

# **An Analysis of Strategic Human Resource Management in Iran**

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## **Abstract**

SHRM implications in different part of the worlds have been investigated in different research papers. The depth of implementation of SHRM, results in the productivity of the organizations. The current paper is a conceptual overview on the SHRM implementation in Iran. The circumstances and the elements that contribute to the SHRM implementation in this country needs more consideration. Current paper investigates and analyzes the situation of Iranian organizations in the field of SHRM. It looks into the factors that affect the implementation of SHRM in Iran. To illustrate the study refers to culture in national level that has influenced the management style in the organizations. It also investigates the lack of appropriate managers as an obstacle in the way of SHRM. The mindset of managers and the culture intervene with management has resulted in keeping back the organizations from absorbing talented workforce and pushing them toward recent developments.

**Keywords:** Strategic human resource management, Culture, Leadership

## **Introduction**

The field of strategic human resources management (SHRM) has enjoyed a remarkable ascendancy during the past two decades, academically and practically. The parallel growth in both the research literature and interest among practicing managers is a notable departure from more common experience, where managers are either unaware or simply uninterested in scholarly developments in this field. As the field of HR strategy begins to mature, it is time to take stock of where it stands as both a field of inquiry and management practice. Although drawing on nearly two decades of solid academic progress, this exercise is explicitly prospective. In the study of global practices that illustrates the organizations which could achieve competitive advantages and greater market share (such as: Wells Fargo Bank, Connel, 2008), it is reasonable to emphasize the role of SHRM system as solutions to business problems. However why do Iranian managers look at SHRM as mere accessory tool and not a fundamental instrument to become more competitive, has yet to be investigated? This paper investigates the current situation in the implementation of SHRM in Iran. In this way the study reviews the national culture of Iran in the first step as an effective factor in implementing SHRM. It elaborates the effect of national culture in the managerial style of organization and the necessary elements for the managers to implement SHRM in their organizations. In this way, the study recommends the enhanced model of European foundation of quality management to the Iranian organization for the systematic implementation of SHRM. In this model the cultural factor has been considered, as the management style in Iran is very much influenced by this factor.

Being strategic means more than having solid system focus or even financial performance. Strategy is about building sustainable competitive advantage that in turn creates above-average long term overall performance. Such performance encompasses the systems, structure, culture, processes and functional business areas. Basically strategic human resource science is a new science that took the attention in line with the strategic human resource management plan in late 70's decade. After

spending the beginning years of 80's in giving theories on the basics of strategic human resource, the very first models of designing strategic human resource were provided in the middle 80's. These models had their biggest emphasis on adherence of the human resource strategy form the organization strategy and with a rational and logical view they were offering unified strategic issues for managing human resource in all organizations. But the first models that were able to provide different strategies for different situations in the organizations were models developed by Jackson (1987). After that, other models were also offered based on two elements (type of labor market and the type of control) by tentative and visionary researchers, till the end of 1990 (Arthur, 1994; Cutcher-Gershenfeld, 1991; Huselid & Becker, 1996). As these models were based on the special elements in managing human resource, they do not need to be in line and aligned with different elements of organization strategy, because organization strategy was based only on the SWOT analysis. In year 2000, Peter Bamberger and ILan Meshoulam, were successful in introducing integrative model by using two above mentioned elements (Labor market and control). They made distinction between the espoused HR strategy and the emergent one that the organization actually traveled. Basically, Bamberger and Meshoulam (2000), integrated the resource based model and control based model. This model was successful as it covered the focus and development, simultaneously.

In recent time HR management is facing sources of competition and new opportunities for growth, as organizations are looking at them to function for these two critical needs (Lesser, 1998). HR function must be able to deliver strategic insights to business units, enabling the organization to more effectively source, evaluate and motivate employees in an increasingly turbulent business environment. Meanwhile, HRM needs to continue to provide administrative services that are reliable, cost- effecting and responsive to the need of business units around the globe. In today's business climate, it is no longer sufficient for the human resources management functions to excel in just one of these areas; HRM must perform both roles effectively to contribute to the long-term success of the organization. As a result the need for SHRM in the organizations is obvious to perform more competitively in the world.

In looking at Iranian companies one major problem is evident: "*Lack of strategic Human resource management*". There may exist several factors that result to this lack of interest or know-how practice of SHRM. Human resource is the most valuable asset of every company. It is critical to capitalize, while simultaneously develop it effectively. This might be useful for Iranian companies to implement SHRM for their cost cutting purposes, because a well managed employee can be more beneficial for a company. For instance a trained work force that is working aligned with organization's strategy and is satisfied with his/her job, will function as a valuable asset of organization for several years without the need for having new -comers and invest again on their training. Organizations may even face another major difficulty as a result of inexistence of SHRM, and that might be the issue of zero job satisfaction among the employees of an organization. In the situation of HRM inexistence, the employees will face lack of evaluation and motivation and this may result in dissatisfaction in their jobs. Lack of SHRM in Iran might be the result of these factors: management definitions and methodologies that have been developed and used in Iran by delay because of their non-local origin; different models have been used for formulating strategic human resource which has not considered uniqueness of the Iranian settings. There is no strategic discussion in this regard. Shortage of Persian references is also another issue because there is no welcome from local managers in using successful foreign models, therefore using models to formulate strategic human resource has not been tested in any of the organizations in Iran. Almost all of the Iranian companies do not have an organized approach toward their human resource systems.; Yet the academic literature (The Proceeding Of Fourth Conference On Human Resource Development, Tehran 2008) on these subjects in the recent years has motivated active companies especially professional ones to understand the importance of the strategic human resource programs and give priority to strategic planning in this field. The reason for many companies for not giving considerable attention to this field might be that in those companies' human resources is considered as an **operational cost not as a profit base or main investment**. It is well understood that human resource planning is a long term process that needs long term perspective

and planning. The other side of this perspective exists in the current situation of Iran, a certain number of practitioners think that human resource planning is a short term operational program not a significant power for their strategic plans. It is concluded that if there is a suitable strategy for human resource, designing systems, training, remuneration, promotion and employees' development, an optimal profitability as well as an expert base for long term sustainability could be achieved.

### **Summary of SHRM evolution in Iran**

Managing employees' performance has got a long background in Iran because of its ancient history and being interfered by different cultural factors in shaping managerial styles. Among the major historic events, the evolutions that occurred for employment in the governmental organizations are the most significant (Vazirnia, 2001). For the first time in 1922, the employment law was approved by the parliament. The law consisted of five chapters and seventy four sections that based on the conditions at that time it was nearly complete. The main objectives of this law were classifying the jobs, conditions for gaining the organizational positions, the competition for entering the governmental organizations and also promotion in the jobs. It has to be mentioned that even though this law was approved in 1922, the governmental organizations did not perform under it. The first organization that performed this law was **National Iran Oil Company** that benefited from the assistance of British consultants and professionals to design a plan for HR management. But unfortunately even this plan was never implemented, completely. The first step in performing the right human resource management in governmental organizations in Iran was the establishment of management and employment organization and the approval of country employment law in 1966. Also, the merge of this organization with budget planning and new birth of Management and Planning organization may be the last effort till year 2000 (Mirsepasi, 2006). Among the latest efforts that have been done in the recent years for the improvement of HRM in the governmental organization were: taking the control of employment in governmental sector, approving and partly implementation of HR law adjustment, Organizing the salaries with performing the aligned payment system, revising in the manager's performance and Designing Plan for Promotion to be based on passing the related training courses. It has to be mentioned that despite all of these recent efforts, these laws are not yet implemented, completely and there is dissatisfaction among the employees in different governmental organizations (As an example, in the Ministry of Education, there are always complaints about the method of evaluation for the teachers, which resulted in demonstrations (World of Economics Newspaper, 4th Feb 2006)). In the private sector, selecting the employees was made based on the manager director's idea and his/her agreement and in some circumstances it was done only by a short interview, which is still the same in most of Iranian organizations. The reason for this way of management in private sector is that most of them facing investment problems for managing their organizations. When most of the projects are in the hand of governmental companies and private sector has minor chance to get any of them, it is the time and situation that they suffer from investment risk. It has to be said that mostly the private sector companies' life times are about 10 years. Private sector can not get much foreign investment from other countries as due to the unstable political situation, foreign partners are not willing to invest in private sector and prefer to be supported by governmental organizations. It was hard for business unit to understand the importance of vital source of their organizations which was their employees, until some developments occurred in the country. Among the developments this study can name of industrial activities which entered to a new era of using new technologies and using the Japanese experiences which emphasized in human resource management. Based on the above mentioned developments, organizations gave effort to train expert people for designing strategies to govern their human resource (Madani, 1995). In the recent decade, in line with the notion under the name of "*Evolution in Administrative System*", there has been made different plans for rising managers and employees. In view of this, training courses were designed and implemented. As a result more qualified managers were nurtured. However, the number is still inadequate for the management system in Iran (Kuchak, 1997).

## Challenges facing SHRM in Iran

There is critical debate of human resource development in Iran. Much of these debate concerned series of serious obstacles facing development of human resources. As mentioned previously in this study, the concept of HRM in Iranian organizations was recent. This goes back to four or five years, for the organizations to understand the importance of human resource management. Currently, the trend is more toward human resource and there is hope that in future, the organizations get the most benefit from their most valuable asset of their organization. In this regard and in order to convince the organizations to have SHRM, needs more budgets, time and energy. The first step that plays an important role is understanding the problems and analyzing the current situation. In this regard the conferences, seminars and meetings are held in order to find out the root of the problems and proving solutions for them. Many factors shape the problems that Iranian organizations face. Among them the study names about the culture as one of the main factors, Ideological dominant control on the country governance, political situation, supporting laws and sociological factors. These are the fundamentals that construct the basis for implementing SHRM. In this part the study discusses about the major challenges faced by Iranian organizations. The challenges consist of: Lack of selecting appropriate managers for the organizations, especially for the Human resource management, Traditional and Ideological standpoint, governing the management style in the country, Incongruous employees in terms of age in the organizations.

Among the above mentioned elements the highest standing one is the inappropriate management style which is governed by Ideological and traditional point of view rather than scientific approaches. This style has resulted in the lack of belief in organizational managers about the outcome of strategic human resource planning. The supporting laws, such as labor law, provides the suitable basis for the mismanagement style. Another challenge in the implementation of SHRM in Iran that also results in the inappropriate management style in the organizations is the debate of *professional human resource immigration* to foreign countries that shapes the *Brain Drain* phenomenon. Based on the statistics of Iran census center 2005, nearly 3 to 4 million Iranians are now living abroad. In 1990, according to the statistics, almost 220 thousands were in the U.S that about 73% of them were passed through the highest educational degrees and are located among the professional human resource of that country. In the same year, the Iranian professionals in the whole world were among the 25% of the professionals who were living in Iran. Also in the same year 23% of the elite students in Iran were living in foreign countries. The other point to mention here is that the brain drains will reproduce this phenomenon as it would reduce the level of development in the home country. It has also to be considered that brain drains is made based on the acknowledgement but the immigration itself can only be made for finding supports and security, therefore the former should be investigated more. On the other hand, in the situation of intelligence capital immigration, the outcome will be the shortage of innovative and noble ideas that assist a country for further developments. The other challenge Iran faces in the implementation of SHRM, roots in the culture of Iran in both sides, the national culture and organizational culture. The both side of Iranian culture affects the management style and therefore the human resource management.

## National Culture of Iran

Based on Hofstede's findings (1980) Iran is classified in near Eastern cluster including Turkey and Greece (Ronen and Shenkar, 1985). As a country situated in the Middle East, Iran has many commonalities with neighboring Muslim countries however; due to its unique historical, linguistic, and racial identities it has developed a different and unique culture (Ali and Amirshahi, 2002). It is possible to consider two distinct vectors in Iranian culture: nationalist and Islamist. The nationalist aspect of Iranian culture is related to ancient Persian civilization and Zoroastrianism heritage which date 3000-2000BC but are still prevalent in different aspects of Iranian society such as Calendar, New Year Festivals (Nowrooz) and Persian literature. On the other hand, Islamist aspects are relatively younger

and date back to the 7th and sixteenth centuries respectively. It has been suggested that besides Persian and Islamist influences, the effects of Western culture on Iranian society should be taken into consideration (Bani-Asadi, 1984). One of the features of Iranian culture is the high degree of hierarchical distance. This dimension concerns the extent to which the less powerful members of a society expect and accept that power is distributed unequally. Hofstede (1980) suggested that Iran is a high power distance society. This assertion is in accordance with other investigations (Yeganeh and Su, 2007; House et al., 2004; Javidan and Dastmalchian, 2003). The antecedents of high hierarchical distance are rooted in many aspects of Iranian mythology, history, politics, religion and family structure (Yeganeh, 2007; Hoveyda, 2003; Daniel, 2001). Uncertainty Avoidance is another cultural dimension proposed by Hofstede (1980) and House et al. (2004). Hofstede (1980) suggested that uncertainty avoidance deals with a society's tolerance for ambiguity. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. It seems that among all cultural dimensions, uncertainty avoidance has some unique Characteristics (Yeganeh et al., 2007).

### **Managerial culture in the organizations**

Based on the results of study made by Yeganeh and Zhu (2007), they characterized the Iranian management culture highly traditional values such as collectivism, past orientation, hierarchical distance and evil orientation expressed in terms of mistrust and conspiracy. As Iran population is mostly young and one of the characteristics of youth people in Iran is working more individually rather than working in teams and groups, it is concluded that organizational culture is mostly individualist rather than collectivism. The characteristic of traditionally based of Iranian organization has produced more bureaucracy and less flexible toward the environmental changes and as a result less competitive. This hypothesis might be supported by empirical study of Hofstede(1980) who affirmed that individualistic cultures tend to be economically more developed. Past orientation, in Iranian culture is still influential and effective, even in the organizational culture. The other cultural trait that has resulted in the organizational managerial style is the family oriented trait of Iranian. This refers to an attribute emphasizing one's willingness to sacrifice personal gains for the sake of family interest (Forbis, 1980; Hillman, 1990; Adam, 1972). Spread of this trait between the managers of the organizations, has made the basis of recruiting the employees based on the relations rather than knowledge and experience. This might be found more or less in different countries, but the more it expands, the deeper root of it will waste a country's capital. The other characteristic that needs to be added to the above is that the managers unnecessary dynamism. In the situations that top governors are changed in the country, (and by considering that Iranian organizations are more governmental based), in most cases the managers of organizations are also changing. This shifty trait happens at the time that managers are not changed by pursuing this method, in away that they try to adopt themselves to what the new governors want, in order to keep their position. This may result to making changes on the previous work system in the organizations or even making reselecting among the employees and undergone projects.

Collaborative knowledge work, such as experience sharing and decision making in meetings, is a crucial task in organizations: the quality of the decision process and outcome has a dramatic impact on a company's performance. Several scholars have investigated how information visualization can help in strategic thinking, by lowering the cognitive load, providing fast insights and allowing for comparisons (Shneiderman, 96; Blackwell, 2001). In searching the background of experience sharing in Iranian organizations, the lack of this concept is evident. Iranian managers need to know that by informing the employees about the company performance, they will see what are the gaps and this will result in more idea generation, that is the one of the main goals of every HR department in an organization. It needs to elaborate that industrial organization are not linked to the universities for their projects to ask for technical scientific help in their project. The whole atmosphere of Iranian organization also suffers from the arrangement s between different departments. The existence of this

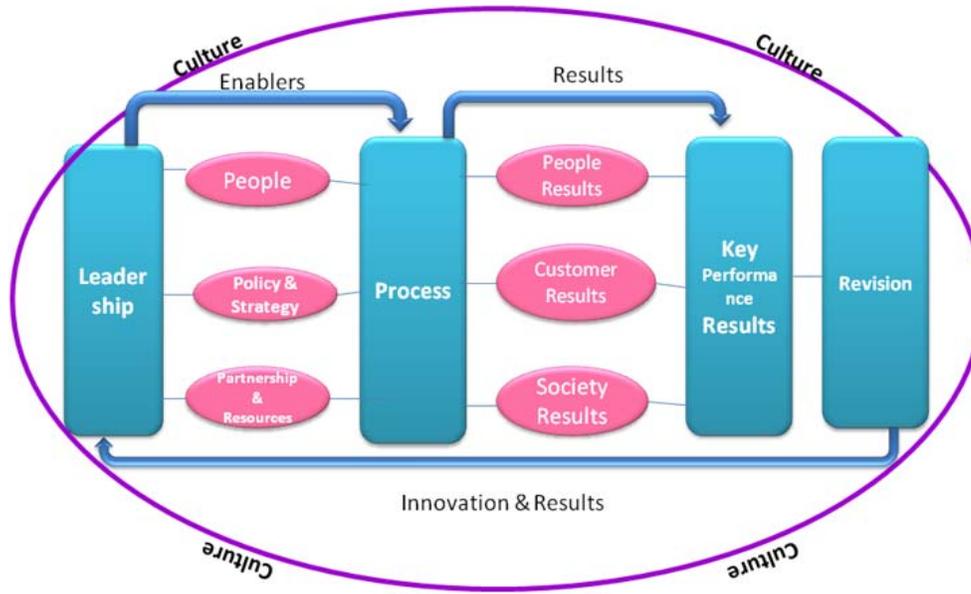
arrangement increases the level of knowledge and experience sharing between the employees that can produce the knowledge management in the whole organization.

In the field of strategic HRM in Iran, its strategic function has not been considered and implemented by managers, it is still a personal management approach, dealing mainly with administrative functions. However with the emergence of international co-operations and the entrance of multinational corporations, the need and importance of HRM is being felt more in Iranian companies. In recent years the growing importance of SHRM can be observed, where large organizations are setting up departments, in comparison to the already existing personnel departments. However it is a slow process as there is an evident gap of HR managers; both academicians and practitioners in the market (Namazie, 2003). It is important to elaborate on the existing human resource base in Iran, because as mentioned in the previous section not only the population is young but also thirsty for further development skills. Figures from the *2002 Iran statistical year book* show that the literate population stands at over 84%, approximately 79% of employed population (17 million) are educated and hold high school diplomas and higher degrees. Estimates indicate that in the next decade, Iran will produce an average of 200,000 and 250,000 university graduates every year. Also Iran has young population keen to catch up with international developments and thirsty for knowledge, the work force is educated but not multi-skilled. In other words Iran produces good theoretical people without enough practical knowledge and skill development.

### **Implementation of SHRM for Iranian organizations**

By considering the different level of problems in implementing the human resource management area, the best recommended way is having a model for the systematic implementation of SHRM in the Iranian organizations. This model needs to cover different areas, while it is suited to the cultural characteristics of the country and organization. The suggested model is the excellence model of European foundation of quality management. This model helps organizations to achieve their competitive position. It also helps the organizations in understanding the concept of vision and mission, knowing the nature of their business and evaluating the degree of organizational health. The reason for choosing this model is that, Iranian organizations have problem in the above concepts. These elements are basis for success of an organization and staying on the surface and getting only name of these concept, without giving the understanding to the different part of the organization, will not help much. The excellence model is flexible and the organization type and dimension do not affect it. Another reason to recommend this model is that, the excellence model can provide rational bases for organizations, when they decide to evaluate themselves and recognize their priorities with adequate information. At this stage they focus on innovative adjustments and measure their own progress. In this process organizations perform benchmarking and self assessment. Rather than all above mentioned reasons, the main reason for recommending the Excellence model of EFQM is that its orientation toward human resource in organization. Emphasizing on human resource as one of the five enablers in excellence model, can clarify the relation between the quality of management in an organization and the achieved results.

**Figure 1: Enhanced Excellence model**



**Source:** Excellence model of European foundation of quality management

### **Culture Shell**

There is ample evidence that culture has a great influence on how managers make decisions and carry out their tasks. The implications of culture for management can be considered at two levels. At the first level, culture may affect the professional's concept of what constitutes effective practice in the organization. At the second level, it may affect fundamental theories of management (Laurent, 1986; Hofstede, 1980). Culture is viewed as a phenomenon that surrounds us at all times, being constantly enacted and created by our interactions with others. Based on the importance of culture in managing people and by taking into account the Iranian culture features, it is recommended to add culture shell to EFQM model for Iranian organizations. For instance, an organization with an understanding of the Iranian culture knows that the orientation of people is mostly toward the past. It understands that people are more willing to do repeated work rather than producing innovative ideas. Therefore, this organization tries to come up with the training programs that aim to make its employees more familiar with the recent technologies or achievements in the industry that it works in. Based on the excellence model, the result of such approach can be measured through the people's results. In this part the organization management team will measure how effective is their training, and if they could not find satisfying results, they can perform a new method, for instance considering award or promotion for innovative practical ideas. Overall, it should be mentioned that as culture is an unstable concept, it changes during the years. The cultural evolution in Iran has also to be taken into account. For instance currently, there are more women working in different organizations and there are more educated managers in the field of management from abroad, rather than focused engineering managers, therefore there is a trend in Iran toward systematic human resource management and there is hope that more companies adopt strategic human resource management.

Based on all above points this study recommends that the whole model of EFQM is covered under the shell of culture, in order that it matches by every country and organization culture.

The author believes that after having all the mentioned stages in the excellence model, at the end it is better to have a revision/review stage. In this stage, the management of the organization finds this opportunity to revise the whole process and maintain important stages or make some changes in some parts. This study recommends to the Iranian organizations to make revision on the people's results, as it might be the first time using a model by which they can manage their human resource. Then they can check how effective the whole process is in aligning their employees with their human

resource strategies. The organizations can also have revise/reevaluate their strategy. They can see whether the strategy has been able to deliver higher quality through their services and products and also how effective it has been for their responsibilities toward the society. Iranian organizations also can check their improvement tools, in their process stage, to see how effective they have been for them. Training courses among other improvement tools is one of the items that can be revised. Managers can check the effectiveness of their investment in the training courses and decide whether they want to continue the previous ones or update them. Managers also can check the evaluation tool that is one of the improvement tools in their organizations. They can check if their promotions, awards or other incentives for producing more innovative ideas or better results have been successful or not. Otherwise, it is better to check if the right employee was prompted. Therefore they can see if they have worked with a right evaluation tools or there's a need to change them.

## **Conclusion**

Recognizing human resource as a unique valuable asset of organizations has produced competitive results for the organizations. This study aims to analyze the level of SHRM implementation in Iranian organization. The obstacles in this way and the fundamentals needed to have higher level of strategic human resource implementation for the better development of the country is investigated. In order to have more systematic approach toward SHRM in Iran, the study has recommended the enhanced model of EFQM. This recommended model covers one of the important issues in implementing SHRM in the country, which is culture. In the review of Iranian managers turnover in the organizations, the trace of culture is evident. The hierarchical distance, the individualistic trait of Iranian and their past orientation has kept back the organizations from recent developments in terms of management and technology. On the other hand the shifty trait of managers and their dependence on their families has resulted in the un-systematic human resource in the organizations, it is recommended that future empirical studies test this model in Iranian organizations and analyze how effectively it can benefit them. The researcher must have access to information and must be well accepted by the members of the organizations particularly top management. Similar studies could also be replicated elsewhere in other nations using such a similar model identified in this concluding work. Researches can also test the changing trend in management styles in Iran, as well as other places with regards to this emerging conceptual framework.

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