Scrutiny of Human Resource Management in SE (Case Study: Kerman Province)

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ABSTRACT

Human Resource Management (HRM) is critically important in that it ensures that human capital is well managed and that all issues relating to this resource are effectively dealt with. Human Resource Management is a planned approach to managing people effectively for performance. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can and will give of their best to support departments' missions. Human resource management is a new area for Iranian small enterprises. There are a few of studies on HRM practice and its impact on enterprise performance in Kerman small enterprises. This article attempts to provide a pilot study of examining the status quo of HRM practice in Kerman small enterprises, and searching for possible correlation between HRM and enterprise performance. The result of the study is based on analysis of intensive interviews with 42 small enterprises (SE) in various cities in Kerman. The paper concludes with 4 hybrids of feasible interrelationships between HRM practice and enterprise performance within Kerman enterprises, as a result of distorted indicators in such a transition economy as the one in Kerman Province in Iran.

INTRODUCTION

Developments in the field of HRM are now well documented in the management literature [39,45]. The roots of HRM go back as far as the 1950s, when writers like Drucker and McGregor stressed the need for visionary goal-directed leadership and management of business integration [1]. This was succeeded by the ‘behavioural science movement’ in the 1960s, headed by Maslow, Argyris and Herzberg. These scholars emphasised the ‘value’ aspect of human resources (HR) in organisations and argued for a better quality of working life for workers. This formed the basis of the ‘organisational development movement’ initiated by Bennis in the 1970s.

Research has indicated that HR practices such as valid selection methods, compensation based on performance, and formal training, can have a significant impact on organizational performance [14].

We define Human Resource Management (HRM) in about the same general way Beer et al. [5] did, namely as all management intentions, decisions and actions that affect the nature of the relationship between an organisation and its employees. Putting this way, HRM is not the exclusive domain of the large firms in which specific context almost all HRM studies take place. In recent years, small business has created the greatest number of net new jobs within – and has been a major component of the economic engine of – the North American economy [48]. Therefore, any method that can engender competitive advantage within small business is important not only to these businesses but also to the entire North American economy [48]. If, as noted above, valid selection methods, compensation based on performance, and formal training can have a significant effect on the bottom line, then it would be useful to determine the extent to which Canadian small businesses use these HR practices.

In small firms the entrepreneur’s choices concerning the business, the organization and the management of the firm (the ‘strategy’) are dominated by his personal values and perspectives [30,3].

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Greer [20] talks about four possible types of linkages between small enterprises strategy and the HRM function / department of an organisation:

‘Administrative linkage’ represents the scenario where there is no HR department and some other figurehead (such as the Finance or Accounts executive) looks after the HR function of the firm. The HR unit is relegated here to a paper-processing role. In such conditions there is no real linkage between small enterprises strategy and HRM.

Next is the ‘one-way linkage’ where HRM comes into play only at the implementation stage of the strategy. ‘Two-way linkage’ is more of a reciprocal situation where HRM is not only involved at the implementation stage but also at the corporate strategy formation stage.

The last kind of association is that of ‘integrative linkage’, where HRM has equal involvement with other organisational functional areas for small enterprises development.

Human resource management (HRM) is a new area for Iranian small enterprises, especially those owned by the state. This article attempts to provide a pilot study of examining the status quo of HRM practice in Kerman small enterprises, and searching for possible correlation between HRM and enterprise performance.

2. Literature Review:

It must be acknowledged that there are controversies of defining the concept of human resource management, especially when compared with previous personnel management and industrial relations which have had great influence in the western management theories. An argument on what is the essence of human resource management theory is still an on-going debate. A review and research agenda put forth by Guest [21] has endeavored to pull all those arguments together and this paper summarizes his points on the theory of HRM and its link with performance as follows:

There are three types of theory about HRM, namely strategic, descriptive and normative. Strategic theories of HRM are primarily concerned with the relationship between a range of possible external contingencies and HRM policy and practice. They hypothesize that those firms that have a fit between business strategy, structure and HRM policy and practice will have superior performance. Descriptive theories of HRM attempt to capture the broad field and to address some of the interrelationships between HRM policy and practice and key outcomes. The theories emphasize that the essential inputs of a fit of HRM policy and practice such as creating employee influence, enforcing HR flow, setting incentive rewards system and pleasant work systems will lead to four key HR outcomes (i.e. 4C commitment, competence, congruence and cost effectiveness as shown in Beer et al [5]’s model) that will produce low labour turnover, loyal and faithful team of employees who commit themselves to an organization’s profit, goodwill and effectiveness as well as to improve their individual well-being, ultimately to create social wellbeing to the whole society. Normative theories of HRM are more prescriptive in their approach. They provide a basis for prescribed best practice or that a set of values that indicates best practice, and hypothesize that an integrated set of HRM practices is applied with a view to achieving the normative goals of high commitment to the organization plus high quality and flexibility, then higher worker performance will result, assuming that higher worker performance would have a positive impact on organizational performance.

According to Guest, there is no general theory about performance per se. It is often rather troublesome to link job satisfaction with firm performance. In the sense, a firm with high growth may not necessarily has good HRM outcomes from all staff. Nonetheless, we can still distinguish the content of performance, and try to provide some measures of performance by looking at firm’s output (sales and production), time (including lateness, absence, lost working time, failure to meet deadlines), financial indicators which could include a large array of possibilities (i.e. profit, expansion plan etc.), and lastly staff attitude on work and their professionalism. By these exercises, the performance theory concludes that there may be some linkages within a broad view of performance which could explore causal links between HRM and performance.

An examination of the previous research, which studied the HR practices of small businesses, provides mixed data. Some data suggests that there are clear differences in the selection practices that smaller businesses use. For example, Hornsby and Kuratko [27], note that smaller businesses do not use aptitude testing to the degree of that of larger businesses. Deshpande and Golhar [16] on the other hand indicate no difference in the use of written tests between small and large businesses. Some research has shown a common use of objective measures of performance while other research has shown differences in use of different types of performance appraisals. Certainly one of the reasons for these differences is the nature of the questions asked. However, another reason for the difference might be the different definitions provided for a small business. Some researchers define small business as those with 250 employees or less some as those with 150 employees or less [27] and some go as high as 500 employees [18,16]. Defining small as 500 or less could result in as much variance in HR practices within the sample of small organizations as between large and small. Consider the Hornsby and Kuratko [27] study where they examined three levels of small business (1) 50 or fewer employees, (2) 51- 100 employees and (3) 101 - 150 employees. Even in the Hornsby and Kuratko [27] study there were
important differences between the three classifications they examined; and this study did not even consider organizations with 150 - 500 employees.

Susan Marlow [43] argues that ‘HRM in small firms’ remains a contradiction in terms as we take for granted that it’s associated with the formalised, standardised and sophisticated HR systems and instruments that fit the context of large firms. That’s why we use a broader concept of HRM that suits the SME context as well. During three years we conducted fifty in-depth studies in small firms, recording the ways in which small firm’s owner-managers actually practise their HRM and wondering what makes it really effective.

In their profound review of studies about managing people in SMEs, Cardon & Stevens highlight that we still lack much of the theory and data necessary to understand how performance management, retention and ongoing employment issues as well as the integration and interaction of HR practices really work in SMEs from a synergetic and holistic point of view.

Following Gratton & Truss [46] we prefer the word ‘alignments’ instead of the more commonly used ‘fits’ because it suggests a more fluid dynamic character.

They emphasize the importance of three different alignments in realising effective HRM.

First of all the aims, objectives and underlying philosophy of the organisation’s approach to managing people should reflect, reinforce and support the organisation's business aims and objectives. This link they name vertical alignment. The second dimension is horizontal alignment. A high degree of horizontal alignment means that an organisation is articulating a clear, coherent and consistent approach to managing people that permeates its entire HR activities. This way the firm is able to communicate consistent and mutual reinforcing messages to employees by way of the HR practices. The third dimension is implementation alignment, and concerns the experiences by employees. As their research clearly shows, consistency in the eyes of employees is vital, they have to experience the HR policy as it is turned into action through the actual HR practices by management.

In addition to Guest’s review on HRM and performance, there is a growing body of literatures that support the correlation between high performance as a result of HRM practice and various measures of firm performance. Poole & Jenkins [36] examined the development of comprehensive human resource management policies by surveying 909 firms in Britain, and found that HRM is one of the major keys for firms to gain a competitive edge or a lasting and sustained advantage over their competitors in the modern world. Results from Purchell’s quantitative analysis on 176 companies show that there is no direct link between human resource management strategy and corporate strategy; it is obvious though that from resource-based approach, unique human resource capabilities - development of a core competence will create competitive advantage for firms, hence could contribute to profits and growth. Dunphy and Stace seem to echo Purchell in linking business strategy with human performance and argue that people themselves and their skills are the key to added value, the management of people becomes the critical factor in achieving organizational excellence, hence HRM should be included in setting up firms’ business strategy. Wong et al [50]’s study looked at management training and development based on intensive survey and interviews on 138 firms during 1990-1991, and displayed the subtle impact of management training and development on the organization and performance of small and medium enterprises. Other studies [10,41] demonstrated that a firm’s drive to improve performance and pursue ‘excellence’ leads to the greater emphasis on HRM. These studies have indicated that HRM policies and practices contribute to business success, hence there are interrelationships between HRM and organizational performance.

One method that may be useful in classifying small business is the formalization of the HR function. This is speculative, but it may not be the size of the organization specifically that causes changes in HR practices, but the hiring of a HR manager. At this point the HR function becomes a more formalized part of the organization, thus more important. The three HR practices are selection methods, compensation based on performance appraisal results, and formal training. Prior research indicates all of these are positively related to organizational performance [14,48,52]. In small firms the entrepreneur’s choices concerning the business, the organization and the management of the firm (the ‘strategy’) are dominated by his personal values and perspectives [30,3]. We name them his fundamental choices.

Despite the lack of written policy statements, he is well aware of the employee behaviour and the employment relationship needed in his specific firm. We call these his HR intentions. If the HR intentions are more in line with his fundamental choices, his HRM is better vertically aligned.

The way HRM contributes to firm performance is complex and indirect, and can best be conceptualized as a ‘value chain’ in which HRM leads to certain employee attitudes and behavioural outcomes that can contribute to profit, productivity, quality etc. [21]. Boxall & Purcell [29] present the potential contribution of HRM to firm results by way of the equation \( f = (A,M,O) \): the abilities and motivation of employees and the opportunity (support, facilitation) they experience to perform according to the demands. The most interesting is the study done by Lee and Chee [31] who examined 48 South Korean manufacturing firms and concluded that business strategy is certainly associated with company financial performance, but participative HR strategy and its interaction with the business strategy are not related to organizational performance. It could be because Lee and Chee used the four variables of power, information, reward and knowledge within the participative HR strategy
that aren’t fully applicable to the cases of South Korean firms. It could also be possible that HRM is too remote to the firm’s performance to reveal any meaningful direct impact. It may increase employees productivity (per capita value added), but not necessarily the firm’s overall performance. Hence, to achieve the better organizational performance, it would be necessary to relate the principles of human resource management to business success under different set of competitive strategies.

That leads to our last discussion on the theory of HRM and performance which is the theory of ‘fitness’ or ‘integration’. Essentially they suggest that the various types of HRM fit can be ordered along two dimensions of Internal-External fit and Criterion specific or Criterion free (see Figure 1).

Fit as strategic interaction seeks to link HR practices to the external context and reflects the standard strategic approach. A firm makes choice to respond to and interact with the existing environment. HR strategy and practice would be matched to that choice. Firms with appropriate response and the right match will report superior performance mainly measured by specific financial criteria.

**Table 1: Forms of HRM Fit.**

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<thead>
<tr>
<th></th>
<th>Criterion specific</th>
<th>Criterion free</th>
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<tbody>
<tr>
<td>Internal</td>
<td>Fit to an ideal set of practices</td>
<td>Fit as gestalt</td>
</tr>
<tr>
<td>External</td>
<td>Fit as strategic interaction</td>
<td>Fit as ‘bundles’</td>
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</tbody>
</table>

Source: Guest, 1997:271

Fit as contingency looks at the external factors such as the nature of market, legislation changes or characteristics of industry etc. and suggests that firms with HR policy and practice responsive to these external factors will obtain superior performance.

Arguing HRM is more effective if it is better aligned represents a configurations perspective about, how the pattern of multiple independent variables is related to a dependent variable rather than how individual independent variables are related to the dependent variable[15]. Meyer et al. clearly contrast configuration theory to contingency theory. The configurations approach represents a holistic stance, asserting that the parts of e.g. HRM cannot be understood in isolation, because order emerges from the interaction of those parts and it is their patterning that creates synergy and causes effectiveness. Theory based ideal-type constructs have to serve as an abstract model so that deviation from types can be noted and explained. Nonlinearity is acknowledged, variables found to be causally related in one configuration may be unrelated or even inversely related in another.

Although the alignments we are looking for ‘...are inherently multidimensional and not easily captured by bivariate statements’ [4] ‘best fit’ studies are still dominated by quantitative research methods. Qualitative research is needed to develop new constructs and methods in line with the theorised multidimensional and complex character of the relationships; case studies seem most appropriate.

Human resource management is a new area for Iranian small enterprises. There are a few of studies on HRM practice and its impact on enterprise performance in Iranian small enterprises. This article attempts to provide a pilot study of examining the status quo of HRM practice in Kerman small enterprises, and searching for possible correlation between HRM and enterprise performance.

Iranian small enterprises are operating under the transitional economy, and HR functions in most of firms have been directed slowly away from the previous mode of planned organism and transformed toward modes more related to a market-oriented system. While most of western enterprises operate under free market system, they tend to be inward-looking, and start their HRM approach from pursuing internal set of ideal practices to improve internal management and achieve fitness for gaining market advantages. Once that is established, strategic human resource management approaches are sought to respond to increasing changing external environment to gain competitiveness. Iranian enterprise may well be an opposite case. It started with the government’s open policy which brought in competition. Firms (particularly state owned enterprises) have been challenged first for profitability, then market competitiveness. If the state could exercise intervention to keep profitability and market competitiveness by price control (i.e. distorted price as mostly reflected as monopolized pricing policies), internal management to solve inefficiency problem would be largely ignored. So enterprise performance is largely affected by external factors such as the nature of market, legislation changes and own industry characteristics. Firms tend to set up business strategies to respond to these changes, and HRM strategy and practice (if necessary) would be set up to match the focused objective of achieving profitability and market advantages.

What is needed here now is to define HRM (Table 1) which has theoretically been an issue for some time. Why should HRM attract so much attention? How could firms benefit from practicing HRM? What are some elements or ‘bundles’ of best practice of HRM? What is the core of HRM practice?
Table 2: Definition of HRM.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Source</th>
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<tbody>
<tr>
<td>A strategic, coherent and comprehensive approach to the management and development of the organization’s human resources in which every aspect of that process is wholly integrated within the overall management of the organization. HRM is essentially an ideology.</td>
<td>[1]</td>
</tr>
<tr>
<td>Perhaps it is best to regard HRM as simply a notion of how people can best be managed in the interests of the organization.</td>
<td>[1]</td>
</tr>
<tr>
<td>A diverse body of thought and practice, loosely unified by a concern to integrate the management of personnel more closely with the core management activity of organizations.</td>
<td></td>
</tr>
<tr>
<td>HRM is a discourse and technology of power that aims to resolve the gap inherent in the contract of employment between the capacity to work and its exercise and, thereby, organize individual workers into a collective, productive power or force.</td>
<td>[41]</td>
</tr>
<tr>
<td>HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic management of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Price [37]

According to Price [37], there are a half a dozen of definitions of HRM (see Table 1), but the essence of HRM is as simple as to “get work done” through strategic selection of suitable staff, training and development of competent & skilled workers, provision of incentive reward systems to retain employees and overall flow of management communication, performance appraisal to increase level of transparency and plus harmonious industrial relations to reduce conflicts and achieve cost effectiveness.

2.1. What is HRM?:

Developments in the field of HRM are now well documented in the management literature [8,39,40,45]. The roots of HRM go back as far as the 1950s, when writers like Drucker and McGregor stressed the need for visionary goal-directed leadership and management of business integration [1]. This was succeeded by the ‘behavioural science movement’ in the 1960s, headed by Maslow, Argyris and Herzberg. These scholars emphasised the ‘value’ aspect of human resources (HR) in organisations and argued for a better quality of working life for workers. This formed the basis of the ‘organisational development movement’ initiated by Bennis in the 1970s. The ‘human resource accounting’ (HRA) theory developed by Flamholtz [18] was an outcome of these sequential developments in the field of HRM and is considered to be the origin of HRM as a defined school of thought. HRA emphasised human resources as assets for any organisation. This ‘asset’ view began to gain support in the 1980s [22]. The last twenty-five years or so have then witnessed rapid developments in the field of HRM, which are an outcome of a number of factors such as growing competition (mainly to US/UK firms by Japanese firms), slow economic growth in the Western developed nations, realisation about the prospects of HRM’s contribution towards firms’ performance, creation of HRM chairs in universities and HRM-specific positions in the industry, introduction of HRM into MBA curricula in the early 1980s, and a continuous emphasis on the involvement of HRM strategy in the business strategy.

The debate relating to the nature of HRM continues today although the focus of the debate has changed over time. It started by attempting to delineate the differences between ‘Personnel Management’ and ‘HRM’ see [21], and moved on to attempts to incorporate Industrial Relations into HRM [45], examining the relationship of HRM strategies, integration of HRM into business strategies and devolvement of HRM to line managers and then the extent to which HRM can act as a key means to achieve competitive advantage in organisations. Most of these developments have taken place over the last couple of decades or so, and have precipitated changes in the nature of the HR function from being reactive, prescriptive and administrative to being proactive, descriptive and executive [8]. At present then, the contribution of HRM in improving a firm’s performance and in the overall success of any organisation (alongside other factors) is being highlighted in the literature. In relation to the last debate, three perspectives emerge from the existing literature: universalistic, contingency, and configurational [29].

The ‘universalistic’ perspective posits the ‘best’ of HR practices, implying that business strategies and HRM policies are mutually independent in determining business performance. The ‘contingency’ perspective emphasises the fit between business strategy and HRM policies and strategies, implying that business strategies are followed by HRM policies in determining business performance. The ‘configurational’ perspective posits a simultaneous internal and external fit between a firm’s external environment, business strategy and HR strategy, implying that business strategies and HRM policies interact, according to organisational context in determining business performance.
2.2. Analysis of Human Resource Management:

Human Resource Management is a planned approach to managing people effectively for performance. It aims to establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in a way that they can and will give of their best to support departments’ missions.

Human Resource Management is a long-established task within the Government’s Management Framework. Through this task the Government meets its obligation to be a good employer; seeks to secure staff commitment; and develops and manages staff to give of their best to help the Government serve the community. The need to respond to changing community expectations means that the task of managing our staff better is more important than ever - it is the staff who deliver the service, and it is through a new emphasis on staff management that a customer service and performance-oriented culture will gradually evolve.

The function of human resources management is to provide the employees with the capability to manage: healthcare, record keeping, promotion and advancement, benefits, compensation, etc. The function, in terms of the employers benefit, is to create a management system to achieve long term goals and plans. The management allows companies to study, target, and execute long term employment goals. For any company to have an efficient ability to grow and advance human resource management is a key.

Human resource organisational strategy and planning is about ensuring that proper organisational structures together with human resource requirements are in place and are aligned to the departmental strategic plan. It is important to assess this area because the quality of organisational structures and capacity in turn impacts on service delivery.

HRM also needs to be supported by proper HR Information Management (HRIM) systems. To this end the importance of a PERSAL clean-up strategy and the introduction of the Integrated Financial Management System (IFMS) is necessary. Processes are well underway to implement such a strategy as well as IFMS. This should allow departments to have a credible information base from which to align their organisational structures, forecast their human resource needs and maintain proper databases for the management of human resources.

Human resources are designed to manage the following:

- Employee Benefits
- Employee health care
- Compensation
- Annual, sick, and personal leave
- Sick banks
- Discipline
- Records (tax information, personnel files, etc.)
- Recruitment and employee retention strategies

2.3. Strategic HRM (SHRM):

The field of strategic HRM is still evolving and there is little agreement among scholars regarding an acceptable definition. Broadly speaking, SHRM is about systematically linking people with the organisation; more specifically, it is about the integration of HRM strategies into corporate strategies. HR strategies are essentially plans and programmes that address and solve fundamental strategic issues related to the management of human resources in an organisation. They focus is on alignment of the organisation’s HR practices, policies and programmes with corporate and strategic business unit plans [20]. Strategic HRM thus links corporate strategy and HRM, and emphasises the integration of HR with the business and its environment. It is believed that integration between HRM and business strategy contributes to effective management of human resources, improvement in organisational performance and finally the success of a particular business [25,39]. It can also help organisations achieve competitive advantage by creating unique HRM systems that cannot be imitated by others [28]. In order for this to happen, HR departments should be forward-thinking (future-oriented) and the HR strategies should operate consistently as an integral part of the overall business plan [42]. The HR-related future-orientation approach of organisations forces them to regularly conduct analysis regarding the kind of HR competencies needed in the future, and accordingly core HR functions (of procurement, development and compensation) are activated to meet such needs.

Lengnick-Hall and Lengnick-Hall summarise the variety of topics that have been the focus of strategic HRM writers over the past couple of decades. These include HR accounting (which attempts to assign value to human resources in an effort to quantify organisational capacity); HR planning; responses of HRM to strategic changes in the business environment; matching human resources to strategic or organisational conditions; and the broader scope of HR strategies. For these writers, strategic HRM is a multidimensional process with multiple effects. Such writing also highlights the growing proactive nature of the HR function, its increased potential contribution to the success of organisations and the mutual relationships (integration) between business strategy and HRM.
Two core aspects of SHRM are: the importance given to the integration of HRM into the business and corporate strategy, and the devolvement of HRM to line managers instead of personnel specialists. Brewster and Larsen [11] define integration as ‘the degree to which the HRM issues are considered as part of the formulation of the business strategy’ and devolvement as ‘the degree to which HRM practices involve and give responsibility to line managers rather than personnel specialists’. Research in the field [39,41,12,46] highlights a number of benefits of integration of HRM into the corporate strategy. These include: providing a broader range of solutions for solving complex organisational problems; assuring the successful implementation of corporate strategy; contributing a vital ingredient in achieving and maintaining effective organisational performance; ensuring that all human, technical and financial resources are given equal and due consideration in setting goals and assessing implementation capabilities; limiting the subordination and neglect of HR issues to strategic considerations; providing long-term focus to HRM; and helping a firm to achieve competitive advantage.

In similar vein, researchers [12,46,40] have highlighted the benefits of devolvement of HRM to line managers. These include: highlighting certain issues that are too complex for top management to comprehend alone; developing more motivated employees and more effective control; local managers responding more quickly to local problems and conditions; resolving most routine problems at the ‘grassroots level’; affording more time for personnel specialists to perform strategic functions; helping to systematically prescribe and monitor the styles of line managers; improving organisational effectiveness; preparing future managers by allowing them to practise decision-making skills; and assisting in reducing costs by redirecting traditionally central bureaucratic personnel functions.

Despite the highlighted benefits of the devolution of HRM to the line management, it is still not widely practised in organisations. On the basis of earlier studies in the UK and their own in-depth investigations into the topic, McGovern et al. [33] suggest that devolution of responsibility for HRM to line managers is constrained by short-term pressures on businesses (such as minimising costs), the low educational and technical skill base of supervisors and a lack of training and competence among line managers and supervisors.

2.4. Hypotheses:

Following the above-mentioned review, it is assumed that growth-oriented small sized enterprises will also have ‘best practice’ HRM approach. That leads us to the following hypotheses of this study:

Hypothesis 1: Kerman small enterprises will follow ‘best practice’ of HRM in the areas of freely selection of staff from labor market; payment linked with performance; on-going training and development of internal staff; provision of social security scheme; effective performance appraisal; employee involvement in decision making; and exercise positive influence of trade union.

Hypothesis 2: as a result of hypothesis 1, Kerman small enterprises will show good HRM outcomes in terms of congruence, competency and commitment of staff.

Hypothesis 3: Kerman small enterprises who practice HRM will demonstrate their strengths in corporate performance specifically in growth, market competitiveness and expansion plan.

MATERIALS AND METHODS

The current study, according to its purpose, is an applied research and also is kind of descriptive surveys of the area of field studies considering the data collection method. To investigate the relationship between the variables and testing hypothesis, after collecting the needed data and information through questionnaires, statistical software SPSS20 was used.

In this study, the data collected in the field part was done by a questionnaire and the library method was used to collect information about the concepts and theories related to the topic of the research.

The questions are based on a Likert scale from very much agreement to very much disagreement that the grading is 1 to 5. In the present study, Cronbach’s alpha coefficient was used to assess the reliability of the questionnaire and the reliability of the questionnaire is obtained Cronbach’s Alpha: 0.88.

The author interviewed 37 general managers or the managers with main responsibility for HRM issues. 14 interviews were carried out during March – April 2010, and the rest were finished during June 1997.

The interview questions cover the following aspects:

- HRM practice and performance in Kerman small enterprises
- Kerman small enterprises ownership,
- Corporate performance including sales/production since firms’ establishment, market position and future five years’ plan,
- Problems and Favorable factors encountered in their developmental process.
4. Findings and Discussion:

The profile of the interviewed samples are listed in Tables 3-4. The author took the advantage of attending conferences and some business and casual visiting trips to the various cities in Kerman where contacts were available. Most of enterprises were randomly introduced by the author’s friends and their circle of influence. There is no particular reason why the sample is more focused on one city than the other.

Table 3: Interview Samples - City Distribution.

<table>
<thead>
<tr>
<th>City</th>
<th>Number</th>
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<tbody>
<tr>
<td>Kerman</td>
<td>12</td>
</tr>
<tr>
<td>Sirjan</td>
<td>8</td>
</tr>
<tr>
<td>Bam</td>
<td>6</td>
</tr>
<tr>
<td>Jiroft</td>
<td>5</td>
</tr>
<tr>
<td>Rafsanjan</td>
<td>5</td>
</tr>
<tr>
<td>Baft</td>
<td>4</td>
</tr>
<tr>
<td>Bardis</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
</tr>
</tbody>
</table>

Table 4: Interview Samples - Years of Establishment and Staff Number.

<table>
<thead>
<tr>
<th>Years of Establishment</th>
<th>Number of Enterprises</th>
<th>%</th>
<th>Staff Number</th>
<th>Number of Enterprises</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1&lt;Y&lt;5 (not including establishment for 5 years)</td>
<td>13</td>
<td>31</td>
<td>1&lt;N&lt;10</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>5&lt;Y&lt;10 (not including establishment for 10 years)</td>
<td>19</td>
<td>45</td>
<td>11&lt;N&lt;100</td>
<td>44</td>
<td>53</td>
</tr>
<tr>
<td>Y&gt;10</td>
<td>10</td>
<td>24</td>
<td>101&lt;N&lt;500</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>N&gt;500</td>
<td></td>
<td></td>
<td>Total</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Over 70% of those firms (<5 years) have only been set up for two years. However half of the interviewed small enterprises have been quite established, their operations have gone over the ‘turbulent’ period of maximum five years of development and are expected to be continuously growing. This group of SMEs are often regarded as fast growing enterprises which could create jobs and rapidly absorb idled labor force, i.e. laid-off workers from state-owned enterprises and public organizations.

According to Dixon et al, small enterprises is characterized as:
- management is independent - managers are also owners
- capital is supplied by and ownership is held by one or a few people;
- operations and markets are locally based, although markets may not be;
- smallness is relative to the size of the largest firms in the industry

However, Kerman small enterprises are quite different from Dixon’s definition. Many are still full or partly state-owned, though some newly-developed enterprises in the urban area could be largely privately owned. Those from rural area can be either privately owned or collectively owned by town and village governments.

Seven ownership categories from the interviewed samples are divided and listed in Table 5.

Table 5: Interview Samples - Enterprise Ownership.

<table>
<thead>
<tr>
<th>Enterprise Ownership</th>
<th>Number</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholly State-Owned Enterprise (SOE)</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Partly Affiliated to SOE Enterprises (ASE)</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Collectively Owned Enterprises (COE)</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Joint Venture with Foreign Firms Enterprises (JVE)</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Domestically Private Owned Enterprises (DPE)</td>
<td>12</td>
<td>29</td>
</tr>
<tr>
<td>Foreign Private Owned Enterprises (FPE)</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Town &amp; Village Enterprises (TVE)</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Use of valid selection methods can foster enhanced organizational performance [14,13]. Evidence indicates valid selection methods increase the chances that a selected employee has the ability to produce organizationally desired outputs and enhance organizational performance [48]. Cronshaw reported the utility for a single year of testing in the clerical area of the Canadian Armed Forces was fifty million Canadian dollars. Effective performance appraisal (PA) may facilitate organizational performance in a number of ways [2]. The PA defines the behaviours and results that must be exhibited by employees for the success of strategy. PA can provide criterion measures for the validation of selection methods, the evaluation of training, a measure of needs assessment for training, and information for performance based compensation [2]. Gerhart and Milkovich reported a positive association between compensation based on PA results and organizational profitability.
Overall from the interviews, it is found that over 80% of small enterprises interviewed has moved away generally from rigid allocation of staff by the state departments, and engaged in free market selection process. Those enterprises which do not practice free market selection are mainly state-owned enterprises. Staff were still mainly allocated by the state authority in almost 80% of SOEs interviewed. Although the labor contract system has been implemented since 1985 [19], most of contracted staff would be changed to fixed term not long after joining the firms. But almost hundred percent or at least partial practice of recruiting staff from market has been taken place in DPEs, FPEs, COEs and TVEs. JVEs were reported not be able to fully recruit their staff from market because some of their staff were allocated by the partner state-owned enterprises upon signing the joint venture contracts. Hence they show only 22% of free market selection of their staff (Table 6b).

It has been argued that one of the most effective remuneration package in HRM practice is to link staff payment directly to their performance in order to increase incentive and improve productivity. 70% of small enterprises interviewed have put this practice in place. Again, enterprises which did not link their staff payment to performance are those from state-owned enterprises and joint ventures. It is understandable that wages in SOEs are too rigid to provide any incentives to performance, and any change may cause structural change from top to down or may need to take a long time to report and gain approval from the associated organizations in order to reward staff with excellent performance. But it is surprised to see the similar result from joint ventures. One reason could be that the samples selected are biased, as JVEs interviewed mainly cooperate with large state-owned enterprises in the areas of electronics, hospitality (hotel), agricultural products where group wages. If however the question asked would change to whether incentive payment was given to group performance, the answer could have been quite different. Because of the small sample, such measures are not statistically significant.

Table 6a: HRM Practice in Selected small enterprises in Kerman.

<table>
<thead>
<tr>
<th>Number</th>
<th>Percentage %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Selection - Free market selection process (FMS)</td>
<td>33</td>
<td>62</td>
</tr>
<tr>
<td>Partially using free market selection process (PFMS)</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>2. Remuneration - Payment linked with Performance (PLP)</td>
<td>27</td>
<td>62</td>
</tr>
<tr>
<td>3. Retention (i.e. other benefits) - Social Security System (SSS)</td>
<td>17</td>
<td>41</td>
</tr>
<tr>
<td>Partially paying for staff social benefit (including medical, housing fund and retirement package etc.)</td>
<td>12</td>
<td>35</td>
</tr>
<tr>
<td>4. Training &amp; Development (T &amp; D)</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>Partially providing training for new staff and/or management</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>5. Performance evaluation process (promotion) (PEP)</td>
<td>24</td>
<td>69</td>
</tr>
<tr>
<td>Partially giving evaluation for management staff or using for testing on new recruits</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>6. Decision Making Process - Staff active involvement, improved management communication (DMP/MSC)</td>
<td>28</td>
<td>76</td>
</tr>
<tr>
<td>7. Labor management relationship - influence of trade union and worker representatives (LRM/ TU)</td>
<td>11</td>
<td>45</td>
</tr>
<tr>
<td>Partially using union influence in management</td>
<td>8</td>
<td>28</td>
</tr>
</tbody>
</table>

Table 6b: HRM Practice in Selected small enterprises in Kerman - Comparison among the Selected Enterprises with Different Ownership.

<table>
<thead>
<tr>
<th>No.</th>
<th>%</th>
<th>AEE</th>
<th>COE</th>
<th>NPE</th>
<th>DPE</th>
<th>FPE</th>
<th>SOE</th>
<th>DPE</th>
<th>NPE</th>
<th>No</th>
<th>HPE</th>
<th>DPE</th>
<th>NPE</th>
<th>FTU</th>
<th>KEU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>45</td>
<td>41</td>
<td>74</td>
<td>45</td>
<td>2</td>
<td>51</td>
<td>74</td>
<td>2</td>
<td>13</td>
<td>55</td>
<td>15</td>
<td>53</td>
<td>60</td>
<td>12</td>
<td>54</td>
</tr>
<tr>
<td>3.</td>
<td>32</td>
<td>67</td>
<td>44</td>
<td>50</td>
<td>22</td>
<td>67</td>
<td>13</td>
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<td>57</td>
<td>0</td>
<td>44</td>
<td>68</td>
<td>33</td>
</tr>
<tr>
<td>4.</td>
<td>11</td>
<td>22</td>
<td>22</td>
<td>11</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5.</td>
<td>13</td>
<td>37</td>
<td>37</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6.</td>
<td>62</td>
<td>22</td>
<td>22</td>
<td>62</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>7.</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>45</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Notes:
- a) AEE: enterprises affiliated with SOE
- b) COE: collectively owned enterprises
- c) DPE: domestic private owned enterprises
- d) FPE: solely foreign owned enterprises
- e) JVE: joint venture
- f) SOE: state-owned enterprise
- g) PFMS: election of staff based on allocation by the state and its agents;
- h) PLP: means staff payment is linked to their performance;
- i) SSS: no social security system at all or partial payment
- j) FTU: no training provided at all by enterprise to staff
- k) PSSS: at least partially recruit staff from market;
5- Conclusions:

In recent years, financial support of farmers, pale role of dealers, natural factors and transformation of traditional farming into mechanized agriculture have increased productivity which has a significant effect on reduced energy consumption in agricultural section and thus decreased energy intensity; that is, intensity of energy consumption decreased from 0.8 (barrels in million Rials of production) in 1991 to 0.64 in 2011. It should be noted that government supports in the past decades increased gross production of agriculture but consumption of the main fuel (gasoil) has increased drastically. It is due to breakdown of technologies used in this section and low fuel price which diminishes incentives to reduce consumption.

Subsides paid for production inputs in general and energy carriers in specific are used to strengthen the economy, increase employment, control general level of prices and finally to establish social justice. Since energy intensity shows final energy consumption per unit of activity (output or value added), the effect of energy net intensity measures consumption changes resulted from changes in energy intensity. Negative value of this effect between two years indicates a decrease in the energy consumption and in energy savings. Energy intensity is strongly influenced by the way resources are utilized and by energy-consuming equipment; therefore, the effect of energy intensity plays an important role in energy economy studies in the field of studying saving behavior.

It’s worth mentioning that the advantage of fuzzy estimation systems over classic methods is that they lack restricting assumptions, especially where the distribution of residuals is not normal. In addition, since they estimate a confidence interval for coefficients instead of a fixed number, their results are more reliable.

6- Recommendations:

- Increased productivity results in decreased consumption intensity in agriculture. Thus, making use of advanced technologies, mechanized cultivation and modified varieties result in decreased energy consumption intensity in this section.
- To extract water in agriculture, a huge amount of energy (gasoil) is used. Therefore, one way to save energy is to decrease fuel and energy subsides in this section. Since agricultural section is in charge of supplying food, it is suggested that policy makers must take it into account in reducing subsides and in supportive policies.

REFERENCES


