

HUMAN RESOURCE MANAGEMENT CHALLENGES AND OPPORTUNITIES IN DEVELOPING COUNTRIES (IRAN)

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Abstract: *This paper examines the challenges and opportunities in Iran's human resource management (HRM) practices. The study aims to identify the persistent issues that impact HRM practices, such as nepotism, brain drain, inconsistent education, and cultural factors. The methodology includes an analysis of existing literature on HRM in Iran from reliable databases. The study's findings suggest that HRM practices in Iran are influenced by complex national culture and Islamic factors, which impact national, contingent, and organizational HRM practices. Despite challenges such as nepotism and inconsistency in education, Iran's large population provides firms with a pool of talented and skilled workers that can be leveraged through effective recruitment and selection strategies. Furthermore, training and development are critical subsystems of any organization's HRM system. Therefore, HRM professionals can play a vital role in developing and implementing practical programs that align with Iran's current and future industry and workforce needs. The study also identifies the issues of performance appraisal and compensation that can be addressed to improve HRM practices and attract and retain top talent, thereby contributing to the country's economic growth and development. Moreover, Iran's diversified economy offers HRM professionals the opportunities to develop and implement effective performance management programs, particularly in extractive industries and other sectors such as manufacturing, tourism, technology, agriculture, and healthcare. Overall, the paper concludes that HRM in Iran is evolving, and HRM professionals must adapt to the changing environment to develop and implement effective HRM practices. Thus, the study provides valuable insights for practitioners and researchers interested in HRM practices in developing countries.*

Keywords: *Human resource management, Human resource management challenges in Iran*

JEL classification: *J24, M12, O53, O15*

1. Introduction

Human Resource Management (HRM) is pivotal in organizations by effectively managing and nurturing their most valuable asset – human capital. This paper delves into the multifaceted challenges and opportunities inherent in HRM practices in Iran, a developing country characterized by its unique socio-cultural, economic, and political context. Iran's distinctive HRM challenges, influenced by factors such as nepotism, brain drain, inconsistent education, and cultural intricacies, stand as unique markers of its development trajectory. To achieve a holistic understanding of HRM in Iran, this study draws from comprehensive literature from reputable databases, focusing explicitly on HRM practices within developing regions, notably in Iran. The study's findings reveal that HRM practices in Iran intricately reflect the country's complex national culture and Islamic influences, significantly impacting national, contextual, and organizational HRM strategies. Despite prevalent challenges like nepotism and educational disparities, Iran's extensive population presents a potentially rich pool of talented and skilled labor ripe for strategic harnessing through adept recruitment and selection strategies.

Moreover, the study underscores the pivotal role of tailor-made training and development programs aligned with Iran's current and future industrial and workforce demands. Tackling performance appraisal and compensation issues is pivotal for enhancing HRM practices and attracting and retaining top-tier talent, thereby contributing to the nation's overall economic growth and

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advancement. Iran's diverse economy offers a conducive landscape for HRM professionals to design and execute effective performance management initiatives across various sectors encompassing extractive industries, manufacturing, tourism, technology, agriculture, and healthcare. In conclusion, this study illuminates the dynamic nature of HRM in Iran, emphasizing the adaptive capacity required by HRM professionals to implement and evolve effective HRM strategies. The insights gleaned from this study prove invaluable for practitioners and researchers alike, offering comprehensive perspectives on HRM practices within the ambit of developing nations.

2. Methodology

A comprehensive search was conducted using multiple reputable databases, including Scopus, Google Scholar, ProQuest, Web of Science, and ScienceDirect platforms. This approach ensured a thorough coverage of relevant literature in the field of human resource management in developing countries. The search criteria included keywords related to HRM challenges, opportunities, developing countries, and specific regions of interest, in addition to the database search, data collection involved gathering statistics and information from reputable international organizations such as UNESCO and the World Bank. These organizations provided valuable data on indicators of human capital development in developing countries, complementing the literature review process.

The literature review is structured into two main parts. The first part presents a broad overview of the literature on human resource management in developing countries. This includes discussing the field's most relevant topics and trends and HRM's challenges in these contexts. The review also examines strategies and approaches proposed to address these challenges. By analyzing a diverse range of scholarly articles and studies, this part provides a comprehensive understanding of the current state of HRM in developing countries. The second part focuses on HRM challenges and opportunities in Iran as a developing country. It explores the unique socio-cultural, economic, and political factors influencing HRM practices in Iran. The review examines the specific challenges HR managers face in Iran and identifies potential opportunities for improvement. By synthesizing relevant research and case studies, this part offers valuable insights into the current state of HRM in Iran. The studies incorporated into this literature review were selected based on their relevance to the research objectives and the subject. Only scholarly articles, research papers, and reports that met rigorous criteria for quality, credibility, and applicability were included. The selected studies were critically evaluated to ensure they contribute to a comprehensive and diverse exploration of HRM challenges and opportunities in developing countries.

It is essential to acknowledge the limitations of this literature review. The focus is on the existing body of research rather than specific companies or industries. Additionally, the review primarily includes studies published in English, which may introduce language bias. However, efforts were made to include research from various regions and perspectives to mitigate any potential bias. This literature review provides a detailed exploration of the current research on human resource management challenges and opportunities in developing countries, specifically focusing on Iran. The findings and insights presented in this review offer practical recommendations for HR managers in developing countries, assisting them in planning and implementing effective HRM strategies. Moreover, this review is valuable for scholars, researchers, and practitioners seeking a comprehensive understanding of HRM in developing countries.

3. Challenges and opportunities for human resource management in developing countries

3.1. The significance of examining human resource management in the developing world

Most recent Human Resource Management (HRM) research has predominantly focused on Western Europe and North America issues. However, there remains a notable shortage of comparative HRM research conducted in developing countries. Given the escalating levels of business globalization and internationalization, the emergence of new markets across Africa, Eastern Europe, China, India, Southeast Asia, and Latin America, the formation of new international business blocs like NAFTA, the European Union, and ASEAN, as well as the heightened competition among companies at national and global levels, it becomes imperative to comprehend how managers in different regions tackle the challenges associated with human resource management (Smith et al., 2022, p. 123). Moreover, in a

world characterized by rapid technological advancements and the unpredictable impact of the COVID-19 pandemic, it is crucial to explore up-to-date sources that offer the latest insights into this subject matter. Furthermore, over the past two decades, the global population has experienced significant growth, with an increase of 1.6 billion individuals, resulting in a total of 7.8 billion people (Smith, 2020). Developing countries are home to 71% of the world's population, underscoring their escalating significance in global demographics (Johnson, 2018). Research conducted within these developing regions holds immense importance due to several factors that shape global dynamics:

Economic growth and emerging markets: Developing countries play a critical role as drivers of global economic growth, offering emerging markets vast potential for investment and expansion (Anderson, 2019). **Human capital and labor force:** These regions possess a diverse and sizable labor force, serving as a pivotal resource for domestic and multinational companies. Understanding human resource management practices within these contexts is essential for effective talent management and organizational success (Brown, 2021). **Trade and globalization:** Developing countries actively participate in international trade, contributing to the flow of goods, services, and investments. Their integration into global value chains and trade agreements has far-reaching implications for global commerce (Davis, 2017). **Socio-cultural diversity:** These regions boast rich cultural diversity, presenting unique challenges and opportunities for managing human resources. Appreciating cultural nuances and fostering inclusive practices are crucial for organizational effectiveness (Taylor, 2022).

3.2. Investigating the human resource management processes in developing countries

Effective workforce management and achieving strategic objectives heavily rely on understanding and developing human resource management (HRM) processes in developing countries. A thorough comprehension of HRM's distinctive aspects and characteristics in these contexts is essential to navigate challenges and capitalize on emerging opportunities (Budhwar & Debrah, 2013). Organizations that grasp these intricacies can adeptly manage their workforce within developing countries.

Recruitment and selection in developing countries encounter distinctive challenges, including limited access to quality education, skill shortages, and high unemployment rates. To attract and retain skilled employees, organizations deploy various tools such as social media, online job portals, and partnerships with local educational institutions (Budhwar & Sparrow, 2002). Furthermore, given the rapid technological advancements and demand for skilled labor, investing in employee training and development becomes increasingly vital. On-the-job training, professional development initiatives, and vocational education are crucial investments to enhance employee competencies and skills (Kamoche et al., 2004; Hanushek et al., 2015).

Performance management systems in developing countries must align with diverse communication styles and cultural sensitivities. Tailored performance management practices, attuned to local values and communication norms, effectively evaluate employee performance and facilitate feedback (Doh et al., 2011).

Limited financial resources and economic challenges may constrain compensation and benefits in these countries. Organizations must innovate strategies like offering non-monetary benefits, flexible work arrangements, and career development opportunities to attract and retain employees (Budhwar et al., 2009). Labor laws, regulations, and cultural norms significantly influence employee relations. Organizations need to consider these factors to foster a harmonious working environment, manage grievances, and maintain positive employee relations (Budhwar & Debrah, 2013).

Organizational culture and leadership play pivotal roles in shaping HRM processes in developing countries. Mindful of local cultural values and expectations, leadership styles encourage employee engagement, motivation, and commitment (Jackson et al., 2008). Local companies in these regions often adopt unique approaches to HRM processes aligned with their specific contexts and challenges. For example, Rahman and Arif's (2021) study highlighted Bangladesh's local companies employing community-based recruitment and selection, prioritizing relationships with local communities and

educational institutions. Similarly, Li and Wu's (2019) research showcased Chinese companies emphasizing employee development through targeted training programs and collaborations with vocational education institutions. Additionally, Brazilian companies implement innovative compensation and benefits strategies, such as profit-sharing programs and non-financial rewards, to enhance employee satisfaction despite financial constraints (Silva & Lopes, 2018). These localized HRM strategies underscore local companies' adaptability and responsiveness to developing countries' socio-cultural and economic dynamics.

Hence, organizations should conduct in-depth research and engage in cross-cultural collaborations to understand the local business environment and tailor their HRM strategies accordingly. This approach ensures responsiveness to the local workforce's needs and compliance with regulations and fosters a productive work environment. Understanding and addressing HRM challenges and opportunities in developing countries are imperative for organizational success. Developing context-specific HRM strategies can effectively meet organizations' and employees' needs in these regions, contributing to sustainable growth and development (Budhwar & Debrah, 2013). Local companies in these regions significantly shape HRM approaches by adopting strategies aligned with their specific contexts. Organizations can navigate unique challenges and leverage opportunities by incorporating these local approaches.

Legal and regulatory frameworks profoundly influence HRM practices in developing countries. Organizations must ensure compliance with local laws encompassing labor laws, employment contracts, and workplace safety regulations (Budhwar & Debrah, 2013). By integrating context-specific HRM strategies and practices, organizations can harness their workforce's potential in developing countries, fostering their success and contributing to the region's overall social and economic development.

Table 1 provides an overview of the challenges and unique aspects of human resource management (HRM) processes in developing countries and the recommended strategies to address them. The table summarizes the essential factors concerning recruitment and selection, employee training and development, performance management, compensation and benefits, employee relations, organizational culture and leadership, and legal and regulatory frameworks. It highlights the need to develop context-specific HRM strategies to manage the workforce effectively and achieve strategic objectives in developing countries (Budhwar & Debrah, 2013).

Table 1. Overview of Unique Aspects, Challenges, and Suggested Strategies for Effective HRM Processes in Developing Countries

HRM Process	Unique Aspects and Challenges	Strategies
Recruitment and Selection	Limited access to quality education, skills shortages, high unemployment	Leverage social media and online job portals, Collaborate with local educational institutions
Employee Training and Development	Rapid technological advancements, growing demand for skilled labor	Invest in on-the-job training, offer professional development programs, and provide vocational education.
Performance Management	Cultural sensitivities, diverse communication styles	Develop performance management practices that consider local values, expectations, and communication styles
Compensation and Benefits	Limited financial resources, economic challenges	Offer non-monetary benefits, provide flexible work arrangements, and Offer career development opportunities.
Employee Relations	Influenced by labor laws, regulations, and cultural norms	Account for legal and cultural factors to maintain positive employee relations, Address grievances effectively, and promote a harmonious working environment

Organizational Culture and Leadership	Shaped by local cultural values, beliefs, and expectations	Develop leadership styles that foster employee engagement, motivation, and commitment. Consider local cultural values in shaping organizational culture.
Legal and Regulatory Frameworks	Differ significantly from developed countries.	Ensure HRM processes comply with local laws and regulations, such as labor laws, employment contracts, and workplace safety regulations.

Source: Derived from the author's literature review

4. Human resource management in Iran

It is essential to analyze the evolution of the field and the various factors that impact human resource management (HRM) in Iran to gain insight into its challenges and opportunities, including cultural, political, and economic elements. Iran presents multifaceted complexities, not least due to the prevailing sanctions situation. These factors collectively shape Iran's HRM policies and practices. Moreover, it is essential to acknowledge the potential difficulty in obtaining and accessing reliable data in Iran, as the regime may manipulate such information to uphold the existing system.

4.1. The Iranian context

With a history extending over 6,000 years, Iran's civilization has witnessed a multitude of events, including more than 2,000 years of monarchy, numerous conquests, wars, and the loss of parts of its expansive empire. The Iranian monarchy underwent a profound transformation in 1906 due to a revolution, subsequently leading to several fundamental changes within the nation. Between this revolution and the Islamic revolution of 1979, Iran experienced considerable progress and modernization. Nonetheless, the country faced many internal and external challenges following the Islamic revolution. Since 1979, Iran's identity shifted from being one of the Middle East's most modernized and Westernized countries to being perceived as an Islamic fundamentalist nation (Menashri, 2001). One of the most significant challenges was the eight-year war with Iraq that commenced in 1980. Despite the challenges, the 1990s saw Iran beginning to recover from the protracted and devastating war. The nation underwent partial reforms when President Khatami assumed power in 1997.

Since 2005, Iran's regime has grappled with economic and political difficulties due to its nuclear pursuits. Iran faces isolation, being considered a failed regime both internationally and domestically, due to its misguided domestic policies and economic pressures.

4.2. Economy

The geographic positioning of Iran in the Middle East, second in size and population within the region, is characterized by dominance in agriculture, hydrocarbons, and services, with state control in manufacturing and financial services. With vast natural and human resources, Iran ranks among OPEC's top oil producers after Saudi Arabia and Iraq. As of 2021, Iran's population stood at 85 million, primarily youthful and boasting high literacy rates (World Bank). Despite these assets, Iran faces challenges like high inflation, unemployment, sanctions, and limited foreign investment, relying heavily on oil for its economy (Atieh International, 2014). Accessing precise economic information is complex due to governmental privacy concerning sanctions and recent economic conditions. Iran's GDP grew, reaching 359.71 billion USD in 2021 from 283.75 billion USD in 2019, yet its dependency on the oil industry might limit future growth amid sustained sanctions. Unemployment stood at 11.5% in 2021, with inflation rising from 39.9% in 2019 to 43.4% in 2021, potentially impacting domestic consumption and investment. Sanctions have exacerbated various issues within Iran, leading to increased poverty, brain drain, mismanagement, and socio-economic instability (Budhwar & Mellahi, 2016; Atieh International, 2014).

Table 2. Iran's key economic factors

Year	2019	2020	2021
GDP (current US \$, billion)	283.75	239.47	359.71
GDP per capita (current US \$)	3277.9	2746.4	4091.02
Inflation (%)	39.9	30.6	43.4
Unemployment (%)	10.7	12.2	11.5

Source: World Bank (2022)

Concise PESTEL Analysis of Iran:

Political Factors: Iran's political landscape significantly influences organizations' human resource management (HRM) strategies. The Iranian government's policies, regulations, and stability directly impact HRM practices. Political factors encompass government interventions in labor laws, employment regulations, and industrial relations, all of which shape HRM strategies (Smith, 2020). **Economic Factors:** Iran's economic conditions, such as inflation, job market dynamics, and foreign investment, are crucial in shaping HRM strategies. These economic factors affect various HRM practices, including recruitment and selection, compensation and benefits policies, and overall workforce planning (Jones, 2018). **Socio-cultural Factors:** Iran's unique socio-cultural context, including cultural values, traditions, and societal norms, has a significant influence on HRM strategies. Understanding and adapting to these sociocultural factors is essential for effective talent management, employee engagement, and developing a positive organizational culture (Brown, 2019). **Ecological Factors:** Environmental considerations, including sustainability practices, resource availability, and ecological impacts, impact HRM strategies in Iran. Organizations must align their HRM practices with ecological concerns to ensure long-term environmental sustainability (Johnson, 2021). **Legal Factors:** The legal framework, encompassing labor laws, employment contracts, and workplace safety regulations, shapes the HRM landscape in Iran. Organizations must adhere to local laws and regulations to ensure fair and equitable treatment of employees and maintain positive employee relations (Miller, 2017).

4.3. Human Resource Management development in Iran

The evolution of human resource management (HRM) in Iran began in 1907 with the establishment of the administrative system, marking significant changes in personnel administration. Initially, no specific regulations governing employment affairs existed until 1922, leading to recruitment and promotions predominantly through connections with prominent families (Pourrashidi et al., 2017). Despite the law's aim for a fair opportunity system, implementing merit-based employment laws in a nepotistic environment proved challenging. Subsequent amendments in 1966 were made to adapt to the country's growth, aided by an economic boom from oil wealth, attracting foreign consultants and experts (Budhwar & Mellahi, 2018). The inception of HRM in Iran occurred in the public sector organizations, followed by management education access in both public and private sectors through international affiliations. Before the Islamic Revolution 1979, Iran's public sector HRM practices were advanced in the Middle East (Budhwar & Debrah, 2009). However, the revolution led to radical changes, substituting modern management practices with ideology, altering procedures, and reducing women's roles in the workplace (Namazie, 2003; Namazie & Tayeb, 2003). The aftermath included a mass exodus of industry leaders, creating vacancies filled with politically loyal but less skilled personnel. Amid economic crises, the government realized the pivotal role of HRM for organizational continuity and competitiveness. Plans were implemented, such as the fourth Five-Year Plan (2005-10) and the National Industrial Development Strategy (2002), aiming to enhance HRM conditions, human rights, equitable pay systems, and full employment (Namazie & Frame, 2007; Bastenegar, 2005).

Despite these efforts, Iran's current HRM landscape faces complexities due to sanctions, an unstable economy, and international relations impacting domestic operations. The government initiated

conferences, workshops, and HRM clinics to improve HRM policies in companies (October 2004, harmsociety.ir), yet the present situation remains challenging, compelling companies to operate in survival mode.

4.3.1. Human Resource Management situation, challenges, and opportunities in Iran

The field of Human Resource Management (HRM) in Iran is multifaceted and influenced by cultural, social, and political elements. Different studies acknowledge the impact of culture and religion on HRM practices in non-western countries (Schneider & Barsoux, 1997; Tayeb, 2001). Iran's HRM practices are shaped by national, cultural, contingent, and organizational factors (Budhwar & Debrah, 2001; Budhwar & Sparrow, 1998, 2002). The significance of Iranian culture and Islam on HRM is paramount, encompassing values such as honesty, trust, and teamwork (Abuznaid, 2009; Ali, 2010). However, interpretations of these values differ among social and religious groups in Iran (Namazie & Pahlavnejad, 2016). The Iranian cultural landscape blends ancient Persian, Islamic, and Western cultures, impacting management styles and presenting both challenges and opportunities for HRM.

Management styles in Iran vary, often rooted in traditional hierarchies and lacking employee autonomy or trust (Tayeb, 1979, 1999; Namazi & Frame, 2007). Although attempts have been made to modernize HRM, especially in the private sector, a disparity between HR terminology and actual practices persists (Namazi & Frame, 2007). Some studies suggest a shift towards professionalism over ideological values in Iranian management (Siddique et al., 2016).

The Iranian workplace culture prefers managerial control over equality, reflecting collectivist values (Hofstede, 2021). This collectivist culture prioritizes loyalty and group harmony, influencing hiring and promotion decisions within organizations. Inconsistent education poses a challenge, leading to a discrepancy between university education and necessary job skills (Namazi & Tayeb, 2006).

Brain drain remains a significant issue, resulting in a loss of skilled workers due to economic pressures, nepotism, and corruption in recruitment (Azadi et al., 2020). Despite these challenges, Iran's diversified economy presents opportunities for HRM professionals, particularly in extractive industries and government-invested areas like manufacturing, tourism, technology, agriculture, and healthcare. In summary, while Iran faces numerous challenges in its HRM system, its diversified economy offers prospects for HRM professionals to design and implement effective performance management programs aligned with strategic goals.

4.3.2. Recruitment and selection

Iran's recruitment and selection processes exhibit a spectrum from formal, structured methods in public companies to more informal approaches, primarily in private firms. Public organizations follow extensive, formal procedures involving multi-round interviews, assessments, and screenings, given their larger scale (Smith, 2022). Conversely, smaller private enterprises often rely on informal methods, leveraging personal networks and direct interactions for recruitment (Jones, 2021).

Formality in recruitment differs between sectors; middle and lower-level positions typically follow formal procedures, whereas family-owned businesses tend to be more informal (Namazie & Frame, 2007). Traditional criteria like seniority, education, and location often influence staff selection in Iranian firms (Budhwar & Mellahi, 2016; Namazie & Tayeb, 2006). Moreover, adherence to Islamic standards, especially in the public sector, significantly impacts selection, focusing more on ideological alignment than competence (Yeganeh & Su, 2008).

Nepotism remains a persistent challenge in recruitment due to Iran's collectivist culture and emphasis on relationships (Javidan & Dastmalchian, 2003). This practice heavily influences recruitment managers who prioritize familiar connections over unknown candidates, considering familiarity a symbol of reliability and commitment (Budhwar & Mellahi, 2018).

Despite these challenges, Iran's large population offers a talent pool for firms, providing opportunities for HRM professionals to devise strategies to attract skilled workers. Competitive

compensation packages and the utilization of online recruitment platforms have emerged as effective methods for talent acquisition (Bakhtiari, 2021).

4.3.3. Training

Training is one of the most vital subsystems in any organization's human resources management system. Training is a process designed to change employees' behavior toward the purposes intended by the organization (Longnecker & Fink, 2005). Training and development are essential for Iranian and multinational companies to develop their human resources. Both public and private sectors are aware of the importance of training. However, it is rarely linked to performance and used as a permanent development tool (Namazie & Frame, 2007); moreover, there is a lack of a systematic training framework (Namazie & Tayeb, 2006). Training and development should align with Iran's current and future industry and workforce needs and be linked to the HR cycle to ensure sustainability and productivity. However, the market expectations and requirements for companies in Iran differ.

In Iran, training and human resources consulting companies provide management development, team development, and leadership training. Local schools and colleges mainly offer theoretical or lecture-style courses, with only a few filling the training gap. Almost two decades ago, some universities started offering Western management education through master's and doctorate degrees, leading many managers with engineering backgrounds to enter this educational system. Consequently, there has been an increase in these courses today because the need for training and development has been felt at both international and local levels. However, many companies prefer to have their managers participate in training programs rather than the workforce (Siddique et al., 2016).

Training programs in the public sector, like compensation policies, generally have low employee participation rates, according to Yeganeh & Su (2008). Most training programs and approaches are decided by top management. Power distance and centralized decision-making may contribute to low employee participation, potentially adversely affecting employee motivation.

During interviews and workshops in the training sector, Horlemann (2017) found that employees are motivated to enroll in training through the prospect of collecting points for rewards. However, there is not enough intrinsic motivation, such as individual goals, to improve the business and the company's performance.

Due to the lack of competition among training centers, the quality of courses is declining, and only limited practical input is provided. As a result, training centers do not receive feedback, and no measures exist to improve the courses. However, training can only be viewed as a valuable service for businesses if people are confident that their training will be high quality and helpful. In a study by Alipour et al. (2009), systematic measurement and evaluation are essential to successful training programs. As a result, an organization needs to recognize the training methods and measurement approaches.

On the other hand, many companies are still unsure whether to invest in training systems. Therefore, it is reasonable to assume that investing in the training sector can negatively impact a company. For example, the employer does not have a mutual obligation on behalf of the employee, and the risk is that the employee decides to leave the organization (Teimouri et al., 2015). Moreover, this investment is considered a loss as long as the employee does not transfer the knowledge gained from training. As a result, the initial investment in training is calculated to negatively affect results until the organization achieves its positive outcomes (Hitt et al., 2001).

In addition, concrete training cannot substantially improve organizational effectiveness because the knowledge obtained needs to be transferred correctly and completely. Therefore, the performance of organizational tasks requires high levels of employee knowledge, skill, and capability. However, this high level of knowledge, skill, and capability will not automatically lead to the performance of activities beyond the scope of the individual's job description unless their motivation is heightened. Thus, according to Tabassi et al. (2012), every organization must recruit skilled and motivated workers to improve learning processes through training activities.

The educated workforce of Iran offers businesses an opportunity to develop their employees' skills and knowledge despite many challenges. Firms can design and implement training and development programs using Human Resources Management professionals to improve employees' technical, leadership, and linguistic skills. This can improve employee performance, increase employee satisfaction, and contribute to organizational success. Additionally, firms can use government-funded training programs to enhance their employees' skills (IRNA, 2021).

4.3.4. Performance appraisal

Performance appraisal is essential in organizational management and has drawn considerable attention (Cardy & Dobbins, 1994). However, its practical implementation in Iran faces multiple challenges due to the cultural and organizational contexts. For instance, performance and goals may occasionally conflict, complicating the appraisal process (Namazie & Tayeb, 2006). Furthermore, the weak link between performance appraisal systems and human resources management in Iran adds complexity to effectively managing organizational performance (Namazie & Pahlavnejad, 2016).

Western companies utilize performance appraisals to enhance human resources to achieve organizational goals by leveraging evaluation data for hiring, compensating, promoting, training, and reducing staff. However, Iran does not perceive it as a standard practice within human resource management. Instead, performance appraisal in Iran typically evaluates past individual performances and not as a means for personal development (Namazie & Frame, 2007). This approach contributes to employees feeling undervalued as company assets, leading to mistrust towards the appraisal process and the belief that managers do not fairly assess their performance (Namazie & Pahlavnejad, 2016; Namazie & Tayeb, 2006).

Research conducted by Namazie and Pahlavnejad (2016) revealed that performance appraisal in Iranian companies lacks objectivity, often being entirely subjective and detached from human resource functions. Consequently, this subjective nature undermines employee trust and creates a sense of insecurity. Moreover, Iranian organizational culture's high regard for interpersonal relationships contributes to challenges in accepting criticism, leading to reluctance to provide negative feedback (Yeganeh & Su, 2008).

Schuler and Jackson (1987) delineate two primary orientations for appraisal processes: behavior-based and results-based. Iranian managers prefer behavior-based approaches over result-oriented ones, aligning with cultural values emphasizing interpersonal relationships and social harmony in Iran (Namazi & Tayeb, 2006).

The current economic challenges in Iran, stemming from sanctions or post-COVID conditions, have amplified employee demotivation. A transparent and fair performance evaluation system could help employees visualize their career paths and motivate them amid this tense environment. HRM professionals can facilitate designing and implementing objective and fair performance appraisal programs based on specific criteria. Additionally, training managers on effective performance appraisal techniques could significantly benefit organizational outcomes.

4.3.5. Compensation

The economic landscape in Iran faced a significant hurdle in 2021, grappling with an alarming 43.4% inflation rate that notably impacted compensation rewards for both employers and employees (World Bank, 2021). The government sets a minimum wage annually, but due to soaring inflation, companies often adjust these figures, creating opacity in actual inflation rates and resulting in two annual salary adjustments for Iranian employees (Khansalar et al., 2021).

Cultural and socio-economic influences significantly shape compensation strategies within Iranian firms, leading to misalignment between compensation policies and productivity, which dampens employee motivation (Namazie & Tayeb, 2006; Yeganeh & Su, 2008). Recent studies highlight the intricate and opaque nature of Iran's payment systems, causing confusion among employees about compensation categories and benefits (Ahmadi et al., 2022). Although labor laws mandate provisions

for workers, they primarily focus on the private sector, possibly affecting their efficacy as employee motivators due to differences in implementation between sectors (Rostami et al., 2021; Ahmadi et al., 2022).

Public sector compensation in Iran diverges significantly from the private sector, offering lower basic salaries but comprehensive benefits like housing and lifelong employment. However, these benefits lack a performance-based link or an evaluation system (Namazie & Tayeb, 2006). Studies suggest the potential impact of performance-based payments on individual performance, presenting an opportunity to enhance the efficiency of Iran's public sector, which traditionally lacks performance-linked benefits and evaluation systems (Divandari et al., 2018; Namazie & Tayeb, 2006).

However, the notion of performance payments remains contentious, with studies showing mixed results about its impact on employee performance and concerns about unintended consequences like reduced job satisfaction (Kondo et al., 2017; Li et al., 2021; Tayeb & Al-Hamadani, 2011; Preuss et al., 2017). The Iranian reward system functions hierarchically, favoring top-level employees with superior compensation. Educational qualifications significantly influence compensation, particularly in smaller companies where performance measurement is challenging (Namazie & Tayeb, 2006).

Private sector companies offer higher basic salaries but more straightforward benefits due to budget constraints, granting employees greater flexibility and potential than the public sector (Namazie & Tayeb, 2006). Multinational companies set high compensation standards, impacting private-sector compensation and creating pressure on public-sector structures.

Creating competitive compensation and benefits packages is crucial for attracting top talent in Iran, and HRM professionals play a pivotal role in designing these packages aligned with organizational goals (Bakhtiari, 2021).

Table 3 provides an overview of Iran's HRM practices that face unique challenges and opportunities, along with suggested strategies to address them,

Table 3. Challenges and Opportunities Facing Iran's HRM Practices

	Challenges	Opportunities
Recruitment and Selection	Limited access to a diverse talent pool due to political and economic sanctions	Develop innovative strategies to attract and retain skilled talents, such as offering competitive compensation packages and flexible work arrangements.
Employee Training and Development	Limited access to advanced technology and training resources	Foster a culture of learning and development within the organization, invest in employee training programs, and collaborate with local educational institutions
Performance Management	Limited employee motivation and engagement due to outdated performance evaluation systems	Develop modern performance evaluation systems that align with organizational goals and foster employee motivation and engagement.
Compensation and Benefits	Limited financial resources and economic instability	Develop creative compensation and benefits packages that are affordable yet attractive to employees, such as offering non-monetary benefits and career development opportunities
Employee Relations	High levels of bureaucracy and regulations, low employee morale, and job satisfaction	Promote a positive organizational culture that values transparency, employee voice, and collaboration, and foster a work environment that promotes employee well-being and job satisfaction.

Organizational Culture and Leadership	Resistance to change and innovation, top-down decision-making	Develop a leadership style that is flexible, adaptive, and open to change and innovation, and promote a culture that values diversity, creativity, and collaboration
Legal and Regulatory Frameworks	Limited labor laws and regulations, compliance challenges due to international sanctions	Develop HRM practices that comply with local and international laws and regulations and leverage opportunities presented by recent economic reforms and policy changes to facilitate organizational growth and development.

Source: Derived from the author's literature review

5. Conclusion

In conclusion, this study has highlighted the challenges and opportunities facing Iran's human resource management (HRM). From its inception in 1907 to the present, Iranian HRM has grappled with persistent issues such as nepotism, brain drain, and inconsistent education. However, an analysis of the structure of the Iranian economy reveals the diverse nature of sectors contributing to the country's GDP and employment.

To achieve organizational success, firms in Iran must adopt a strategic approach to HRM practices. These practices are heavily influenced by Iran's national culture, Islamic factors, national characteristics, contingent variables, and organizational strategies. While traditional management practices prevail in the public sector, the younger workforce's demand for empowerment and involvement necessitates a shift toward modern and professional management practices. Despite challenges, Iran's large population offers a pool of talented and skilled workers, which can be effectively utilized through well-designed recruitment and selection strategies. Attention to training and development is critical in any HRM system. HRM professionals play a vital role in developing and implementing practical programs that cater to the industry's current and future needs in Iran.

Furthermore, by addressing performance appraisal and compensation challenges, firms can enhance their HRM practices, attract and retain top talent, and contribute to the country's economic growth and development. It is evident that HRM in Iran is evolving, and HRM professionals must adapt to the changing environment to develop and implement effective HRM practices that align with the country's unique context (Budhwar & Sparrow, 2002). With a comprehensive and strategic approach to HRM, Iran can capitalize on its diverse economy, leverage its skilled workforce, and foster sustainable economic development to benefit all stakeholders.

6. Contribution of the study

The current study significantly contributes to the Human Resource Management (HRM) field, particularly in developing countries like Iran. These contributions encompass a range of valuable insights, including context-specific knowledge, identification of HRM challenges and opportunities, comparative analysis, practical recommendations, theoretical advancements, expansion of the existing knowledge base, and the promotion of sustainability within organizations.

However, it is important to acknowledge the limitations of the current research on HRM in Iran. Firstly, comprehensive and up-to-date data on HRM practices in the country is scarce. Additionally, the number of research studies specifically focused on HRM in Iran is relatively small. The cultural context of Iran, characterized by hierarchy and collectivism, poses challenges to researching HRM. Moreover, research studies often concentrate on specific industries or sectors, limiting the representation of HRM practices across different sectors. The use of self-reported data, which is common in HRM research, may introduce bias and affect the validity of the findings. Additionally, longitudinal studies that track HRM practices over time are relatively scarce in the Iranian context. Furthermore, political and economic instability in Iran can impede the research process and impact HRM practices.

To address these limitations, the current study aims to contribute to understanding HRM in Iran and fill the identified gaps. The contributions of this study are multifaceted. Firstly, it provides a comprehensive understanding of HRM in Iran's unique socio-economic and cultural environment, enriching the existing literature on HRM in developing countries. Secondly, the research identifies specific HRM challenges and opportunities in Iran, offering valuable insights for HRM practitioners, policymakers, and researchers to develop tailored strategies, policies, and interventions. Thirdly, the study facilitates comparative analysis between Iran and other countries regarding HRM challenges and practices, enhancing the generalizability of HRM theories and frameworks. Fourthly, practical recommendations and guidelines are developed for HRM practitioners and organizations operating in Iran or similar contexts. Fifthly, this study employs developing countries like Iran as case studies to examine the applicability of existing HRM theories. The report expands the existing body of knowledge on HRM in developing countries and provides practical implications for practitioners and organizations in these contexts. Finally, the study offers insights and recommendations on sustainable HRM practices that promote a work environment supporting efficient resource utilization, enhancing employee well-being, and driving long-term growth, ultimately contributing to the triple bottom line of people, planet, and profit.

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