



An examination of human resource management practices in Iranian public sector

Hamid Yeganeh

Winona State University, Winona, Minnesota, USA, and

Zhan Su

Laval University, Québec City, Canada

HRM practices in
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Abstract

Purpose – The purpose of this paper is to analyze HRM practices in Iran in view of underlying cultural, political and economic factors.

Design/methodology/approach – The paper is organized in three major parts. The first part deals with HRM concept and Iranian social context. The second part presents methodology and data analysis. The third part discusses results and illustrates HRM practices in Iranian organizations. The study involves in-depth interviews with four Iranian managers and data collected from 82 respondents through Likert-type questionnaires ($n = 82$, rate of response = 44 per cent).

Findings – The findings in the paper shed light on the main HRM functions in the Iranian public sector. Staffing is marked by pervasiveness of networking, entitlement, compliance with Islamic/revolutionary criteria and high job security. Compensation is described by features such as fixed pay, ascription/seniority-based reward, and hierarchical pay structure. Training and development programs are found to be unplanned and spontaneous. Finally, the paper shows that the appraisal function receives little attention and tends to be based on subjective and behavioral criteria.

Research limitations/implications – The paper shows that the study is limited in terms of HRM functions, sector and sample size. Further research may make comparison between large/state-owned and small/private organizations.

Practical implications – The findings in the paper might be valuable for MNEs, NGOs, international negotiators, expatriate managers, investors and those who are concerned with this part of the world.

Originality/value – The paper presents a convenient approach in assessing HRM variations. The combination of qualitative and quantitative data provides a thick description of HRM enriched by secondary data and previous research. Given some commonalities between Iran and other developing countries, the findings might be of potential interest in comparative studies dealing with management transferability.

Keywords Culture, Developing countries, Human resource management, Iran

Paper type Research paper

Introduction

Review of literature reveals that while most of studies in the area of human resource management (HRM) are devoted to industrialized world, there is a dearth of research about developing countries, which account for a considerable portion of planet. By recognizing the gap in literature, this paper aims to shed light on particularities of human resource management in a developing country such as Iran. Choosing Iran for



the purpose of this study has important implications at theoretical and managerial levels. Iran represents an important regional economy with a strategic location in Persian Gulf and Central Asia, a relatively large population, and tremendous resources, which require heavy investment. Furthermore, Iran is a complex country with an ancient cultural heritage, which has not been explored.

The current study aims to analyze HRM practices in Iran by referring to underlying social factors. The paper is organized in three major parts. The first part deals with HRM concept and Iranian social context. The second part presents methodology and data analysis. Finally, the third part discusses results and illustrates HRM practices in Iranian organizations.

Human resource management

The field of HRM has undergone considerable change over time depending on social and contextual circumstances. The evolution of HRM once called “personnel management” has followed the history of business in the USA (Brewster, 1995). The shift from personnel management to HRM took place in the 1980s and organizations came to emphasize their employees as valued resources. The concept of HRM is essentially American but nowadays it can be considered an international concept (Brewster, 1995), which can be applied to other countries. Ferris *et al.* (1995) gave a very exhaustive definition of HRM as follows: “Human resource management is the science and the practice that deal with the nature of the employment relationship and all of the decisions, actions, and issues that relate to that relationship”.

Society of Human Resource Management (SHRM) has determined that every organization must deal with the following basic human-oriented functions: human resource planning, staffing, maintaining HR information systems, training and development, organizational culture, development, change management, employee performance, compensation and benefits, legal compliance, labor relations, health, safety, and security. Mondy and Noe (1993) suggested that activities and practices of HRM can be classified into six domains:

- (1) Planning and recruitment.
- (2) Development and appraisal.
- (3) Compensation and reward.
- (4) Safety and health.
- (5) Labor relations.
- (6) Human resource research.

Based on a strategic perspective, Schuler and Jackson (1987) proposed a menu for HRM practices which included six major practices: planning, staffing, appraisal, compensating, training and development choices. Similarly, Fombrun *et al.* (1984) developed a model based on four interrelated HRM functions: staffing, rewards, training and appraisal. The model called “human resource cycle” is depicted in Figure 1. Fombrun *et al.* (1984) stated that human resource cycle represents sequential managerial tasks and performance is a function of all human resource components. While the concept of HRM seems very broad, it is possible to distinguish some generally accepted practices. As a matter of fact, most of organizations are concerned with main HRM practices as described by Fombrun *et al.* (1984).

Human resource management in the context

Since HRM practices serve the organizations in achieving their goals, they may vary depending on environmental factors (Brewster, 1999; Dowling *et al.*, 1999). By relying on a contingency approach, Fombrun *et al.* (1984) proposed that competitive advantage will accrue to those organizations which are best able to exploit environmental opportunities. In the same vein, Schuler and Jackson (1987) suggested that HRM can be seen as a menu of strategic choices to be made by HR executives in order to promote the most effective practices. Their studies demonstrated that a variety of factors, such as culture, political/legal systems, technology, industry sector, unionization, organizational structure and size may be important in shaping HR practices. In analyzing HRM particularities of European organizations, Sparrow and Hiltrop (1997) insisted on four groups of factors affecting HRM practices. These factors can be related to cultures, institutions, business structures and HRM professionals. According to Sparrow and Hiltrop (1997) cultural factors cover a wide range of issues such as national understandings of manager-subordinate relationships. Institutional factors include the scope of labor legislation, social security provisions and role of unions. Differences in business systems are related to the degree of state ownership and fragmentation of industrial sectors. Furthermore, roles and competence of HRM professionals may influence HRM policies. In the same vein, Budhwar and Debrah (2001) identified three groups of factors which are more likely to affect HRM practices: national, contingent and organizational. While national settings include societal culture and institutions, organizational issues are related to firms’ structures and contingent factors are concerned with age, size, nature, and ownership of the organization. The “matching model” proposed by Fombrun *et al.* (1984) divided all factors into external and internal groups. Internally, HRM is one of three elements; two others are organizational structure and mission/strategy. Externally, three groups are identified which can be labeled as economic, political and cultural factors. External factors are very important in determining the HRM systems, as they cannot be controlled or changed by organizations.

Research question and framework

The purpose of this study is to investigate HRM in Iran by referring to underlying social context. The aforementioned discussion provided us with insight into HRM practices and their external factors. We recognized that the concept of HRM is essentially product of business evolution in the USA but it can be transferred to other countries. Further examination showed that it is possible to narrow HRM to four core functions: staffing, compensation, training-development and appraisal. Environmental

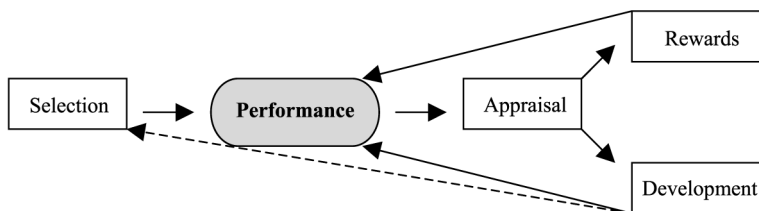


Figure 1.
Human resource cycle and
its practices

Source: Adopted from Fombrun *et al.* (1984)

factors such as national culture, political/legal system, industry, unions and labor markets are more likely to affect HRM practices (Gerhart and Fang, 2005; Jackson and Schuler, 1995). It is suggested that industry and labor market are related to economic system and laws/regulations are shaped by political or cultural settings. By considering the nature of external factors and “Matching Model of HRM” (Fombrun *et al.*, 1984), it is possible to distinguish three groups of external factors which affect four HRM practices. The external factors are labeled cultural, economic and political environments. Figure 2 incorporates four HRM functions and their environmental/social factors. This framework will be used to collect data and discuss research findings.

Iranian social context

Iran is located in southwest Asia. It shares borders with Armenia, Azerbaijan, Turkmenistan, Turkey, Iraq, Afghanistan and Pakistan. It has coastlines along the Persian Gulf and the Sea of Oman in the south and the Caspian Sea in the north. Iran has an area of 636,296 sq. miles (1.6 million. sq. kms.) making it the sixteenth largest country in the world. The country is highly diverse from every point of view, especially in topography and climate. The population of Iran is estimated at some 70 million, 12 million of which live in the capital Tehran and its suburbs. The official language of Iran is Persian (Farsi), which is an Indo-European language and is taught and practiced in all schools from the first grade across the country. Other local languages that are spoken include mainly Turk (Azeri) and Kurdish. The country has one of the world’s most diverse ethnic groups ever assembled in one country: Persian (56 per cent), Turk (Azeri) (24 per cent), Gilaki (8 per cent), Kurd (8 per cent), Lur, Baluch, Armenian, Arab and Turkoman. The religious groups are Shiite Muslim, Sunni Muslim, Christian, Zoroastrian, Jewish and Bahaii.

Political environment

For over than 2,500 years monarchy was the norm of political life in Iran. By one account, 46 such dynasties and over 400 *Shahs* (kings) ruled in Iran (Daniel, 2001). This long and old monarchical tradition was interrupted in 1979 with proclamation of Islamic Republic and adoption of a new constitution. The Shiite clergy assumed control of the state and reversed shah’s pro-Western policies. Consequently in 1979 revolutionary militants invaded the US embassy in Tehran and seized more than 50 Americans as hostages. This led to interruption of diplomatic relations between two

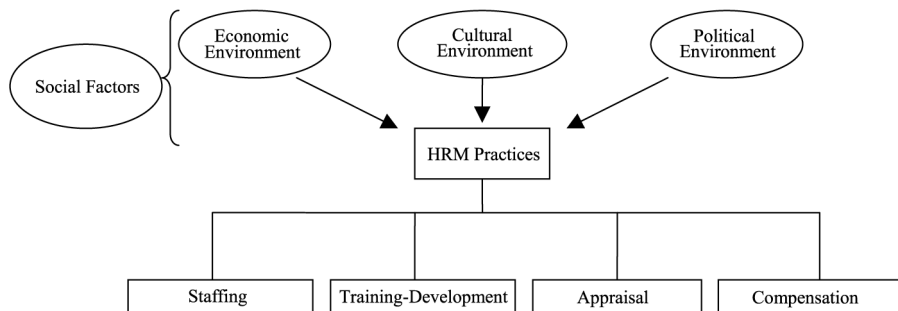


Figure 2.
Framing HRM practices
and social factors

countries. For the moment Iran is an Islamic republic ruled according to a constitution providing for executive, legislative and judicial branches. The president is elected every four years by popular vote, although all presidential candidates must be approved by the Guardian Council. The past 25 years of Iranian political environment are characterized by chaos, instability, eight-year war, blood shed and US hostility.

Economic environment

With a relatively large population and the World's largest oil and gas reserves, Iran is an important regional economy. According to Iranian constitution, "the economy of the Islamic Republic of Iran is to consist of three sectors: state, cooperative, and private, and is to be based on systematic and sound planning" (Article 44, Iranian Constitution). In practice, Iran economy is a mixture of central planning, state ownership of large enterprises, village agriculture, and small private firms (Khajehpour, 2000). The state sector includes all large-scale and mother industries such as foreign trade, radio and television, telephone services and aviation. Some major industries are run by revolutionary foundations which own about 20 per cent of the country's assets but are generally mismanaged (Khajehpour, 2000). The private sector consists of small and medium size companies concerned with production and services that supplement the economic activities of the state. The cooperative sector is practically insignificant and includes enterprises offering limited number of products and services.

Iran is OPEC's second largest oil producer. It has approximately 9% of world oil reserves and is believed to have the second largest reserves of natural gas (OPEC, 2005). Iran might be described as a "rentier economy" receiving substantial amounts of oil revenues (80 per cent of GDP) from the outside world. According to "rentier state" theory, high reliance on oil revenues may lead to unaccountable/autocratic governments and economic/administrative inefficiency (Mahdavy, 1970). In recent years economic growth has not kept pace with labor force increase, leading to an unemployment rate, which is estimated about 20 per cent (CIA Factbook, 2005).

Culture

Based on Hofstede's findings (1980) Iran is classified in near Eastern cluster including Turkey and Greece (Ronen and Shenkar, 1985). Another research conducted through GLOBE project found that Iran is part of the South Asian cultural cluster consisting of such countries as India, Thailand, and Malaysia (House *et al.*, 2004; Javidan and Dastmalchian, 2003; Gupta *et al.*, 2002). 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 and subsequently Shiism 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).

Hofstede (1980) ranked Iran 41 for individualism orientation. Based on this score, Iran has a collectivistic culture. This feature has been confirmed by other studies (Yeganeh and Su, 2007; Javidan and Dastmalchian, 2003). In collectivistic societies, private life is invaded by group's interests, whereas in individualistic societies identity is based in the individuals. Triandis (1980) suggested that collectivism may have its antecedents in resource scarcity and the presence of large and extended families. By contrast, individualism may have its roots in affluence and small families. Like many other collectivist societies, Iran tends to operate on the basis of personal relationships among individuals, rather than on the basis of impersonal institutions.

Another feature of Iranian culture is 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).

Iranian culture tends to be past-oriented and future orientation receives very low emphasis (Yeganeh, 2007; Shayegan, 2003; Hoveyda, 2003; Dastmalchian *et al.*, 2001). The past-orientation seems quite conceivable, since Iran represents a traditional country haunted by a long history. Also, associated with Iranian Shiism is veneration of martyrs, pilgrimage, commemoration of dead Imams and their passions which imply a constant gaze at the past (Richard, 1991).

Hofstede (1980) described Iranian society as a relatively feminine culture (Hofstede, 1980). Iranians are believed to maintain harmonious relationships with their environment, and to attach importance to their being. While they can be individual performers (Javidan and Dastmalchian, 2003) their readiness to procrastinate is proverbial (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). For instance, contrary to other cultural dimensions, "Uncertainty Avoidance" is not corresponding to any of Schwartz's cultural value types and has a scant correlation with GNP per capita (Yeganeh *et al.* 2007). One possible explanation is that since "Uncertainty Avoidance" is concerned with bureaucratic and administrative systems, it may be related to external layers of culture (Yeganeh *et al.*, 2007). It is very legitimate to suppose that cultural dimensions are not of the same importance (Shenkar, 2001). Specifically, "Collectivism/Individualism" and "Power Distance" seem to be two essential notions in understanding culture and they are present in the frameworks proposed by Kluckhohn and Strodtbeck (1961), Parsons and Shils (1951), Hofstede (1980), Triandis (1982), Schwartz (1992, 1994), Hampden-Turner and Trompenaars (1994) and GLOBE (House *et al.*, 2004). Some researchers have viewed individualism/collectivism central to all cultural dimensions (e.g. Hamel *et al.*, 1989; Dickson and Weaver, 1997). Based on

aforementioned argument and keeping in mind that Hofstede's "Uncertainty Avoidance" score might have been affected by three decades of political turmoil in Iran, we rely mostly upon "Individualism/Collectivism" and "Power Distance" to analyze HRM practices.

Islamic spirit

Iranians share many values with other Islamic countries. For Muslims, Islam is not a man-made institution; the Koran contains the words of God, revealed to prophet some 1,400 years ago and its commands are absolutely correct and practical even in modern times. Islam is generally viewed by some non-Muslims as being a fatalist creed; however, the position of the Prophet as reflected in the Koran is very shifty and equivocal.

Unlike many other religions, Islam is an all-encompassing creed; it governs every aspect of life, public and private, political, and economic. The good Muslim manager should be guided by his conscience and by Gods written instructions and he is supposed to do the right thing to people. By studying traditional and modern Islamic texts, Latifi (1997) identified work-related values such as equality before God, individual responsibility, paternalism, fatalism mixed with personal choice, and consultation in decision-making. Respect for seniority, loyalty, and obedience are other widespread Islamic work-related values (Namazie and Tayeb, 2003).

Methods and data

As mentioned earlier, the concept of HRM is essentially Western. Therefore, in any comparative investigation especially in non-Western countries, a good deal of attention should be paid to cultural relativity of HRM as a notion and research instruments. In other words, researchers should consider equivalency at conceptual and measurement levels. Conceptual equivalency in this study is concerned with transferring HRM to Iranian context. For increasing conceptual equivalency, researchers focused on four HRM functions: staffing, training, compensation and appraisal. It is argued that these four practices include the core of HRM and they can be generalized to organizations running in different contexts (Easterby-Smith *et al.*, 1995). As a matter of fact, every organization is believed to face the basic policies related to recruitment, compensation, training and appraisal.

With respect to measurement equivalency it should be mentioned that tools such as questionnaires may involve cultural assumptions about HRM which are not necessarily relevant in Iranian context. For overcoming this problem, the data have been collected at two stages: in-depth interviews and Likert-type questionnaires. The use of qualitative method at the first stage is justified by exploratory nature of study and the need for a broad view on HRM styles. At the second phase, data were collected through Likert-type questionnaires. The rationale behind this strategy is to overcome cultural relativity inherent in tools and questionnaires. Moreover, the triangulation serves to corroborate the data gathered from different sources and it increases the reliability of findings (Yin, 1993).

At the first stage, in-depth interviews with four Iranian managers were conducted. The managers were chosen from state-owned organizations, which were representative of public sector. At the second stage, inspired by classification of Fombrun *et al.* (1984) four HRM functions were incorporated into a Likert-type questionnaire. This instrument was based on typologies of HRM practices proposed by Schuler and

Jackson (1987) and it was adapted to Iranian context. Table I shows 22 pair of items, which were used to measure variations of HRM practices along with a seven-point bipolar scale. Respondents were asked to indicate the degree of their preference for each item by assigning the appropriate number from 1 to 7. Number 1 is interpreted as the strongest degree of preference for left-hand orientation and number 7 is an indication of strongest preference for right-hand orientation. Number 4 represents an equal degree of preference for both orientations.

Owing to political sensitivities, regulations for conducting research and collecting data in Iranian organizations are very tight. For overcoming these challenges, researchers had to find a network of influential people to obtain approval and necessary collaboration. The sample was chosen from three levels of managers (supervisor, middle and top management) working in large Iranian organizations operating in service sector. Due to their size, these organizations are more concerned with HRM issues. In fact, most of small and medium businesses in Iran are family-owned and do not rely on formal HR policies. A cover letter was provided and signed by managing directors explaining the purpose of the investigation and indicating that the results served academic purposes. Moreover, the respondents were

Pair of items for each of HRM practices		Mean	Mode	St dev
Left-hand orientation 1.....2.....3.....4.....	Right-hand orientation 5.....6.....7			
<i>Staffing</i>				
Internal sources	External sources	4.56	4	1.65
Narrow paths	Broad paths	5.45	6	1.28
Single ladder promotion	Multiple ladder promotion	5.41	7	1.60
Promotion: explicit criteria	Implicit criteria	5.66	7	1.61
Limited socialization	Extensive socialization	3.04	2	1.71
<i>Compensation</i>				
Fixed package	Flexible package	2.25	1	1.44
Low participation	High participation	3.34	2	1.77
No incentives	Many incentives	4.13	3	1.76
Short-term incentives	Long-term incentives	5.03	6	1.64
Low employment security	High employment security	2.12	1	1.48
<i>Training and development</i>				
Short-term	Long-term	3.68	4	1.43
Narrow application	Broad application	3.82	4	1.65
Productivity emphasis	Quality of work life emphasis	5.24	7	1.66
Spontaneous, unplanned	Systematic, planned	3.25	2	1.94
Individual orientation	Group orientation	3.21	4	1.69
Low participation	High participation	2.40	1	1.47
<i>Appraisal</i>				
Loose, incomplete	Tight, complete	5.82	7	1.41
Behavioral criteria	Results criteria	3.73	2	1.83
Develop employee performance	Maintain employee performance	5.13	7	1.81
Low employee participation	High employee participation	3.26	6	1.97
Short-term criteria	Long-term criteria	4.28	4	1.93
Individual criteria	Group criteria	5.03	5	1.61

Table I.
HRM practices and their variations

assured of confidentiality and anonymity. All semantic questionnaires were translated into Persian (Farsi) through back-translation. The auto-administered questionnaires were sent by mail and respondents were asked to rate their preferences for every item. Respondents were instructed that there were no wrong or right answers and all choices were valid. After two months of follow-up, at last 82 useable questionnaires were collected representing 44 per cent rate of response. The results are depicted in two tables. Table II presents respondents' profile and Table I describes HRM practices. As shown in Table II all respondents are born in Iran and with exception of two all of them have always lived in their country of birth. The majority of respondents belong to middle level management and they represent male workforce with some higher education. Table I shows 22 items corresponding to staffing, compensation, appraisal and training-development. Each item is related only to one practice and has two opposite orientations, which are marked as left- and right-hand. Since a seven-point scale is used, the range of scores varies from 1 to 7. For instance the mean of scores attributed to item #5 is 3.04 which can be interpreted as a preference for left-hand orientation.

Characteristic	Value	Frequency	Percent
Country of birth	Iran	82	100
	Other	0	0
	Missing	0	0
Have you always lived in the country of birth?	Yes	80	97.6
	No	2	2.4
	Missing	0	
Sex	Male	76	92.7
	Female	6	7.3
	Missing	9	0
Age group	30-34	9	11.0
	35-39	15	18.3
	40-44	25	30.5
	45-49	22	26.8
	50-54	2	2.4
	50-55	3	3.7
Education	Bachelor	40	48.8
	Master	37	45.1
	Doctor	2	2.4
	Missing	3	3.7
Job level	Supervisor	23	28.0
	Middle manager	48	58.5
	Top manager	9	11.0
	Missing	2	2.4
Which factor is more important in shaping your culture?	Country of birth	41	50.0
	Religion	40	48.8
	Missing	1	1.2

Table II.
Respondents' profile

Discussion

In following sections based on the data collected at two stages of investigation and by relying on cultural, economic and political factors, HRM practices in Iranian organizations will be analyzed.

Staffing

Because of the boom in Iranian population during last two decades, the labor supply is abundant and the employers can choose among relatively well-educated and young workers. It is estimated that there are over 800,000 entrants into job market per year (Khajehpour, 2000). In Iran, especially after Islamic Revolution of 1979, it was believed that unemployment belonged to western capitalistic economies. Consequently the government put priority on reducing unemployment by hiring a large number of people especially war veterans and revolutionary guards. This trend led to overstuffed organizations in public sector suffering from high operating costs and inefficiency. However, there are signs that after two decades the government is abdicating its paternalistic role in providing secure jobs. The interviewed managers in our investigation expressed that despite the pressure to use existing personnel, they preferred to hire people from outside of the organization. According to Table I the mean for the first item of staffing policies is slightly inclined toward right-hand orientation ($M = 4.56$). This can be interpreted as a preference for hiring outsiders rather than using existing personnel.

When opportunities arise to hire new personnel, most organizations advertise job vacancies and conduct professional interviews to select the best candidates, but the results are generally affected by networking and recommendations (Namazie and Frame, 2007). All interviewed managers believed that selection process in many Iranian organizations is based on personal relations and nepotism rather than professional competence. Similarly, Namazie (2003) reported that Iranian managers prefer to "employ people who are known to them rather than people who they do not know". This issue can be linked to collectivistic dimension of Iranian culture cherishing interpersonal and family relations. For Iranians, the family is not only wife, children and siblings; it includes a network of friends transcending regulations and leading to favoritism (Schramm-Nielsen and Faradonbeh, 2002).

During selection process, employers consider many credentials such as experience, professional skills, education and personal conduct of the candidate in his previous positions. Among different criteria, education and university diploma receive a good deal of attention even if they are not directly related to job requirements. Iranians have a high regard for university diploma and generally they continue their education as far as possible even though sometimes they have not clear objectives in continuation of their studies. The emphasis on education may be related to high power distance and a strong sense of class culture (Yeganeh, 2007).

Some state owned organizations, depending on the nature of their activities pay more attention to what they have defined as compliance and code of conduct. According to what has been imposed shortly after the Islamic revolution (1979), only those who are conform to Islamic/revolutionary criteria are employed by state owned organizations. Verifying candidate's conformity is often a separate procedure which takes long time and might be evaluated by those who are not concerned with

candidates' capabilities. Such restrictions have underprivileged skillful workforce for more than two decades and have resulted in increasing inefficiency in public sector.

The data collected through our questionnaires show that when it comes to choose appropriate candidates, those with broad skills have better chances (see Table I). In other words, the candidates with skills relevant to many functional areas are preferred to those with narrow and limited skills. Most of interviewed managers believed that the career should have broad paths with many skills. The broad path is an opportunity for employees to acquire skills in different areas; however this approach seems complicated and time consuming.

In large organizations especially in public sector, the criteria for promotion are not clearly defined. Most of time, promotions are based on a wide range of behavioral or implicit criteria, which are not related to performance or professional capabilities. Table I shows mean of (5.41) and (5.66) for third and fourth items suggesting that most of managers tend to favor promotion based on many issues including technical specialty.

The socialization is an important process, which is intended to immerse individuals into organizational climate. Organizations can socialize their staff by using limited methods, or by relying on extensive mechanisms (Schuler and Jackson, 1987). The data collected through our questionnaires showed that there is a tendency among respondents for limited methods of socialization.

Compensation

The very essential question regarding compensation is the extent to which it is related to performance. The compensation policies in most Iranian large organizations are not related to productivity and therefore, do not create enough motivation for workers. This may be related to "rentier" nature of Iranian economy that relies upon oil revenues rather than domestic production. When it comes to compensation, firms may have fixed or variable pay policies. This issue concerns the choice of the organization in rewarding its employees the same amount on predictable or variable basis. The data from our questionnaires indicate that fixed pay is preferred (see Table I). The preference for fixed pay is a traditional view, which is very common in large organizations. By contrast, variable pay is used rather in relatively young and small firms, which are concerned with productivity and growth (Namazie and Frame, 2007; Namazie and Tayeb, 2003).

Performance and seniority are not mutually exclusive; however most of time they are reflecting two different reward philosophies. Many Iranian organizations regard seniority as the major criterion for pay increase and promotion. Interviewed managers considered seniority an important standard in determining pay and promotion. This orientation is in conformity with traditional Iranian cultural values cherishing past experience and elderly people. In Persian literature, the word "elder" is taken often as equivalent to savvy, experienced and knowledgeable.

Another criterion for pay increase is the level of education. People with higher education get more chances not only in recruitment, but also in promotion. Even in smaller firms, which attach importance to productivity, since the measurement of performance is not always possible or accurate, pay increase is based ultimately on seniority and higher education.

The structure of reward system in most Iranian organizations is hierarchical. In other words, there is considerable difference between compensation packages intended for people working at the top of organization and those working at entry levels. A hierarchical pay structure might be appropriate for organizations characterized by centralization, maturity and inflexibility (Gomez-Mejia and Welbourne, 1991). Managers interviewed in this investigation uttered that people at higher levels should have substantial privileges in comparison with those working at lower levels. The prevalence of hierarchical reward structure in Iranian management is a reflection of a society with high degree of power distance (Yeganeh, 2007; House *et al.*, 2004; Javidan and Dastmalchian, 2003; Hofstede, 1980).

Table I shows that respondents had little preference for participation of employees in designing and implementing compensation policies. Compensation policies are mostly decided by top management and the employees have little involvement in negotiating their salaries.

In large organizations the remuneration package may include many non-financial rewards such as, bonuses, subsidies, uniforms, daily shuttle services, one meal per day, food coupons, housing assistance and day care. New Year bonuses are compulsory and they are paid at the beginning of Iranian New Year (March 21). They may reach up to two or three times of monthly salary. Among non-financial subsidies, housing is a very important item. For instance, an employee can get housing assistance, which sometimes exceeds whole rewards he has received in his career.

During the 1980s and 1990s workers in large organizations were given lifetime employment. A worker was immune from dismissal unless he failed to attend the workplace. It seems that lifetime employment was a reflection of paternalistic role of "allocation government" in creating secure jobs and distributing wealth. Over the course of past years there has been a trend of privatization and as a result most companies in public sector are closing their doors to unqualified workers and some are trying to get rid of unnecessary personnel. Increasing operating costs and overstaffing have led many organizations to act more prudently by hiring contractual or seasonal employees. As described in Table I, most of managers believed that job security is not in control of employer.

Training and development

One of the main objectives of training and development is to help employees achieve at their full potential in the organization (Schuster, 1985). Therefore, training and development lead ultimately to improve the overall functioning of human resources. As mentioned earlier, Iranian organizations have an easy access to young and relatively well-educated workers. Despite the abundance in labor supply, the typical Iranian workforce is not practical and specialized in demanded areas. In other words, typical Iranian worker has a good base of theoretical knowledge which is not functional to meet employers' requirements. The lack of experience and practical skills may be attributed to two major issues; Iranian education system and political/economic environment. On one hand the Iranian education system is highly theoretical and on the other hand, two decades of political unrest have led the country and its workforce to economic isolation.

Many large organizations have training centers to enhance employees' competence. The training programs cover a wide range of issues such as technical, managerial and

clerical skills. In our sample, there was not a clear preference for narrow or broad training programs. While a portion of respondents opted for either precise or exhaustive training, others believed that a suitable program should cover both precise and broad applications. We notice that there is not a considerable preference for short or long-term training and a suitable training program is believed to be balanced (Mean 3.68 and Mode 4).

An important issue regarding training is the extent to which it is related to productivity. In the case of Iranian HRM, training programs seem to be related to employees' behavior rather than their productivity. Table I shows that a clear majority of respondents believed that training programs should be related to work life of employees. This orientation toward quality of life may be understood in view of social, cultural and economic factors. As mentioned earlier, Iranian culture is relatively feminine (Hofstede, 1980) and has a tendency toward getting gratification from life rather than hard work. For instance, a good deal of Persian literature is devoted to Epicureanism, peace of mind, contentment and frugality. Affected by Islamic culture, Iranians tend to view the world as an ephemeral step, which does not worth hard work and should be considered as a transitional phase toward eternal life. Moreover, high reliance on natural resources is believed to decrease motivation for efficiency and economic productivity (Mahdavy, 1970).

While most of Iranian organizations recognize the importance of training and development programs, they do not take enough time for planning and preparation. Table I shows a mean of (3.25) and mode of (2) for fourteenth item, which can be translated into a preference for spontaneity. This confirms Namazie's observation (2003) who reported that training programs were not designed systematically. Past orientation and two decades of political turmoil might be underlying such unsystematic approaches.

Like compensation policies, training programs are designed generally with low level of employees' participation. Most of time, the top management decides about training programs and approaches. Once again, the low level of employees' participation may be attributed to high degree of power distance and centralized decision making (Yeganeh, 2007; House *et al.*, 2004; Javidan and Dastmalchian, 2003; Hofstede, 1980).

Appraisal

Performance appraisal can be described as a basic managerial function (Cardy and Dobbins, 1994). The rationale behind any form of appraisal, especially in industrialized countries is to improve the utilization of human resources in the organization. The data collected at appraisal phase can be used in other functions such as planning, recruitment, compensation, promotion, training, and layoff. Despite this importance, appraisal is not a common practice in Iranian HRM. An important issue in appraisal process is the extent to which criticism is accepted. In collectivistic cultures such as Iran, people attach too much importance to interpersonal relations and negative feedback can bring about many problems for both managers and subordinates. The data collected by our questionnaires confirm this concern as most of managers preferred confidentiality of evaluations (see Table I).

Managers involved in appraisal performance rely hardly on systematic approaches. Table I shows that most of respondents believed that performance appraisal is not a structured process and cannot be based on clear-cut criteria.

Schuler and Jackson (1987) distinguished two major orientations for appraisal process based on behaviors or results. While the behavioral view insists on personnel's conduct in workplace, the result-oriented approach suggests that the behavior of personnel is of little importance and appraisal should be based on outcomes. When asked about these two orientations, managers expressed their preference for behavioral approach (see Table I). This preference is in accordance with Islamic and Iranian cultures, which are bound up with values rather than outcomes.

Conclusion

This study aimed to analyze HRM practices in Iran by referring to underlying social factors. By recognizing that HRM is essentially a western notion, we focused only on four main HRM functions: staffing, training, compensation and appraisal. These four functions include the core of HRM and conceptually they are relevant in the case of this investigation. Furthermore, we divided social factors into three major groups: economic, cultural and political environments. This led us to a conceptual framework incorporating both HRM practices and social factors. First, we relied upon the extant literature to shed light on Iranian cultural, political and economic environments. Then, we applied a two-stage qualitative/quantitative methodology to collect data in Iranian state-owned organizations. The combination of qualitative and quantitative data provided us with a thick description of HRM practices. The results are summarized in Figure 3.

Our findings show that "staffing" in Iranian public sector is marked by high job security, behavior-based selection, interpersonal relations, nepotism, importance of education and entitlement, implicit criteria, and compliance with Islamic and revolutionary ideological tenets. Similarly, we notice that "compensation" tends to be based on fixed pay, ascription, seniority, and relatively hierarchical pay structures. As of "training and development" we find indications of educated but inexperienced workforce and prevalence of unplanned or highly theoretical training programs. Finally, we find that "appraisal" receives little attention in Iranian public organizations. Most of time, "appraisal" is a top-down process based on unstructured or subjective mechanisms and deals with personnel behavior rather than performance evaluation.

These features lead us to conclude that HRM in Iranian public sector is still in "personnel management" phase and little attention is paid to organizational efficiency. We may rely on contingency approach to attribute some of Iranian HRM characteristics to social factors. As mentioned previously, Iranian government can be described as "rentier state" that does not depend on domestic sources of production, but rather is the primary distributor of wealth in the society (Bina, 1989). Since the wealth creation is very largely independent of domestic production, the "rentier state" violates the basic principle of efficiency in the society (Yates, 1996; Mahdavy, 1970). This economic pattern results in formation of a small group of privileged politicians and their friends, prevalence of corruption, and lack of accountability (Terry Lynn, 1997). What's more, over the course of past two decades, the Iranian government has allocated the revenues from oil rents to ideologically motivated agendas and even

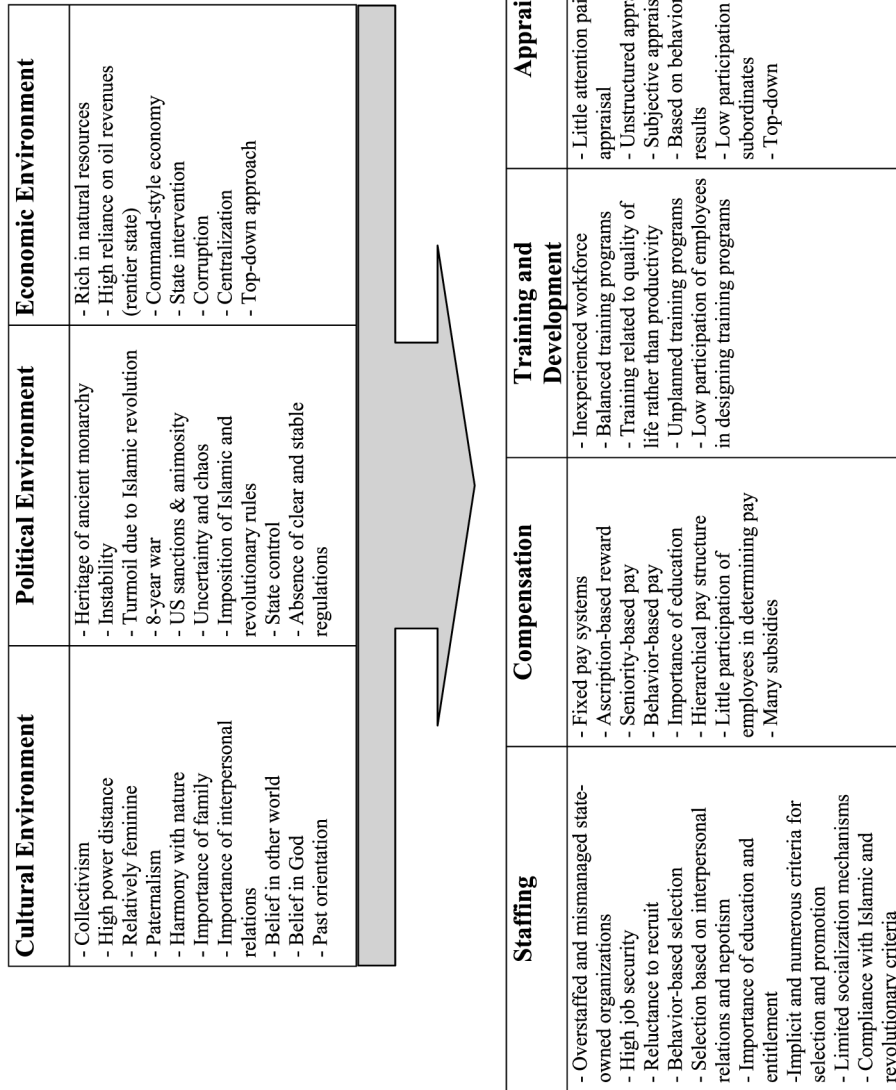


Figure 3. Summarizing HRM practices and social factors

unproductive activities (Mofid, 1990; Yaghmaian, 1992). From a cultural perspective, Iranian society is characterized by highly traditional values such as collectivism, past orientation and hierarchical distance that favor the status quo and make any transformation extremely difficult (Yeganeh, 2007; Shayegan, 2003). Under such circumstances, performance orientation is conceivably of scant importance. Indeed, many Iranian state-owned organizations can be considered solely as employment distributors, which are not concerned with efficiency.

In light of research findings, it is understood that Iranian HRM has considerable similarities with those of other developing countries. For instance, rigid and hierarchical organizations, unplanned decision-making, ascription-based promotion, and lack of performance-orientation in compensation and appraisal are some common features between Iran and other developing nations (Lane and DiStefano, 1987). Managers need to bear in mind that in developing countries, social actions are not dominated thoroughly by rational/mean-end calculation (*Zweckrational*) but they are based rather on values (*Wertrational*), emotions and traditions (Weber, 1964). Consequently, the very notion of “performance” may be considered as context-bound and relative. Given underlying social determinants, the big challenge in a developing country such as Iran is to manage human resources successfully. Since Iranian social context is extremely complex, it might be useful to rely upon intuitive processes rather than rational or long-term planning. This perspective is not in accord with principles of classical management; however, there is some evidence showing that when environments are uncertain, rational planning may be of little use and may in fact be counter-productive (Jaeger, 1990). It seems that in developing countries such as Iran, due to complex and volatile social environments, contextually-adapted approaches may be more effective than normative management styles.

At the end, it is important to mention that while this study provides some interesting insights into Iranian HRM, the findings should be interpreted cautiously and by considering limitations in concepts, methods, sector, and sample size. Further studies may provide in-depth analysis and compare large/state-owned and small/private organizations. Moreover, it seems appealing to verify direct associations between social factors and HRM polices in empirical models.

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Corresponding author

Hamid Yeganeh can be contacted at: hamid.yeganeh@fsa.ulaval.ca