

Studying the Effects of Business Strategies on the Organization's Performance in Regards to Human Resources' Policies at the Social Security Insurance Companies Based

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Abstract

The purpose of the present study is to “study the effects of business strategies on the organization's performance regarding human resources policies at the social security, Parsian, Pasargad and Moalem insurances in 2013”. This research is a descriptive-survey field study and data was collected using questionnaire and was analyzed through statistics softwares of SPSS and Lisrel and through statistical tests including the Kolmogorov - Smirnov test, regression test, variance analysis test, Friedman test, structural equations and t-value test. The research statistical population included all executive and headquarters' directors of Pasargad, Parsian, Moalem and Social Security insurances that were 344 participants, which due to access to all population elements, total enumeration sampling method was used. The research findings indicate that business strategies, human resources' policies and employees' behavior affects the organizational performance and also business strategies affects human resources' policies, and human resources' polices and employees' attitude affects employees' behavior.

Keywords: Business Strategy, Human Resources' policies, Kato Model, Organizational performance

INTRODUCTION

Every organization, in order to accomplish its objectives and final goal, codifies a set of long-term goals. Strategies are tools that a company can use them to achieve their long-term goals. In the hierarchical approach of strategy, after the company's strategy, business strategy has been proposed and after that, at third place are task strategies that are considered as production strategy. Every level has a supportive role for the higher level so that at last the final goals and the proposed philosophy in the company's strategy are implemented. The significance of strategies in the organization's survival has drawn the attention of many researchers to itself (Nayebzadeh, 2009: 31).

The policy on which basis business is organized and administered is influenced by many effects. Firstly, the different types of activities such as processing, engineering or servicing activities require different methods and forms of management. In addition to this, different periods throughout the life cycle of a business system calls for a variety of demands from management. A workplace on which basis the business system is administered, impacts the management system structure by different ways. Accordingly, there is no general and uniform method for management. The business strategy emphasizes on the improvement of the competitive situation of products or services of a company or a trade unit in an industry or a specific market. The business strategy can be competitive (struggle with all competitors for gaining advantage) or cooperative (cooperation with one or more competitors for gaining advantage against other competitors) or in both forms. The business strategy shows that how one company in a specific industry should compete or cooperate. On one hand, the intense competition in today's organizations and nature of business spaces, and the need for improving companies' circumstances and consequently increasing organizational agility on the other hand, clarifies the attention to approaches for strengthening commitment to organizational policies more than ever.

Studying the management methods by itself is considered as a science that is completely known. Nevertheless, successful management must have the ability to precisely choose between different methods and using accurate management methods. In every specific case precise decisions must be made and these methods are only applicable in specific business cases. In systems that are in the stage of maturity and expansion, making costs reasonable and increasing productivity are considered as primary goals so that they would be able to maintain the production cost for each product low and to neutralize high hourly costs of human resources. The purpose of this matter is to maximize the level of productions using the least human resources. New business systems are rapidly forming (Mazlumi, 2007:63). On the other side, in the current era, attention towards organizations and organizational personnel is felt more than ever. According to previous conducted researches, as organizational roles and structures become more complex, employees' behavior in the organization can be affected by their attitudes. Nowadays, experts and specialists believe that science training and learning and gaining the necessary skills in the required and necessary fields as an inevitable social necessity, has special significance and position in the matter of mass development and increase of productivity. Factors that can be used in order to achieve the ultimate goals of productivity are as the following: motivation, individuals' participation in decision-making, job security, training, creating an optimal work environment, realizing needs, and appointing competent personnel at the head of affairs. Theorists consider cognitive behavioral science as a function of human's beliefs, expectations, values and other subjective perceptions. One of the main concerns of organizations and companies' directors is the inappropriate transfer of policies and objectives to the body of organizations or less effective execution of these programs in organizations. For this matter, it has always been attempted to find solutions that with their aid this problem could be eliminated. However, due to lack of precise understanding of the problem, we are usually witnessing a change in stating the problem (such as eliminating or changing human resources). In this research, the researcher seeks to study the effects of business strategies on organizational performance in regards to human resources' policies based on the Kato model at Social Security, Pasargad, Parsian and Moalem insurance companies in Isfahan Province; thus the main question of this research is: what are the effects of business strategies on organizational performance?

BUSINESS STRATEGY

Business strategy focuses on the improvement of the competitive situation of a company or a trade unit's products (merchandise or services) in an industry or specific part of the market. The business strategy can be competitive (struggle with all competitors for gaining advantage) or cooperative (cooperation with one or more competitors for gaining advantage against other competitors) or in both forms. Business strategy shows that how a company can compete or cooperate in a specific industry.

PORTER'S COMPETITIVE STRATEGIES

Michael Porter proposes two generic competitive strategies for overcoming other competing companies in the industry: lower cost and product differentiation (M. E. Porter, 1980). These strategies are called generic strategies because every enterprise no matter what type and size (even non-profit) may use them.

- Lower Cost Strategy is a company or business unit's capability in designing, producing and marketing a product; more efficient compared to its competitors.
- Differentiation Strategy is the ability of presenting the best and unbeatable value to the customer for living, unique features or product after-sales services.

Porter also believes that competitive advantage of a company in an industry is determined by that company's competitive scope. Competitive scope is the target market range of a company or business unit. Prior to benefiting from one or both of the mentioned strategies, a company or business unit should specify the following items:

1. The variation range of products that it will produce;
2. Distribution channels;
3. Type of customers they will offer their products to;
4. Geographical domains of the company's sales;
5. Relevant industries that will compete with them.

This matter should represent the company's understanding of its specific resources. One company or a business unit can choose a broad target (aiming for an average or mass market) or a narrow target (a particular part of the market). The combination of these two types of markets with the mentioned two strategies, leads to the emergence of several generic strategies. When markets and target differentiation are broad in the two strategies of differentiation and lower cost, these two strategies are called "Cost Leadership" strategies. When the mentioned two strategies focus on one part of the market (narrow market), then they are called "Differentiation Focus" and "Cost Focus". Researches show that companies with a broad market strategy, as far as return on assets (ROA) perform better than those companies with a narrow market strategy. On the contrary, an innovative company (J. O. Decastro, 1998) and based on entrepreneurship has a better chance of continuing its activity in a narrow market rather than in a broad market.

Cost Leadership is a competitive strategy of the lower cost type and its target is mass markets; this strategy requires the following actions to be taken: 1- constructing efficient-scale equipment; 2- following up and making effort for reducing costs by benefiting from experience; 3- controlling extra and fixed costs; 4- avoid earning marginal revenues from customers, minimizing costs in areas such as research and development, service, sales force and staff, advertisement and etc. Due to low costs, a pioneering company in costs can offer its products for a lower price and at the same time it can earn desirable profits. Some companies such as Walmart, Alamo Rent-A-Car, Southwest Airlines, Timex and Gateway 2000 have successfully followed and executed this strategy. Low costs help the company to defend itself against other competitors, and it can also bring along profit during intense competition conditions. The high market share of such company means that the mentioned company has better bargaining power against its providers (first ingredients sellers, ...); because it has the ability to purchase in large quantities. The low price of this company's products also acts as an obstacle, because only a small number of the industry's newcomers can compete with such a company. Consequently, it seems that the return on assets at low-cost companies is higher than the average.

The Differentiation Strategy targets the mass and broad market and emphasizes on the production of products that are unique and unbeatable all across the industry. Thus, the trading company or unit may demand a higher price for its products. In this case, the trademark or trade name, technology, physical features of distribution networks or offerable services to customers can be unique and unbeatable. The differentiation strategy, is a reliable strategy for those companies that are seeking a higher than average return on assets; because customers' regard and loyalty to a company's trade name, reduces their sensitivity towards the price of the merchandise. Therefore, the burden of costs' increase is transferred to the customers. Customers' loyalty to a company's trade name also acts as a preventative obstacle, because new companies must develop their differentiated competences so that they would be able to differentiate their products for a successful competition. Some companies that have successfully followed and used this strategy, are: Walt Disney, Me Tag, Nike and Mercedes Benz. Researches show that the profitability level of the differentiation strategy is higher than the lower cost strategy, because differentiation creates is a better barrier against new competitors; of course the lower cost strategy creates a larger share of the market for the company (R. E. Caves, 1992).

Cost Focus is a type of competitive strategy of the lower cost type, which focuses on a specific geographical group or market and only serves this particular portion of the market. A company or business unit that uses this strategy seeks to achieve a competitive advantage in its target market and in terms of costs. The Fadal Engineering Company benefits from this strategy. Fadal concentrates its efforts on manufacturing and selling simple machine tools for small manufacturers. This company has implemented this strategy through maintaining low extra costs and keeping its researches, focus and attention on marketing operations in its target market. Those who believe that a company or business unit that centralizes its efforts can better meet its strategic goal than its competitors, favor this strategy. Of course in choosing this strategy, a company must choose between profitability and market share.

Differentiation Focus is a differentiation strategy that focuses on a particular group of customers, production line or particular geographical market. Cases General Stores, Morgan

Motor Car company (English Manufacturer of Classic Sports Machineries) and local healthy food sellers have successfully implemented this strategy. When a company or business unit uses this strategy, it is seeking to differentiate its products in part of its target market. Those who believe that a company or business unit that concentrates its efforts, better meets the particular needs of its narrow target market, support this strategy. This strategy is the same strategy that was effectively used by the Inner City Entertainment (ICE), a company which focuses on making new high quality movies in African-American urban neighborhoods. This company that was under the ownership and management of Alisa and Danzell Starks, was able to successfully launch countless theaters in south of Chicago. This company uses city radio stations for advertising its movies and special shows such as Amistad.

- Associated Risks with Competitive Strategies

No competitive strategy is considered as a guarantee for success and some companies that have successfully executed Porter's competitive strategies, have noticed that they cannot maintain and continue that strategy. As shown in table (1), each of the generic strategies, have their own risks (disadvantages). For example, a company that is following the differentiation strategy should ensure that the high price of their products is because of their high quality and is not a price that is very off or more than competitive prices. In other words, customers may not show much sensitivity towards a high cost for high quality and a higher cost may be more determinative for them than quality. This concept is the same concept that has been mentioned as cost approximation in table (1). The Practor & Gamble Company's use of research and development and advertisement in order to differentiate their products was a successful strategy for many years, until during the 90's, when customers reached a value-conscious understanding and they started moving towards cheaper private brands; consequently, Practor & Gamble was forced to reduce their prices so that it would meet customers' expectations.

Table (1): Risks (Disadvantages) of the Generic Competitive Strategy

Cost Leadership Disadvantages	Differentiation Disadvantages	Focus Disadvantages
Cost leadership is not stable:	Differentiation does not stay stable:	Focus strategy is also imitated. It makes the market target structurally unattractive.
<ul style="list-style-type: none"> · Competitors discover it very soon. · Technology changes. · Other cost leadership bases disappear. 	<ul style="list-style-type: none"> · Competitors start imitating real fast. · Differentiation bases become rapidly insignificant to customers. 	<ul style="list-style-type: none"> · Structure disassembles. · Demand disappears.
Proximity to differentiation is not considered.	Proximity and approximation to cost is forgotten. Those that emphasize and focus on differentiation, reach more	Those competitors that have broadly targeted, dominate or overcome that part of the market:

<p>Those focused on cost, reach differentiation in different even costs less than each of these sections.</p>	<p>differentiation in different sections.</p>	<ul style="list-style-type: none"> · The difference between different parts of the market is in significant. · The advantages of a broad line growing.
		<p>Those that are new in focus, divide the industry into smaller subcategories.</p>

Source: (Simon, 1985:21).

- Organizational Performance

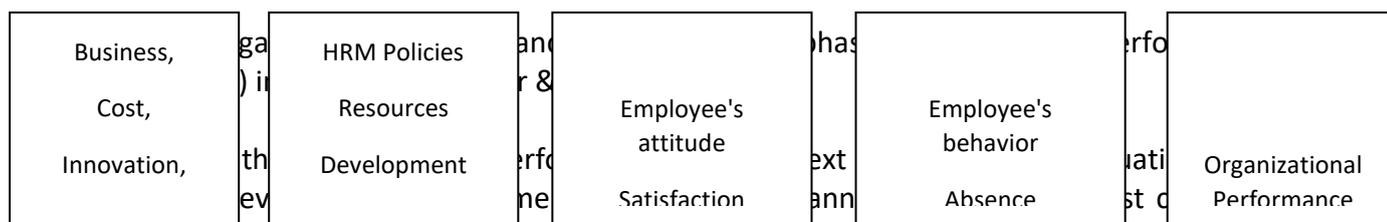
Considering the increasing competition among organizations and in line with the interest in organizational change and transformation, every organization seeks to have a more effective performance and this matter has attracted the attention of researchers in the field of humanities, especially industrial and organizational psychologists. Understanding issues related to organizations leads to their further effectiveness, and one of those issues is organizational performance. Organizational performance and organizational effectiveness are two intertwined concepts.

Organizational performance is a complicated phenomenon that maybe its simplest interpretation can be a set of activities directed towards organizational achievement. In line with performance that is studied through different perspectives, goals also appear through different perspectives. According to the mentioned definition, it can be stated that performance is the ability to evaluation system in achieving relevant results with evaluation goals (Khavandkar et al., 2009:308).

Organizational performance is one of the most important discussed topics in management researches and is undoubtedly considered as the most important criterion for evaluating success at trading companies. However in general, in regards to that matter that what are the organizational performance variables and indices, no full agreement has been reached among experts yet. Generally, organizational performance indices are dividable into two categories of subjective and objective. Objective indices of organizational performance are indices that are completely real and are measured based on objective data. Among objective indices of organizational performance, profitable indices such as return on assets, return on equity, return on investment and earnings per share of return on equity, can be mentioned. Subjective indices of organizational performance include indices that are formed based on the judgment of the organization's beneficiaries groups. Among these indices, the following indices can be mentioned: customer's satisfaction, employees' satisfaction, success in offering new products and etc. (Abzari et al., 2009:28).

Nekatreman and Ramanojan state that organization's performance is among effective organizational factors.

The most limited concept of organization's performance considers the use of financial indices (sales' growth, return to capital ratio and return to special value ratio); while a broader



evaluation as the effective allocation of numerical ratios to related qualities based on empirical and practical processes. Andrew Nili and colleagues consider performance evaluation as an efficient and effective quantifying process of purposeful activities. Mika Hannula and Anti Lonquist, mention performance evaluation as a process that is used for determining and measuring related features with the performance of evaluation goals (Khavandkar, 2009).

HYPOTHESES

- 1- It appears that business strategies impact the organization's performance.
- 2- It appears that human resources' policies impact the organization's performance.
- 3- It appears that business strategies impact human resources' policies.
- 4- It appears that human resources' policies impact the employees' attitude.
- 5- It appears that employees' attitude impacts employees' behavior.
- 6- It appears that employees' behavior impacts the organization's performance.

RESEARCH METHODOLOGY

The present research is based on descriptive-survey research method under field study category.

STATISTICAL SAMPLE POPULATION

The statistical population for the present research includes executive and headquarters' directors of Pasargad, Parsian, Moalem and Social Security insurances that are 344 participants and due to access to all population elements, total enumeration sampling method has been used.

DATA COLLECTION TOOLS

The collection of data related to the hypotheses of this research has been done through enumeration and tools including questionnaire, interview, library, internet and studying documents and reports.

RESEARCH VARIABLES

The under-study variables in this research are:

RELIABILITY AND VALIDITY

The questionnaire used in this research was made by the researcher and was for the purpose of evaluating the effects of business strategies on organizational performance. In this research, for investigating the validity of the questionnaire, formal validity was used. Accordant with this principle, for obtaining the validity of the questionnaire, first it was asked from professors and experts that by studying this questionnaire make the necessary revisions, then after gathering the opinions and summarizing them, they were again applied to the questionnaire and finally we reached a questionnaire that was confirmed by professors and experts. For determining the questionnaire's reliability, Cronbach's Alpha was used.

The output alpha value of SPSS software was calculated separately for each factor. The acceptable Cronbach's alpha coefficient in this research represents the consistency of questions and respondents' similar perception of questions. The Cronbach's alpha coefficients in this research that was done in a preliminary study by distributing 30 questionnaires among executive and headquarters' directors are presented in the table below.

Table: Reliability of Research Variables

Factor/Variable	Cronbach's Alpha
Lowering Cost	0.86
Differentiation	0.78
Focus	0.78
Performance	0.83
Human Resources' Policy	0.75
Attitude	0.81
Behavior	0.76
Total	0.83

DATA ANALYSIS METHODS

The Kolmogorov - Smirnov test was used for reviewing the normality of variables' distribution, variance analysis was used for reviewing the significance of variables' differences, Friedman test was used for reviewing the significance of the difference among the research supportive variables and the structural equations technique was used for reviewing the appropriateness of the questionnaire's questions. Then, using the regression test, the effectiveness between research variables was investigated. The data analysis was studied on the levels of descriptive and inferential.

First Hypothesis: It appears that business strategies impact the organization's performance.

Model	Not standardized		Standardized	t	Significance level
	Error	B	Coefficient		
(Fixed)	166	2.395	565	14.41	0.000
Strategy	0.050	0.526	Beta	2 5.273	0.000

Table (4-7) Regression Test for First Hypothesis

The results for regression test between the independent variable (business strategy) and the dependent variable (organizational performance) shows that between these two variables there is a positive and significant correlation. The significance level is less than 0.05 and the obtained beta value is equal to 0.56. Therefore, the H₁ hypothesis is confirmed based on the fact that business strategy affects organizational performance.

Second Hypothesis: It appears that human resources' policies impact the organization's performance.

Table (4-8) Regression Test for Second Hypothesis

Model	Not standardized		Standardized	t	Significance level
	Error	B	Coefficient		
(Fixed)	0.174	2.214	0.602	12.69	0.000
Human Resources	0.053	0.624	Beta	7 6.76	0.000

The results for regression test between the independent variable (human resources' policies) and dependent variable (organizational performance) shows that between these two variables there is a positive and significant correlation. The significance level is less than 0.05 and the obtained beta value is equal to 0.60. Thus, the H₂ hypothesis is confirmed based on the fact that human resources' policies affect organizational performance.

Third Hypothesis: It appears that business strategies impact human resources' policies.

Table (4-9) Regression Test for Third Hypothesis

Model	Not standardized		Standardized	t	Significance level
	Error	B	Coefficient		
			Beta		

(Fixed)	0.10	0.935	0.752	8.834	0.000
				4	
Human Resources	0.032	0.694		21.85	0.000

The results for the regression test between the independent variable (business strategy) and the dependent variable (human resources' policies) shows that there is a positive and significant correlation between these two variables. The significance level is less than 0.05 and the obtained beta value is 0.75. Therefore, the H₃ hypothesis is confirmed based on the fact that business strategy affects human resources' policies.

Fourth Hypothesis: It appears that human resources' policies impact the employees' attitude.

Table (4-10) Regression Test for Fourth Hypothesis

Model	Not standardized		Standardized	t	Significance level
	Error	B	Beta		
(Fixed)	0.154	1.910	0.41	12.39	0.000
				1	
Human Resources	0.047	0.407		8.627	0.000

The results for the regression test between the independent variable (human resources' policies) and the dependent variable (employees attitude) shows that there is a positive and significant correlation between these two variables. The significance level is less 0.05 and the obtained beta value is 0.41. Thus, the H₄ hypothesis is confirmed based on the fact that human resources' policies affects employees' attitude.

Fifth Hypothesis: It appears that employees' attitude impacts employees' behavior.

Table (4-11) Regression Test for Fifth Hypothesis

Model	Not standardized		Standardized	t	Significance level
	Error	B	Beta		
(Fixed)	0.142	1.171	-0.618	8.258	0.000
				6	
Human Resources	0.043	- 0.650		15.08	0.000

The results for the regression test between the independent variable (human resources' attitude) and the dependent variable (employees' behavior) shows that there is a reverse and significant correlation between these two variables. The significance level is less than 0.05 and the obtained beta value is - 0.61. Therefore, the H₅ hypothesis is confirmed based on the

fact that human resources' attitude affects employees' behavior, but the relationship is reverse.

Sixth Hypothesis: It appears that employees' behavior impacts the organization's performance.

Table (4-12) Regression Test for Sixth Hypothesis

Model	Not standardized		Standardized	t	Significance level
	Error	B	Coefficient		
			Beta		
(Fixed)	0.161	1.757	-0.444	10.91	0.000
Human Resources	0.048	- 0.457		2 9.513	0.000

The results for the regression test between the independent variable (human resources' behavior) and the dependent variable (organizational performance) shows that there is a reverse and significant correlation between these two variables. The significance level is less than 0.05 and the obtained beta value is - 0.44. Thus, the H₆ hypothesis is confirmed based on the fact that human resources' behavior affects organizational performance, but the relationship is reverse.

REVIEW OF THE MODELS' FACTORS

One of the outputs of the Lisrel software analyzes the independent factors, which is shown in figure 1.

Considering the Lisrel output, the computed value of χ^2/df is equal to 2.02. A low χ^2/df value represents the model's goodness of fit, because the lower the χ^2/df value, the presented model is a more appropriate model considering the results presented below that have been obtained from Lisrel software output.

$\chi^2/df = 2.02$ & $p\text{-value} = 0.12$ & $RMSEA = 0.09$

The p-value is more than the standard significance level ($\alpha = 5\%$), therefore, the presented model is a appropriate model.

SIGNIFICANCE TEST OF RELATIONS (T-VALUE)

In order to show the significance for each of the model's parameters, t-value has been used. This statistical value is obtained from the ratio of each parameter's coefficient to the standard deviation error of that parameter, which in the t-test it must be larger than 2 ($t \geq 2$) and in the z-test it should be larger than 1.96 ($Z \geq 1.96$), so that these estimations would be statistically significant, considering the Lisrel software output the calculated t-value is significant in all relations (t is larger than 2). Thus, all presented estimations are statistically significant (figure 4-2).

SUGESSTIONS

Based on the research results, business strategies affect organizational performance.

A) In this section, in order to improve the business strategy index, the following suggestions are presented:

- Management and optimization in conducting affairs
- Implementing energy management
- Using cheap human resources
- Reducing customer's dissatisfaction of product
- Reducing recruitment costs
- Reducing personnel costs
- Producing standard services
- Fast response to customer's necessary changes
- Offering new products based on customer's needs
- Attracting creative and elite forces

B) In this section, in order to improve the organizational performance index, the following suggestions are presented:

- Organization's structure appropriateness with its activities
- Organization's structure flexibility when facing environmental changes
- Informational systems playing a role in structure formation
- Management systems playing a role in structure formation
- Giving importance to attitudes governing the company
- Giving importance to norms governing the company
- Giving importance to values governing the company
- Emphasis on interactions between employees and directors
- Having sufficient capital
- Benefiting from modern technology
- Having sufficient equipment at the organization
- Providing an appropriate environment for performing activities at the organization

C) In this section, in order to improve the human resources' policy index, the following suggestions are presented:

- Using internal resources for recruitment
- Emphasis on developing future capabilities throughout training courses
- Using reward systems at the organization
- Meeting employees' physiological needs at the organization
- Meeting employees' social needs at the organization
- Providing conditions in which employees feel positively about their job
- Reducing the level of employee's leave
- Reducing the level of disputes with colleagues

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