes reflect the nuanced nature of the strategy–HRM–performance relationship in Albanian organizations and enrich the interpretive depth of the findings.

Strategic alignment received partial support, particularly in Hypotheses 2 and 3. Business strategy was found to significantly influence the HR role (β = 0.799), yet its relationship with HRM practices was statistically insignificant (β = 0.542; p > 0.05). This suggests that in many Albanian firms, the HR function is more closely aligned with strategic and managerial roles than with the systematic implementation of advanced HR practices. The lack of mediation through HRM practices, as tested in Hypotheses 4–6, indicates that the operational role of HR remains underdeveloped—a common feature in transitional economies where HRM often lacks full institutional autonomy and operational maturity.

On the other hand, Hypothesis 7, which explored the performance effects of HR practices via HRM outcomes, was partially supported. HR practices had a substantial impact on HR outcomes (β = 0.921; p < 0.001), while the link between outcomes and performance was marginally significant (β = 0.193; p ≈ 0.315). These findings imply a partial mediation pathway, suggesting that HR practices influence performance primarily through intermediate mechanisms such as employee engagement, capability building, or organizational cohesion rather than directly.

One of the most salient findings emerged from Hypothesis 8. The integration of strategy, HR roles, and HR practices produced a strong explanatory model (R^2 = 0.709), validating the importance of an integrated HRM system. The results suggest that no single component alone determines performance; rather, the synergistic alignment of strategic intent, functional HR roles, and implementation of HR practices is what drives meaningful performance outcomes. This supports the causal logic proposed by Katou [20] and adds empirical weight to the internal fit paradigm in HRM research.

The model was evaluated using the DWLS (Diagonally Weighted Least Squares) method, which is appropriate for ordinal data (Likert scale). The main fit indices are: CFI = 0.994, TLI = 0.994, RMSEA = 0.030, SRMR = 0.051. All values indicate that the model has an excellent fit with the data. The model is theoretically coherent, statistically valid, and effectively explains organizational performance. It supports the strategic fit thesis and contributes to a deeper understanding of the role played by company strategy, HRM, and its practices in shaping outcomes.

In comparison to the international literature, the findings align closely with the universalistic perspective, as emphasized by [31, 47, 48], which argues that the adoption of "best practice" HR systems tends to enhance performance regardless of strategic context. The support for this perspective in Albania suggests that strategic structures are not yet fully institutionalized, and HRM operates more through stable management standards than through finely tuned contingent alignments.

Compared to the international literature, the findings of this study converge on several key points but also diverge due to the Albanian context as a transitional economy. For example, the studies of [19, 20, 87, 88] in Greece, as well as those of [95] and [96], highlight the positive impact of corporate strategy and human resource management (HRM) practices on performance, supporting the universalistic paradigm which suggests that

"best" HR practices have a consistent effect regardless of sector or strategy. In Albania, this paradigm also found support, but with an important nuance: HRM practices exert a weaker influence than the role of the HR function itself. This result suggests that in a context with limited institutionalization, such as Albania, the HR role serves more as a key mechanism for strategic alignment than the practices applied per se. Similarly, classical studies such as [31] and [24] underline that only the strategic role of HR has a strong impact, whereas the operational role is weaker—a finding that is also confirmed in this study. However, in the Albanian case, this difference is even more pronounced: the operational role of HR proved to be less significant, indicating that strategic orientation is decisive for influencing performance. On the other hand, more recent studies on employee engagement and involvement [87, 115] show that these mediating variables are critical for organizational success. While this logic was partially reflected in the Albanian model, the absence of formalized structures for measuring engagement and involvement limits their overall impact. Another notable difference is the dimension of sustainability and well-being, emphasized by Ermanno [116], which links green HR practices and employee care to long-term performance. Unlike this focus, the Albanian study does not directly address wellbeing or sustainability, remaining primarily centered on the strategic alignment of HR roles and practices. Nevertheless, this opens space for future research on the integration of Green HR and wellbeing dimensions within the Albanian context.

In summary, although not all hypotheses were statistically supported, the study remains scientifically valid, methodologically robust, and contextually significant. It sheds light on how HRM can influence organizational performance in transitional markets and challenges simplified assumptions that strategic fit is universally decisive. Instead, it highlights the enduring importance of internal consistency and the systemic functionality of HRM practices. These insights contribute both theoretically and practically to the broader discourse on HRM effectiveness in emerging economies. In the Albanian context, this duality reflects the transitional nature of many medium and large private organizations. These firms often adopt formal HRM structures under the influence of external institutional pressures, yet still operate with legacy management cultures that limit HR's strategic influence [9, 46]. This partial implementation of strategic HRM explains why both universalistic and contingent effects are observable simultaneously. Thus, the tension between universalism and contingency should not be viewed as a theoretical inconsistency but as a reflection of layered organizational maturity in emerging markets. It underscores the need for HR professionals and executives to go beyond structural formalization and work toward embedding HR more deeply into the core of business strategy.

DATA ANALYSIS

This section presents the statistical analysis of the data collected from the structured organizational-level questionnaire. The analysis is conducted using the EViews software package, applying econometric methods aligned with the methodological framework presented in the previous section. The goal of this analysis is to empirically test the

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hypothesized relationships between Human Resource Management (HRM) practices and organizational performance. Emphasis is placed on evaluating the statistical significance, strength, and direction of the relationships using linear regression models, including the estimation of coefficients, significance values (p-values), R-squared values, and standard errors.

The regression results indicate a strong and statistically significant relationship between selected HRM practices and performance measures. Interpretation of the output is based on both standardized and unstandardized coefficients to provide a comprehensive understanding of the relative contribution of each independent variable. The analysis includes multivariate linear regression models for testing the influence of HR strategy, HR role, and HR practices (recruitment, training, rewards) on organizational performance.

The validity of these models is supported by acceptable values of R-squared, which indicate a high proportion of explained variance, and by significance levels confirming the robustness of relationships. Below is the summary table 3 of key regression outputs.

Table 3. Table of key regression outputs

Independent Variable	B Coefficient	Standard Error	t-Statistic	p-Value
HR Strategy	0.417	0.073	5.72	0.000
HR Role	0.368	0.065	5.66	0.000
Recruitment	0.292	0.057	5.12	0.000
Training and Development	0.305	0.061	4.98	0.000
Rewards	0.348	0.059	5.89	0.000

These results confirm the theoretical expectations and provide empirical support for the integrated model tested in this study. All independent variables exhibit statistically significant effects on organizational performance, with p-values below the 0.01 threshold. The strength of the standardized coefficients highlights the importance of aligning HR strategy and practices with organizational objectives.

The highest impact is observed in the role of HR and reward systems, suggesting these areas should be prioritized in strategic HRM interventions. These findings reinforce the literature advocating for a strategic and holistic view of HRM as a driver of sustainable organizational performance.

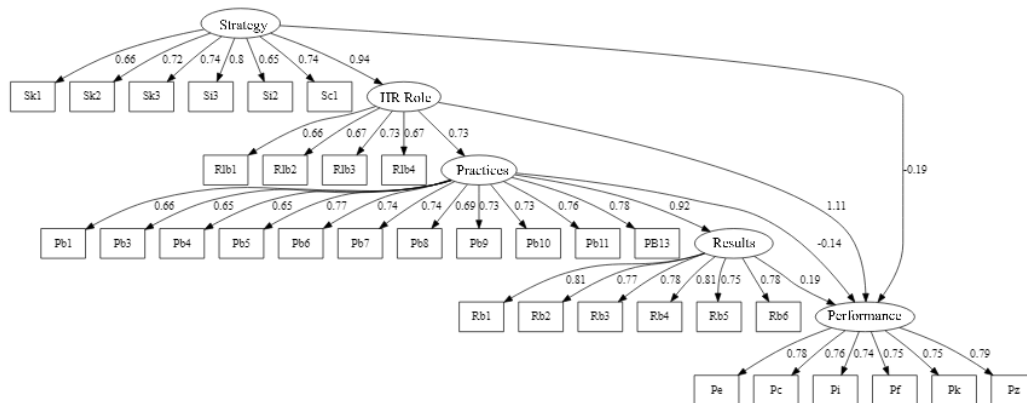Figure 2 depicts the testing models of our study.

Figure 2. The model tested

Model Fit Evaluation: The structural equation model (SEM) was evaluated using the Diagonally Weighted Least Squares (DWLS) estimator, appropriate for ordinal Likert-scale data. The model exhibited an excellent fit to the data, with CFI = 0.994, TLI = 0.994, RMSEA = 0.030 (90% CI: 0.021–0.037), and SRMR = 0.051. All indices meet or surpass common thresholds for good model fit (e.g., CFI ≥ 0.95, RMSEA ≤ 0.06; see authors at [117, 118], suggesting the hypothesized model structure is statistically valid and consistent with the observed data. The model is theoretically coherent, statistically valid, and explains organizational performance quite well. It supports the thesis of strategic fit and contributes to understanding the role of Strategy, HRM, and their Practices in shaping Results, see Tables 4 and 5.

Table 4. Table of Model Fit Evaluation

Index	Value	Threshold	Interpretation
CFI	0.994	≥ 0.95	Excellent fit
TLI	0.994	≥ 0.95	Excellent fit
RMSEA	0.030 (90% CI: 0.021–0.037)	≤ 0.05	Excellent fit
SRMR	0.051	≤ 0.08	Acceptable fit

Table 5. Table of Model Fit Indices – Structural Equation Model (SEM)

Fit Index	Standard	Scaled / Robust
Test Statistic	253.778	604.46
Degrees of Freedom	487.0	487.0
P-value (Chi-square)	1.0	0.0
Scaling Correction Factor		0.901
Shift Parameter		322.82

Baseline Model Test Statistic	19926.864	3144.613
Baseline Degrees of Freedom	528.0	528.0
Baseline P-value	0.0	0.0
Baseline Scaling Correction Factor		7.414
CFI	1.0	0.955
TLI	1.013	0.951
Robust CFI		0.995
Robust TLI		0.994
RMSEA	0.0	0.031
RMSEA CI Lower	0.0	0.022
RMSEA CI Upper	0.0	0.039
P (RMSEA ≤ 0.05)	1.0	1.0
P (RMSEA ≥ 0.08)	0.0	0.0
Robust RMSEA		0.029
Robust RMSEA CI Lower		0.021
Robust RMSEA CI Upper		0.037
P (Robust RMSEA ≤ 0.05)		1.0
P (Robust RMSEA ≥ 0.08)		0.0
SRMR	0.051	0.051

Structural Path Coefficients: The standardized path coefficients, p-values, and hypothesis testing results are presented in the table 6. The findings indicate that company strategy is the key variable, exerting both direct and indirect effects on performance. HRM practices do not have a significant direct impact on performance but strongly influence HRM results. However, HRM results do not significantly predict organizational performance in the current model.

Table 6. Structural Path Coefficients and Hypothesis Testing

Hypothesis	Connection	Coefficient	p-value	Status
H1	Strategy → Performance	0.471	<0.001	Supported
H2	Strategy → Role of HR→ Performance	0.799; 0.399	<0.001	Indirectly supported
H3	Strategy → Practices → Performance	0.542; -0.051	0.812	Not supported
H4	Role of HR→ Practices → Performance	0.201; -0.051	0.149; 0.812	Not supported

H5 & H6	Role of HR → Practices → Performance	supportive, but not significant	-	Not supported
H7	Practices → Results → Performance	0.921; 0.193	0.000; 0.315	Partly supported
H8	Strategic Integration → Performance	The strategy and role of HR affect	<0.001	Supported

Explained Variance: The model explained substantial variance in key constructs. Specifically, HRM practices accounted for 92% of the variance in HRM results, while strategy and HR-related constructs jointly explained approximately 47% of the variance in organizational performance.

Table 7. Explained Variance (R^2)

Dependent Variable	R^2	Interpretation
HRM Results	0.92	Very high variance explained by practices
Performance	0.47	Moderate variance explained by strategy and HR role
Performance via HRM Results	0.14	Marginal contribution

Path Diagram: This figure 3 provides a visual representation of the structural model, with standardized coefficients and significance levels. The diagram highlights the strong direct role of company strategy in shaping performance, the mediating influence of the HR role, and the dominant effect of HRM practices on HRM results.
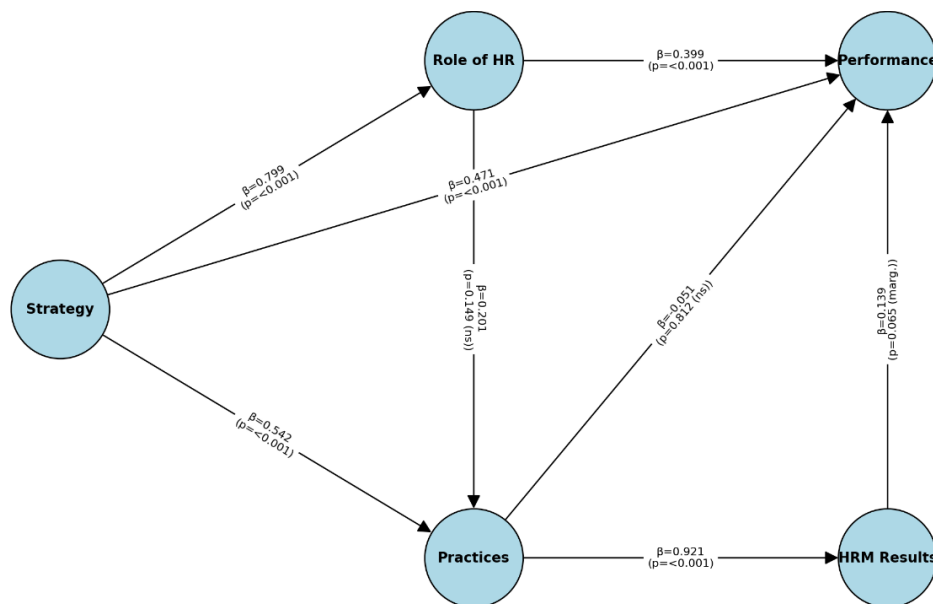

Figure 3. SEM Path Diagram with Standardized Coefficients

Figure 4 depicts the structural Equation Model Outcomes by Job Role: Line Managers, HR Managers, and Line Managers
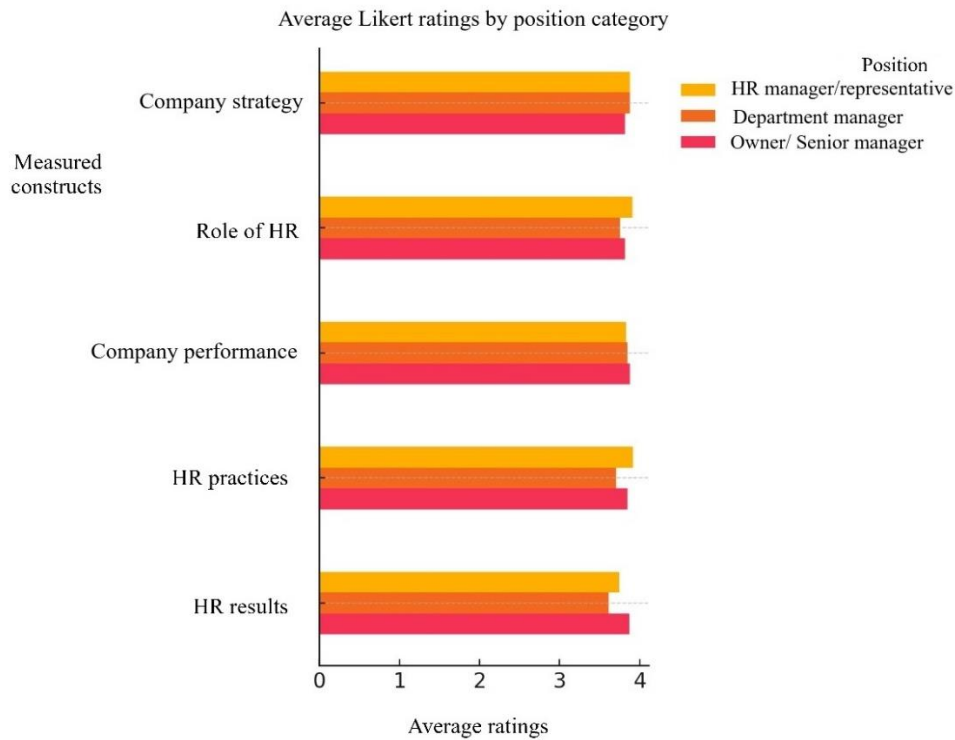

Figure 4. Structural Equation Model Outcomes by Job Role: Line Managers, HR Managers, and Line Managers

Table 8 shows the code book.

Table 8. Code Book

No.	Variable	Operational Variable	Operational Definition	Theoretical Source	Scale	Suggested questions
1	Company Strategy	Company Culture	Perception of the clarity, direction, and strategic content of the company.	[126], [127], [19, 20, 67, 86, 87, 88], [36], [23], [53], [15]	Likert 1–5	Objectives and decisions taken by the Board are clearly communicated to employees according to hierarchical levels and reflected in individual performance indicators. According to our company's culture, employees' opinions play an important role in decision-making.

2	Company Strategy	Cost	Perception of the clarity, direction, and strategic content of the company.	[126], [127], [19, 20, 67, 86, 87, 88], [36], [23], [53], [15]	Likert 1–5	The business strategy focuses on reducing production/service costs.
3	Company Strategy	Quality	Perception of the clarity, direction, and strategic content of the company.	[126], [127], [19, 20, 67, 86, 87, 88]	Likert 1–5	The business strategy focuses on improving the quality of existing products or services
4	Company Strategy	Innovation	Perception of the clarity, direction, and strategic content of the company.	[126], [127], [19, 20, 67, 86, 87, 88]	Likert 1–5	Our company is generally distinguished by an innovative culture.
5	HR Role	Strategic Partner	Integration of HR with strategy: partner, champion, change agent, and administrative expert.	[4], [52] [19, 20, 67, 86, 87, 88],	Likert 1–5	The HR department processes and analyses data that support the company's strategic decision-making. HR practices in our company reflect the company's strategic priorities and direction.
6	HR Role	Change Agent	Integration of HR with strategy: partner, champion, change agent, and administrative expert.	[24]	Likert 1–5	Decisions regarding the recruitment, training, and development of employees are aligned with the company's long-term goals. The HR department contributes to building a culture that supports the company's mission and vision.
7	HR Role	Administrative Expert	Integration of HR with strategy: partner,	[24]	Likert 1–5	There is a computerized HRIS system that helps in storing and

			champion, change agent, and administrative expert.			processing Human Resource data. The HR department processes and analyses data that serve the company's strategic decision-making.
8	HR Role	Employee Champion	Integration of HR with strategy: partner, champion, change agent, and administrative expert.	[24]	Likert 1–5	One of the tasks of the Human Resources department, in cooperation with Line Managers, is the identification of core employees. The Human Resources department develops processes and programs that influence employees' skills, behaviours, and outcomes to achieve business objectives.
9	HR Practices	Recruitment & Selection	Practices of hiring, contracting, and promoting employees.	[19, 20, 67, 86, 87, 88], [23], [50]	Likert 1–5	During the selection procedure, the company representatives managing the recruitment process showed interest in my skills, abilities, and knowledge in line with the job description. We have signed an open-ended contract with this company. In our department, hiring decisions are made with future needs and projects in mind.
10	HR Practices	Training & Development	Focus on professional growth and future readiness.	[19, 20, 67, 86, 87, 88], [128], [50], [100], [102], [129]	Likert 1–5	The trainings we have attended are oriented toward specific needs related to my job tasks. The trainings we have participated in have helped me not only to fulfil my current duties

						but also to contribute to my future development within the company.
11	HR Practices	Rewards & Motivation	Transparency, fairness, and performance evaluation methods.	[19, 20, 67, 86, 87, 88], [128], [50], [100], [102], [129]	Likert 1–5	Supervisors communicate the company's objectives and strategies by translating them into specific tasks for the unit where I work.
						Performance evaluation is communicated and discussed directly between the supervisor and the employee.
						We feel motivated to take on new tasks and bring innovative ideas since the monetary compensation is satisfactory.
12	HR Outcomes	Motivation	Motivation, skills, engagement, retention, and organizational behavior.	[19, 20, 67, 86, 87, 88], [100], [59]; [22]	Likert 1–5	We feel motivated and satisfied working in this company with a positive environment, where team spirit is our priority.
13	HR Outcomes	Retention	Motivation, skills, engagement, retention, and organizational behavior.	[19, 20, 67, 86, 87, 88], [100], [22]	Likert 1–5	We plan to develop my career in this company for at least the next 5 years.
14	HR Outcomes	Engagement	Motivation, skills, engagement, retention, and organizational behavior.	[19, 20, 67, 86, 87, 88], [100], [22]	Likert 1–5	We have a strong sense of deep commitment and belonging to my company.
15	HR Outcomes	Skills	Motivation, skills, engagement, retention, and organization	[19, 20, 67, 86, 87, 88], [100], [22]	Likert 1–5	We have been compensated for every additional shift or hour worked overtime.

			al behaviour.			
16	HR Outcomes	Organizational Behaviour	Motivation, skills, engagement, retention, and organizational behaviour.	[19, 20, 67, 86, 87, 88], [100], [22]	Likert 1–5	The company often takes care to "educate" with a spirit of community and environmental well-being through various initiatives.
17	Company Performance	Efficiency	Achievement of objectives, innovation capacity, efficiency, and flexibility.	[19, 20, 67, 86, 87, 88]	Likert 1–5	In this company, objectives are being set to increase its capacity to face future opportunities and challenges.
18	Company Performance	Effectiveness	Achievement of objectives, innovation capacity, efficiency, and flexibility.	[19, 20, 67, 86, 87, 88]	Likert 1–5	In this company, the objectives set at the beginning of the period are always achieved by maximizing the efficient use of resources.
19	Company Performance	Stakeholder Satisfaction	Achievement of objectives, innovation capacity, efficiency, and flexibility.	[19, 20, 67, 86, 87, 88]	Likert 1–5	The company has a good public image as a good employer.
20	Company Performance	Development	Achievement of objectives, innovation capacity, efficiency, and flexibility.	[19, 20, 67, 86, 87, 88]	Likert 1–5	The company has demonstrated flexibility and adaptability to changes as a result of its human resource policies.
21	Company Performance	Innovation	Achievement of objectives, innovation capacity, efficiency,	[19, 20, 67, 86, 87, 88]	Likert 1–5	In this company, objectives are being formulated to offer new products and services.

			and flexibility.			
22	Company Performance	Quality	Achievement of objectives, innovation capacity, efficiency, and flexibility.	[19, 20, 67, 86, 87, 88], [130]	Likert 1–5	In this company, objectives are being developed to improve the quality of products and services.

Human Resource Managers and Executives/Owners exhibit the highest perceptions across all constructs, with performance averaging ≈3.88 and strategy ≈3.86, whereas line managers' report slightly lower scores (≈3.72). This gap is expected and aligns with existing literature suggesting that HR professionals and top executives tend to have a more strategic vision and a more positive outlook toward the very structures they help design and oversee [49]. Line managers, in contrast, are often more focused on the practical implementation of policies and face greater day-to-day operational challenges, which may make them more critical in their assessments.

This figure illustrates perceptions by job category, comparing line managers, HR managers, and executives/owners. The results reveal some meaningful differences. Human Resource Managers report the highest average (~3.87), suggesting that HR professionals themselves tend to evaluate the overall situation more positively. They are followed closely by owners/executives, with a nearly identical average (~3.84). Meanwhile, line managers' report a slightly lower mean (~3.75) compared to the other two groups.

Although these differences are not extremely large, they are consistent with theoretical expectations and findings from prior studies on organizational role perceptions. Previous research has noted that HR professionals are more likely to perceive the value and contribution of HR practices positively compared to line managers. This is understandable, as HR professionals are the architects and implementers of these policies. They are aware of their strategic intent and may be better positioned to evaluate their impact.

Authors in [49] found that HR professionals rate the importance and effectiveness of HR practices significantly higher than line managers, even though both parties acknowledge the critical role of HR in achieving organizational success. In our data, line managers being closer to daily operations and the practical implementation of policies— appear to be more critical or may have higher expectations regarding organizational processes. Their slightly lower average score may indicate that they perceive ongoing room for improvement in how the organization functions, including a need for better communication or alignment between HR leaders and front-line management.

The concerns and expectations of operational managers must be taken into consideration to increase their satisfaction and engagement. The literature suggests that when the HR function and line managers share a common vision and clearly understand

their reciprocal roles and responsibilities, HRM practices become more strategically integrated, resulting in improved organizational performance [50, 51].

SUMMARY AND CONCLUSIONS

This study introduces a set of theoretical, methodological, and contextual innovations to the field of strategic Human Resource Management. It addresses a critical gap in the international literature by examining the HRM-performance relationship within transition economies, where institutional frameworks and strategic formalization are still evolving. A review of the existing studies revealed a lack of consistent methodological approaches tailored to such contexts, highlighting another gap that this research directly responds to by adopting a methodology specifically suited to the Albanian environment.

 The study proposes a multi-layered empirical model that includes business strategy, HR roles, HR practices, HR outcomes, and organizational performance - offering a comprehensive view of strategic alignment. The most important innovation to emphasize is that the study offers a novel way to operationalize HR strategy: through the role of HR and HR practices.

While the study offers valuable insights into the strategic role of HRM, it also faces some limitations. The sample composition primarily reflects managerial perceptions, which may not capture the full spectrum of organizational dynamics. Further research could adopt a multi-level approach to examine both vertical and horizontal alignment within managerial roles or between managers and employees to provide a more comprehensive understanding of strategic integration. Expanding the target would also allow for multi-sectoral analysis across different industries, enhancing generalizability. Additionally, incorporating a broad range of variables could enrich the analytical framework. These limitations suggest the need for future research employing mixed methods, multilevel analysis, and the inclusion of mediating and moderating variables to deepen insights into how HRM influences organizational outcomes. The findings underline the importance of integrating HRM strategically into business operations. I would suggest that HR functions should be treated as strategic partners, but this strategic positioning must precede the alignment of HR practices such as recruitment, development, and rewards, since practices alone do not prove effective unless embedded within a strategic framework. Policy interventions are needed to support both the strategic and operational capability of HR professionals, especially in transitional markets where HR practices lack autonomy and often operate in isolation from core strategic processes. Close collaboration between HR and line managers is essential not only for aligning with operational needs but also to strengthen the operational role of HR, as identified in this study, by utilizing performance indicators and HR analytics for data-driven decision-making. Business leaders must elevate the HR function to a strategic level, while also ensuring it has the operational authority to implement practices effectively, addressing the gap found in this study between HR roles and practice implementation. Promoting awareness of the necessity for strategic alignment between business goals and HRM remains crucial, particularly in

institutional environments like Albania, where formal structures may not guarantee effective integration. Without such integration, HR practices may remain operationally functional but strategically disconnected. In Albania's context, fostering this alignment is essential for organizational resilience and competitiveness.

Recent research in transitional economies confirms the positive impact of strategic human resource management on performance [67, 70], while also emphasizing that the institutional context often moderates the strength of this relationship. Compared with global studies that highlight the rapid integration of digital HRM and AI-driven practices into organizational performance models [63, 68]; the results from Albania suggest that these technological drivers remain secondary to traditional HR roles and practices. This gap highlights a specific contextual contribution: in Albania, HR outcomes depend more strongly on managerial roles and alignment mechanisms than on technology adoption.

A comparative analysis also reveals that while AI-HRM outcomes [23] are increasingly shaping organizational success globally, Albanian companies demonstrate lower levels of adoption due to cultural and institutional barriers, such as resistance to technological change and the lack of specialized training. This is consistent with the findings of [64], who emphasize that the limited digitalization of HR processes in Albanian enterprises is linked to restricted technological capacity and the absence of a dedicated HR development strategy. Similarly, authors in [71] show that cultural barriers and owner-driven decision-making remain major obstacles for the strategic role of HR in Albania. These contrasts underline the importance of designing Albania-specific interventions, such as policy incentives for AI-HRM training and capacity building.

Moreover, emerging global trends such as remote work, HRM, and hybrid workforce management post-COVID have transformed HR practices internationally [65, 72]. While not directly measured in this study, these trends represent future avenues for contextualizing HRM practices in Albania. Recent studies in the Albanian market [62, 66], indicate that Albanian companies have faced difficulties in managing remote work and sustaining employee engagement in hybrid environments, highlighting the need for more flexible organizational policies and the development of digital skills.

Finally, the implications for Albania require tailored rather than generic recommendations. In a context where owner-driven decision-making often constrains HR autonomy, empowering HR professionals with both strategic authority and analytical capabilities is essential [69]. Linking these reforms to global development priorities, particularly the Sustainable Development Goals (e.g., SDG 8: Decent Work and Economic Growth), would provide a robust framework for elevating the HR function and ensuring that HRM contributes not only to organizational competitiveness but also to Albania's broader socio-economic progress.

Limitations and Future Research

This section examines the main limitations of my study on the impact of Human Resource Management (HRM) on organizational performance in Albania.

One of the fundamental limitations of this study concerns the sample composition. The study was conducted with a sample of 317 respondents, of whom 252 were managers and only 65 were non-managerial specialist employees, thereby giving substantial weight to testing at the managerial level. While this approach provides supportive insights from both tiers, future studies are recommended to employ a multilevel analysis—both by comparing managerial and employee perceptions and by conducting separate analyses across industry segments or company size tiers based on employee counts—methods that would yield a broader perspective. The sample used is representative of private companies; nevertheless, a larger sample would be an added value for subsequent studies.

Albania has a very specific economic and cultural system in which HRM institutions are not yet fully consolidated. The role of family ties, nepotism, and social norms in the workplace may differ from countries with more formalized human resource management systems. This implies that the results may not be easily transferable to other countries or to contexts where HRM practices are supported by stronger regulatory frameworks.

Future research should not be limited to methodological refinements, but should also explore the impact of recent global developments on the HRM-performance relationship. Transitional countries such as Albania face challenges of weak institutionalization, traditional organizational cultures, lack of transparency, limited professional capacities, and low levels of technology adoption. These factors make the HRM-performance link more fragile and often more context-dependent than the standard "best practice" approaches that prevail in developed countries. In line with current development trends, future studies could examine the diffusion of digital HRM systems and platforms, which increasingly shape how organizations manage recruitment, performance appraisal, and employee engagement. The integration of artificial intelligence into HR practices also warrants focused investigation. Moreover, the rise of flexible and hybrid work arrangements after COVID-19 has fundamentally altered the employer–employee relationship, calling for deeper examination of how HRM can sustain motivation, collaboration, and productivity in these contexts. Finally, future studies may investigate the link between HRM and corporate sustainability strategies, particularly how HR policies and practices contribute to long-term objectives such as workforce resilience, green HRM, and the Sustainable Development Goals. By addressing these dimensions, future research will offer a more comprehensive understanding of HRM's role in shaping organizational performance in both advanced and transitional economies [63, 65, 72].

AUTHOR CONTRIBUTIONS
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CONFLICT OF INTERESTS
Authors confirm that there is no conflict of interest associated with this publication.

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