Study of the Relationship between Strategic Human Resource Management and Firm Performance (Case Study: Iran Khodro Company)

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Received: August 19, 2016 Accepted: September 5, 2016 Online Published: December 8, 2016

doi:10.5539/mas.v11n3p38 URL: http://dx.doi.org/10.5539/mas.v11n3p38

Abstract

Strategic human resource management is related to strategic and sustainable management and control of the most valuable assets of firm that are staffs working in it helping the company to achieve its goals. The purpose of this paper is to study the relationship between strategic human resource management and performance of Iran Khodro Company. Statistical population of this study includes all staff (54000 members) of Iran Khodro Company that 384 members were chosen out of them using Morgan table. A questionnaire with 28 items was used through survey method to collect data. To test hypotheses, Pearson test was used through SPSS-19 software. According to the obtained results of study, there is a positive relationship between dimensions of human resource management and performance of Iran Khodro Company.

Keywords: performance, strategic human resource management, Iran Khodro Company

1. Introduction

A deep question has occupied the mind of authorities and interested people in scope of human resources in organizations more than two decades: what is the relationship between human resources and firm performance? Brian Becker has named the missing link between these variables as black box trying to discover it within his researches. He considers human resource as a type of architecture comprises of human resource systems, human resource operations, human resources competences, and staff’s behavior that all of them reflect development of strategic human resource management in an organization. The role of human resource performance in firm performance is related to implementation of strategy of human resource performance evaluation. Design and implementation of a human resource evaluation system that is called as balanced evaluation of human resource would create an important Leverag e for firms in order to perform more effectively in designing and implementation of human resource strategy. Competitive environment of business is rapidly globalizing. Every day, more and more companies are entering to international markets through exporting their products, manufacturing plants in other countries, partnership and collaboration with foreign companies. Researches and managers of advanced societies and organizations have concluded that the most important and effective factor in changes, growth and development of organizations includes planning, training and improvement of human resource abilities. Human resources are considered as fundamental capitals of organizations and the origin of any change and innovation in them. The human is a changeable creature with numerous potential abilities and changes. These abilities should be evaluated and actualized under the optimal education and training conditions. According to organizational perspective, evaluation of staff’s performance is a necessary and undeniable task to assess the progress of individuals to achieve organizational goals and missions. Accordingly, human resource management is one of the most important required knowledge in organizations indicating managers’ skills. The most considerable duty of every manager is to direct facilities of organization in order to achieve predetermined goals. These facilities and requirements are included in two general frames of physical and human capitals. The more deeper and stronger the interest and tendency toward job and job environment and belief in goals and values of organization as well as considering public expectations, the more personal, organizational, and social commitment will be created. Some concepts and approaches such as choice, application, maintenance, teamwork, punishment, job successes and failures, partnership, delegation, teaching and learning, motivating, empowerment, constant improvement and so on are various aspects of human resource development. Researches and managers
of developed societies and organizations have concluded that the most important and effective factor in changes, growth and development of organizations includes planning, training and improvement of human resource abilities. It can be simply expressed that it is not possible to access to organizational goals without efficient and productive staff.

2. Theoretical Bases of Study

Growth and development of organizations and institutions is related to the proper application of human resource and human can play different roles and tasks in specific times. Therefore, human resource of organization such as managers, supervisors, experts, and other staff would combine, coordinate and equip other resources to fulfill goals of organization. Organizations have no value without human resources; human is the most important capital of organization and if the human factor is eliminated from organization, there will not be any value in what is remained (factors and facilities such as buildings, machineries, equipment and so on that are not usable without human factor). Human can use this equipment benefiting from them to improve life. Strategic human resource management with its extensive meaning is trying in current world to combine training and development of staff, organizational improvement, and job advance path to help people, groups and organizations effectively grow. Staffs are the most important part of organization that create visions within different levels of organization, define values and missions, determine goals, design and implement strategic plans. Strategic management is a set of decisions and actions leading to design and implementation of plans used to achieve goals of an organization (Pearson & Robinson, 1988). According to the conducted studies (Housild, 1994’ Backer & Gerheart, 1996; Pephver, 1998), a comprehensive system of human resource management would increase organizational performance. Experts, who have been always trying to understand the relationship between human resource management and organizational performance, selected two systematic and strategic approaches to study this relationship. The base of these two approaches is in study of the specific effect of each of human resources duties on performance of staffs or firm performance (Sing et al, 2012, P. 651). The investigation of the performance of Iranian firms indicates a fluctuated and debatable process of growth and return rate on investment during past decade while experts consider a higher level for potential of existing companies in Iran’s market in terms of better performance (Yoosero, 2010). However, organizational performance and its management have changed to a considerable and attractive subject and the tendency either in research field or in applied fields has led to broad innovations (Victor et al, 2008). In fact, evaluation of performance of firms and economic entities with similar activities and study of the obtained results from their performance during a determined period and recognition of effecting variables on it are the most important and strategic processes that not only can determine the competitive status of organization but also have a considerable role in constant improvement and increase in quality and effectiveness of management decisions in firms (Araste, 2012). Performance evaluation is a vital factor for success of every organization because it can facilitate to understand the behavior, forms it and improves competitiveness. Identification of effective variables in performance and improvement of constant performance through these variables can support the program of growth and development creating opportunities for organizational progress. Nowadays, governments, organizations, and institutions hardly try to identify these factors. The constant performance improvement will not be possible without study of the progress level and it will not possible to access to goals without identifying challenges of organization and acquiring feedback from the implementation of policies and identification of options required to be improved. The main issue of this paper is that strategic human resource management and use of its main functions and emphasis on them through a systematic and organized method should be beneficial in every condition and any type of company in any size and industry and market leading to reinforce of firm performance. On the other hand, use of strategic human resource management and its functions in every condition might be inappropriate and traditional strategies of human resource management sometimes have a better effect on organizational performance. Hence, this study aims to respond the question about the relationship between strategic human resource management and performance of Iran Khodro Company.
Research Variables:

3. Research Methodology
Survey method has been applied in this study as data collection method. Survey methods are some methods in which, researcher should refer to individuals, organizations, and so on and make direct relation with them in order to collect required information. Questionnaire is one of the common tools in studies to collect data. Questionnaire is a collection of questions in which, respondent is asked to present his or her idea.

Table 1. Questions of questionnaire based on dimensions

<table>
<thead>
<tr>
<th>row</th>
<th>variable</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proceedings of strategic human resource management</td>
<td>(Chang et al., 2005) (Note 1)</td>
</tr>
<tr>
<td>2</td>
<td>Performance</td>
<td>(Liao et al., 2010) (Note 2)</td>
</tr>
</tbody>
</table>

The first step of this research includes data analysis using descriptive statistics techniques to express features of studied sample. The next step includes data analysis using inferential statistics techniques. According to the analysis of inferential statistics, the obtained results from the study of a small group called sample can be generalized to a larger group called population (Hafeznia, 2004). Parametric methods have been applied in this study. To test hypotheses of study, the Pearson correlation coefficient has been applied in this research. The $H_0$ in this test expresses that there is not a correlation between variables.

4. Research Findings
Main hypothesis: there is a relationship between proceedings of strategic human resource management and performance of Iran Khodro Company.

$H_0$: There is not a significant relationship between proceedings of strategic human resource management and performance.

$H_1$: There is a significant relationship between proceedings of strategic human resource management and performance.
Table 2. Correlation coefficient between strategic human resource management and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0.721</td>
<td>0.548</td>
<td>0.000</td>
</tr>
</tbody>
</table>

According to table 2, the significance level is less than 0.05; therefore, H₀ is rejected and H₁ is accepted at confidence level of 95%. Hence, this relationship is significant and the main hypothesis is accepted. Correlation intense between two variables of strategic human resource management and performance is equal to 72/1% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0/548 indicating that variable of strategic human resource management can predict 54/8% of changes in performance variable.

Secondary hypotheses:

**Hypothesis 1:** there is a relationship between human resource policies in field of services compensation and performance of Iran Khodro Company.

H₀: There is not a significant relationship between services compensation and performance.

H₁: There is a significant relationship between services compensation and performance.

Table 3. Correlation coefficient between services compensation and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0.814</td>
<td>0.643</td>
<td>0.000</td>
</tr>
</tbody>
</table>

According to table 3, the significance level is less than 0.05; therefore, H₀ is rejected and H₁ is accepted at confidence level of 95%. Hence, this relationship is significant and the hypothesis 1 is accepted. Correlation intense between two variables of services compensation and performance is equal to 81/4% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0/643 indicating that variable of services compensation can predict 64/3% of changes in performance variable.

**Hypothesis 2:** there is a relationship between human resource policies in field of employment and performance of Iran Khodro Company.

H₀: There is not a significant relationship between employment and performance.

H₁: There is a significant relationship between employment and performance.

Table 4. Correlation coefficient between employment and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0.715</td>
<td>0.688</td>
<td>0.000</td>
</tr>
</tbody>
</table>

According to table 4, the significance level is less than 0.05; therefore, H₀ is rejected and H₁ is accepted at confidence level of 95%. Hence, this relationship is significant and the hypothesis 2 is accepted. Correlation intense between two variables of employment and performance is equal to 68/8% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0/688 indicating that variable of employment can predict 71/5% of changes in performance variable.

**Hypothesis 3:** there is a relationship between human resource policies in field of training and development of human resources and performance of Iran Khodro Company.

H₀: There is not a significant relationship between human training and development and performance.

H₁: There is a significant relationship between human training and development and performance.
Table 5. Correlation coefficient between human training & development, and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0.768</td>
<td>0.499</td>
<td>0.000</td>
</tr>
</tbody>
</table>

According to table 5, the significance level is less than 0.05; therefore, $H_0$ is rejected and $H_1$ is accepted at confidence level of 95%. Hence, this relationship is significant and the hypothesis 3 is accepted. Correlation intense between two variables of human training and development and performance is equal to 76.8% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0.499 indicating that variable of human training and development can predict 49.9% of changes in performance variable.

**Hypothesis 4:** there is a relationship between human resource policies in field of effective interaction and relationship with staffs (information sharing) and performance of Iran Khodro Company.

$H_0$: There is not a significant relationship between effective relationship with staffs and performance.

$H_1$: There is a significant relationship between effective relationship with staffs and performance.

Table 6. Correlation coefficient between effective relationship with staffs and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0.652</td>
<td>0.541</td>
<td>0.000</td>
</tr>
</tbody>
</table>

According to table 6, the significance level is less than 0.05; therefore, $H_0$ is rejected and $H_1$ is accepted at confidence level of 95%. Hence, this relationship is significant and the hypothesis 4 is accepted. Correlation intense between two variables of human training and development and performance is equal to 65.2% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0.541 indicating that variable of effective relationship and interaction with staffs can predict 54.1% of changes in performance variable.

**Hypothesis 5:** there is a relationship between human resource policies in field of creating equal job opportunities (elimination of discrimination) and performance of Iran Khodro Company.

$H_0$: There is not a significant relationship between creating equal job opportunities and performance.

$H_1$: There is a significant relationship between creating equal job opportunities and performance.

Table 7. Correlation coefficient between creating equal job opportunities and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0.662</td>
<td>0.485</td>
<td>0.000</td>
</tr>
</tbody>
</table>

According to table 7, the significance level is less than 0.05; therefore, $H_0$ is rejected and $H_1$ is accepted at confidence level of 95%. Hence, this relationship is significant and the hypothesis 5 is accepted. Correlation intense between two variables of creating equal job opportunities and performance is equal to 66.2% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0.485 indicating that variable of creating equal job opportunities can predict 48.5% of changes in performance variable.

**Hypothesis 6:** there is a relationship between human resource policies in field of management improvement, development and performance of Iran Khodro Company.
H₀: There is not a significant relationship between management improvement, development and performance.
H₁: There is a significant relationship between management improvement, development and performance.

Table 8. Correlation coefficient between management improvement, development and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0/881</td>
<td>0/532</td>
<td>0/000</td>
</tr>
</tbody>
</table>

According to table 8, the significance level is less than 0/05; therefore, H₀ is rejected and H₁ is accepted at confidence level of 95%. Hence, this relationship is significant and the hypothesis 6 is accepted. Correlation intense between two variables of management improvement, development and performance is equal to 88/1% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0/532 indicating that variable of management improvement and development can predict 53/2% of changes in performance variable.

Hypothesis 7: there is a relationship between human resource policies in field of flexible work schedules and plans and performance of Iran Khodro Company.

H₀: There is not a significant relationship between flexible work schedules and plans and performance.
H₁: There is a significant relationship between flexible work schedules and plans and performance.

Table 9. Correlation coefficient between flexible work schedules, plans and performance

<table>
<thead>
<tr>
<th>Numbers</th>
<th>correlation coefficient</th>
<th>Coefficient of determination</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
<td>0/562</td>
<td>0/668</td>
<td>0/000</td>
</tr>
</tbody>
</table>

According to table 9, the significance level is less than 0/05; therefore, H₀ is rejected and H₁ is accepted at confidence level of 95%. Hence, this relationship is significant and the hypothesis 7 is accepted. Correlation intense between two variables of flexible work schedules and plans and performance is equal to 56/2% indicating a direct relation between two variables. The coefficient of determination between two variables is equal to 0/668 indicating that variable of flexible work schedules and plans can predict 66/8% of changes in performance variable.

Ranking of the dimensions of strategic human resource management

Table 10. Friedman test to rank dimensions of strategic human resource management

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Mean of rank</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services compensation</td>
<td>4/34</td>
<td>27/860</td>
<td>6</td>
<td>0/000</td>
</tr>
<tr>
<td>Employment</td>
<td>4/54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human training and development</td>
<td>3/62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective interaction and relationship with staffs</td>
<td>4/12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creating equal job opportunities</td>
<td>3/44</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management improvement and development</td>
<td>3/74</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible schedules and plans</td>
<td>4/06</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to table 10, the significance level is less than 0/05; therefore, there is a significant difference between
means of rank of dimensions of strategic human resource management. According to the mean of ranks, the highest rank is related to employment.

5. Results

1. According to the results of Pearson correlation test, there is a positive and significant correlation between strategic human resource management and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.721% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between strategic human resource management and performance of Iran Khodro Company. This finding is coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).

2. According to the results of Pearson correlation test, there is a positive and significant correlation between human resource policies in field of services compensation and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.814% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between human resource policies in field of services compensation and performance of Iran Khodro Company. This finding is coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).

3. According to the results of Pearson correlation test, there is a positive and significant correlation between human resource policies in field of employment and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.688% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between human resource policies in field of employment and performance of Iran Khodro Company. This finding is coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).

4. According to the results of Pearson correlation test, there is a positive and significant correlation between human resource policies in field of training and development of human resources and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.768% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between human resource policies in field of training and development of human resources and performance of Iran Khodro Company. This finding is coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).

5. According to the results of Pearson correlation test, there is a positive and significant correlation between human resource policies in field of effective interaction and relationship with staffs and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.652% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between human resource policies in field of effective interaction and relationship with staffs and performance of Iran Khodro Company. This finding is not coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).

6. According to the results of Pearson correlation test, there is a positive and significant correlation between human resource policies in field of creating equal job opportunities and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.662% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between human resource policies in field of creating equal job opportunities and performance of Iran Khodro Company. This finding is not coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).

7. According to the results of Pearson correlation test, there is a positive and significant correlation between human resource policies in field of management improvement and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.881% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between human resource policies in field of management improvement and performance of Iran Khodro Company. This finding is coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).

8. According to the results of Pearson correlation test, there is a positive and significant correlation between human resource policies in field of flexible work schedules and performance of Iran Khodro Company. The Pearson correlation coefficient was equal to 0.562% that was significant at 0.05 level. Therefore, it can be stated that there is a direct and significant relationship between human resource policies in field of flexible work schedules and performance of Iran Khodro Company. This finding is not coordinated with findings of study by Chang & Huang (2005), and Afje & Ismaeelzade (2009).
On the other hand, Friedman test indicated that human training and development, effective interaction and relationship with staffs, and employment have had the highest importance among dimensions of strategic human resource management.

References


Notes


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