

Testing a Human Resource Performance Management Model with a Strategic Value Development Approach

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ABSTRACT

The objective of this study is to design and validate a human resource performance management model with a strategic value development approach to enhance organizational effectiveness and sustainability. This study employed an exploratory-applied research design using a mixed-methods approach. In the qualitative phase, thematic analysis was applied to semi-structured interviews with 10 purposively selected experts from knowledge-based companies in Iraq, based on the principle of theoretical saturation. In the quantitative phase, a cross-sectional survey was conducted with 384 randomly selected employees from the same population, using a researcher-developed questionnaire derived from the qualitative findings. Data were analyzed using structural equation modeling (SEM) via SmartPLS software. Model fit was assessed through GOF (Goodness of Fit) indices, and relationships between latent variables were evaluated using t-values and path coefficients. The findings revealed five key dimensions of the proposed model: goal and standard setting, work performance development, regular feedback and evaluation, reward and incentive system development, and skill and knowledge development. A total of 142 initial codes were extracted in the qualitative phase, which were synthesized into 24 secondary codes. The quantitative analysis confirmed the significance of all hypothesized relationships, with t-values exceeding the 1.96 threshold and second-order factor loadings ranging from 0.921 to 0.942. The GOF value of 0.64 indicated a strong overall model fit, confirming the robustness of the proposed structure. The results demonstrate that strategic HR performance management significantly contributes to setting clear goals, developing competencies, providing effective feedback, and aligning reward systems with organizational strategy. The integration of these components enables organizations to enhance employee motivation, foster continuous improvement, and make data-driven HR decisions. This model provides a comprehensive framework for aligning HRM practices with strategic value creation and offers practical insights for managers seeking to optimize human capital in dynamic environments.

Keywords: human resources, strategic value, workforce, strategic approach.

1. Introduction

Strategic value entails the creation of public value through strategic management practices that extend beyond individual organizational capacities and require societal collaboration and coordination (Jo et al., 2024). This includes aligning the perception of value and benefits in strategic management and execution, emphasizing how value flows through organizations, and linking it to business advantages. The strategic management of organizational costs under innovative development emphasizes a strategic approach that quantitatively evaluates the success of activities based on cost, resulting in a systematic approach to corporate value management (Audi & Yu, 2024). The economic value of a company's strategic moves is driven by revenue increase, cost reduction, and risk mitigation through the integration of static, real, and theoretical perspectives to enhance profitability and competitive strategies. In the context of redevelopment, the framing of strategic value identifies opportunities, surplus reserves, and projects to optimize production, increase recovery rates, and maximize commercial value through low-cost guidelines and rapid facilitation design concepts (Ogbeibu et al., 2024; Pimenta et al., 2024).

Although relevant research remains relatively scarce, previous studies on this issue have followed three distinct pathways. First, researchers have examined the relationship between the presence or absence of human resource (HR) performance and company performance. This approach has yielded largely weak findings to date, possibly due to the dual nature of HR performance metrics. Another group of researchers has investigated HR performance based on its perceived effectiveness, but the results from this approach have also been mixed or insignificant. Moreover, these studies have used varying definitions of HR performance effectiveness (raising concerns about construct clarity) and have failed to examine which specific activities HR performance should engage in to achieve organizational effectiveness. A third research approach has attempted to address this limitation by evaluating specific HR performance activities and their relationship with company performance. However, almost all studies within this line of inquiry have considered only the role of HR performance in strategic decision-making. Here, too, the findings have been mixed, including both positive effects and negligible impacts on company performance (Budiarto et al., 2024).

Human resources are generally described as encompassing all human characteristics that may generate

economic output. These characteristics include both formal aspects (such as formal education, training, and age) and informal elements (such as competencies, skills, experience, occupation, talent, motivation, perseverance, health, or even attractiveness) (Catherine & Emma, 2024; Rahmawati & Rahmat, 2024; Rustiawan et al., 2023). Today, few people ignore the importance of human resources as a critical economic factor. In fact, human resource development is the activity through which human capital is improved. Human resource development has been analyzed in four functions: (1) organizational development, (2) career development, (3) training and development, and (4) performance improvement (Mohammad et al., 2021). Additionally, researchers argue that "employee services generally involve delivering human added value in the form of consultation, managerial skills, training, mediation, and similar activities" (Sadikin et al., 2023). Employees in organizations create value as human capital through knowledge, social networks, and other tools (Tomé, 2011).

Since the purpose of management activities and value creation is ultimately to enhance organizational performance by facilitating the effective utilization of human capital resources, these activities can be considered part of the broader strategic HR performance functions. Essentially, strategic HR performance activities can be either technical or relational (Ferdousi & Abedin, 2023; Haibin & Gauhar, 2024). Technical activities include the development and implementation of formal HR policies and practices by the HR function, while relational activities involve providing HR-related consultation and information to stakeholders by the HR function (Jo et al., 2024). The former pertains to the role of the HR function as the designer of formal HR practices, while the latter relates to the HR function's role as a communicator of HR-related advice and information (Bannya et al., 2022).

Previous research on designing HR performance models with a focus on strategic value development has been limited or may have only addressed specific aspects of this topic. This research gap requires more extensive and thorough investigations to achieve valid findings in this field. This study can contribute to advancing knowledge on the relationship between HR performance and strategic value development and provide updated insights for scholars and researchers in this area. One of the key research necessities is the professional and personal development of individuals in organizations, helping them bring the best version of themselves to the workplace. Moreover, this study can contribute to the development of HR management and

strategic management theories and models, thereby advancing the field.

Accordingly, this study aims to answer the following research question:

What is the design and validation process of a human resource performance management model based on a strategic value development approach?

2. Methods and Materials

Given that the objective of this study is to design a human resource performance management model with a strategic value development approach, the research method is classified as exploratory-applied based on its aim, mixed (qualitative–quantitative) based on data type, cross-sectional based on data collection timing, inductive–deductive in terms of philosophical orientation, and descriptive–survey in terms of data collection method and research nature.

The first part of the study uses a qualitative approach aimed at identifying, classifying, and extracting concepts based on the views of relevant experts and specialists. The qualitative method employed in this section is thematic analysis. The second part of the study, which is quantitative in nature, evaluates the relationship between the dimensions of the research topic and tests its components and dimensions based on the opinions of the statistical population. In this part, thematic analysis was conducted on interviews with 10 relevant experts.

In the second stage—the quantitative phase—structural equation modeling (SEM) was used to analyze the relationships between the model’s dimensions and components, which were obtained through a researcher-developed questionnaire. Thus, the data collection methods

in this study are both library-based and field-based. The statistical population includes knowledge-based companies in Iraq.

Qualitative sample: A sample of 10 experts was selected for qualitative analysis and interviews. These participants were purposively chosen from among the aforementioned experts based on the principle of theoretical saturation. The sampling method used was snowball sampling.

Quantitative sample: The sample included employees of knowledge-based companies in Iraq, with an unlimited population size. The sample size was determined using Cochran’s formula, resulting in a total of 384 individuals. The participants were selected randomly.

The qualitative data collection tool was semi-structured interviews. In the quantitative phase, a researcher-developed questionnaire—based on the model extracted from the qualitative phase—was distributed to the statistical sample. For data analysis in the quantitative section, SmartPLS software was used to conduct structural equation modeling and path analysis.

3. Findings and Results

An analysis of the average age of the interviewed experts revealed that university professors and academic experts had the highest age group with an average of 55.33 years, while managers of knowledge-based companies had the lowest average age of 42.66 years. Regarding work experience, university professors and academic experts had the most with an average of 18.33 years, while managers of knowledge-based companies had less, with an average of 15.25 years. Among the participants in the current study, 8 held a Ph.D. and 2 held a Master’s degree.

Table 1

Dimensions Derived from Extracted Secondary Codes

No.	Research Dimensions	Extracted Secondary Codes
1	Goal and Standard Setting	Measurability of goals Timeliness in goal attainment Alignment of goals with organizational processes Ensuring transparency and fairness in setting goals and standards Defining constraints and conditions for organizational goals
2	Work Performance Development	Enhancing employee commitment and motivation Personal and professional development of employees Skill and expertise development in employees Improving resource management capabilities Evaluation of employee performance quality
3	Regular Feedback and Evaluation	Providing regular and constructive feedback to employees Creating an environment for employee participation Utilizing 360-degree feedback Balancing work and personal life for employees Evaluating performance-related savings

4	Reward and Incentive System Development	Providing development opportunities to employees Creating a reward system aligned with organizational strategies Offering financial and non-financial rewards to employees Promotion and advancement of job status
5	Skills and Knowledge Development	Stimulating healthy competition among employees Developing employee flexibility Enhancing learning and openness to innovation Knowledge sharing within the organization Promoting knowledge sustainability

This study identified five main dimensions: (1) goal and standard setting, (2) work performance development, (3) regular feedback and evaluation, (4) reward and incentive system development, and (5) skills and knowledge development. A total of 142 initial codes were extracted from 10 interviews, which were then refined into 24 secondary codes. In the quantitative phase of the study, 384 participants from knowledge-based companies in Iraq were surveyed. Among them, 259 were male (67.45%) and 125 were female (32.55%). Regarding age distribution, 24.48% were under 30 years old, 36.98% were between 30 and 40, 20.05% were between 41 and 50, and 18.49% were aged 50 and above. In terms of educational qualifications, 37.24% held a bachelor's degree, 47.66% had a master's degree, and

15.1% possessed a doctoral degree. As for work experience, 16.67% had 5 years or less, 33.07% had between 6 and 10 years, 31.51% had between 11 and 15 years, and 18.75% had more than 15 years of experience. After evaluating the fit of the measurement model, structural model, and overall model in accordance with the data analysis algorithm of the PLS method, the researcher is permitted to examine and test the relationships between the variables. In this section, the standardized path coefficients related to the hypotheses and the corresponding t-values are examined. To confirm or reject the hypotheses, the t-value must be greater than 1.96 or less than -1.96. Values within this range indicate no significant difference between the calculated regression weights and zero at the 95% confidence level.

Figure 1

Research Model with Standardized Coefficients

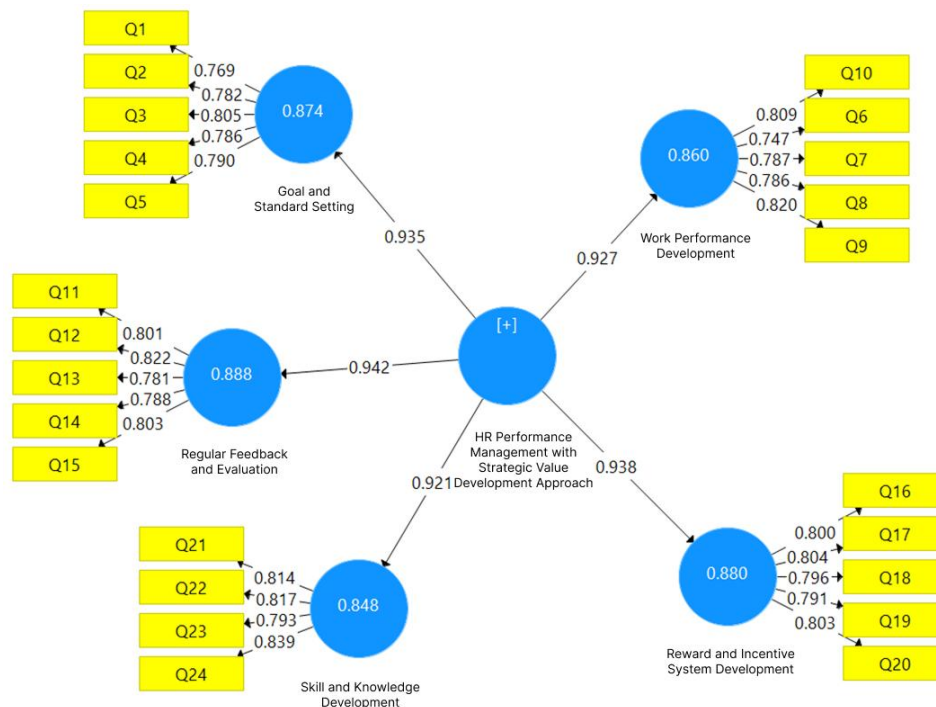
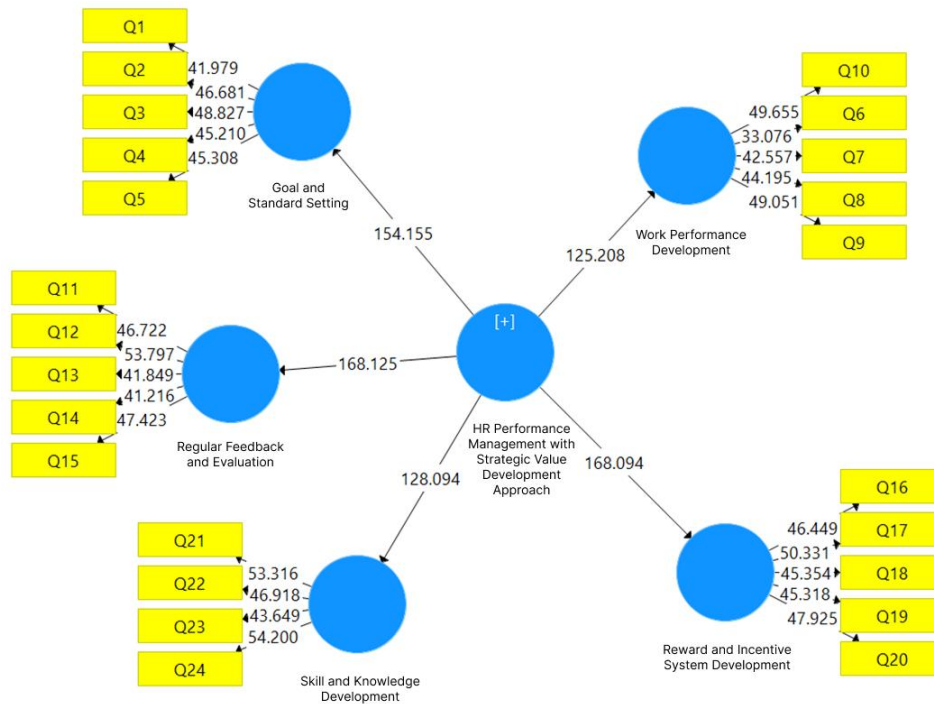


Figure 2

Research Model with t-values


Table 2

Description of Research Constructs

Pathway	Factor Loading	t-Value	p-Value	Status
Human Resource Performance Management with a Strategic Value Development Approach → Regular Feedback and Evaluation	0.942	168.125	0	Confirmed
Human Resource Performance Management with a Strategic Value Development Approach → Goal and Standard Setting	0.935	154.155	0	Confirmed
Human Resource Performance Management with a Strategic Value Development Approach → Reward and Incentive System Development	0.938	168.094	0	Confirmed
Human Resource Performance Management with a Strategic Value Development Approach → Work Performance Development	0.927	125.208	0	Confirmed
Human Resource Performance Management with a Strategic Value Development Approach → Skill and Knowledge Development	0.921	128.094	0	Confirmed

To evaluate the fit of the overall model—which controls for both the measurement and structural components—the GoF (Goodness of Fit) index is used. GoF is calculated using the following formula:

$$(1) \text{GoF} = \sqrt{(\text{Average Communalities} \times \text{Average } R^2)}$$

Table below presents the average communality values and the average R^2 values, based on which the GoF value is calculated at 0.64, indicating a strong model fit.

Table 3

Average Communalities and Average R^2 Values

Component	R^2	Communality	Average Communality	Average R^2
Regular Feedback and Evaluation	0.888	0.415	0.4725	0.87
Goal and Standard Setting	0.874	0.431	—	—
Reward and Incentive System Development	0.880	0.567	—	—
Work Performance Development	0.860	0.529	—	—
Skill and Knowledge Development	0.848	0.465	—	—
HR Performance Management with Strategic Value Development Approach	—	0.428	—	—

The relationship between HR performance management and regular feedback and evaluation yielded a t-value of

168.125 ($t > 1.96$), indicating statistical significance. The second-order factor loading was calculated at 0.94.

The relationship between HR performance management and goal and standard setting yielded a t-value of 154.155 ($t > 1.96$), indicating statistical significance. The second-order factor loading was calculated at 0.935.

The relationship between HR performance management and reward and incentive system development yielded a t-value of 168.094 ($t > 1.96$), indicating statistical significance. The second-order factor loading was calculated at 0.938.

The relationship between HR performance management and work performance development yielded a t-value of 125.208 ($t > 1.96$), indicating statistical significance. The second-order factor loading was calculated at 0.927.

The relationship between HR performance management and skill and knowledge development yielded a t-value of 128.094 ($t > 1.96$), indicating statistical significance. The second-order factor loading was calculated at 0.921.

All relationships showed t-values greater than 1.96 (t-value > 1.96), confirming that all relationships are statistically significant, valid, and supported.

4. Discussion and Conclusion

The results of the study reveal five dimensions for the model, including goal and standard setting, work performance development, regular feedback and evaluation, reward and incentive system development, and skill and knowledge development. Based on the calculations, the overall model fit using the GOF formula was found to be 0.64, indicating a strong model fit. According to the findings, regular performance evaluations enable organizations to define clear and measurable objectives for employees. These goals can contribute to improved performance and greater alignment in team efforts. Through feedback and evaluation, organizations can identify performance trends and take action for overall improvement. This, in turn, helps enhance their efficiency and effectiveness. Data obtained from regular evaluations assist managers in making better decisions regarding promotions, training needs, and other human resource matters. Overall, the close link between performance management and feedback/evaluation enables organizations to adopt more informed HRM strategies and achieve continuous improvement.

Human resource performance management (HRM) is directly linked to goal and standard setting, as these processes form the foundation for evaluating and improving both employee and organizational performance. Clearly

defined goals help employees understand what is expected of them and what tasks need to be completed. This clarity allows them to focus effectively on their responsibilities. Standards serve as benchmarks for assessing performance. Comparing actual performance against these standards helps identify strengths and weaknesses. When goals are clearly defined and standards are attainable, employees are generally more motivated and committed to achieving them. By identifying performance needs based on standards, the organization can recognize employees' training and development requirements, thereby improving their skills and capabilities. Setting standards and goals also facilitates the provision of continuous feedback to employees. This feedback can be used to correct behaviors and promote continuous improvement. This connection between performance management and goal/standard setting helps organizations move more efficiently toward achieving better outcomes.

Human resource performance management and the development of a reward and incentive system share a close and reciprocal relationship. Reward and incentive systems help recognize and appreciate employees' good performance. When employees are encouraged for their achievements—especially in key areas—they are more motivated to maintain quality work and enhance their performance. Rewards and incentives serve as drivers for increasing employee motivation and commitment. By offering appropriate rewards, organizations can encourage employees to strive for goal achievement and enhanced job performance.

This study offers the following recommendations:

Establish a performance-based reward and incentive system: Design a system of rewards with effective incentives to encourage employees to achieve key goals. These rewards can be financial or non-financial (e.g., promotions or educational opportunities).

Develop training and development programs: Offer regular and targeted training programs to enhance employees' skills and knowledge in areas related to business operations and emerging technologies. These trainings may take the form of internal workshops, online courses, or university collaborations.

Foster a feedback culture: Promote a culture of continuous feedback within the organization. This culture should enable employees to express their opinions and constructive criticism freely and benefit from others' feedback.

Leverage technology in performance management: Utilize performance management tools and software that support data collection, goal tracking, and performance evaluation. These systems can provide precise information for strategic decision-making.

Encourage participation in decision-making: Involve employees in decision-making processes related to their work and workplace environment. This participation can strengthen their sense of ownership and increase their commitment to the organization's outcomes.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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Ethics Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were considered.

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