

School of Management  
Curtin Business School

**THE TRANSFER OF HRM POLICIES AND PRACTICES IN  
AMERICAN MULTINATIONAL HOTELS IN SAUDI  
ARABIA**

Amal Hatem Al-Khaldi

2016

**This thesis is presented for the Degree of  
Doctor of Philosophy  
of Curtin University**

## **Declaration of Originality**

I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

Signed: \_\_\_\_\_ On:     /     / \_\_\_\_\_

## **DEDICATION**

To my mother and father, with my eternal love and gratitude.

## **Acknowledgements**

The completion of a doctoral thesis requires loyalty, commitment and dedication from the PhD candidate to many wonderful people. I owe them my deepest appreciation.

First and foremost my eternal gratitude goes to my husband for his unconditional support and patience. You have been supportive since the days I started the PhD. I really appreciate your help. Without your support, it would have been difficult to complete this thesis.

My kids, Raghad, Leyan, Ahmad, and Omar I am sorry for the time I spent away from you. You have always inspired me to keep on.

Special thanks go to my supervisors Dr. John Burgess, and Dr. Julia Connell. First, I feel I am blessed to have you in my PhD research. I truly appreciate the time and the long hours we have spent throughout this journey. I have learned and benefited from you and I am grateful for all the support, feedback and comments on this thesis. I truly believe that without your guidance and feedback, this thesis would not be possible for this day.

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## List of Abbreviations

APEC	Asia Pacific Economic Cooperation
CV	Curriculum Vitae
EU	European Union
FDIs	Foreign Direct Investments
GCC	Gulf Cooperation Council
GM	General Manager
GOSI	General Organization For Social Insurance
HR	Human Resource
HRM	Human Resource Management
HRDF	Human Development Fund
HQ	Headquarters
IHRM	International Human Resource Management
ILO	International Labour Organization
IMF	International Monetary Fund
IR	Industrial Relations
IS	Information System
MICE	Meeting, Incentives, Conferences & Review
NAFTA	North American Free Trade Agreement
PDR	Performance Development Review
PM	Performance Management
PMP	Performance Management Process
UN	United Nations
UNICEF	United Nations Children's Fund
USA	United States Of America
WB	World Bank
WTO	World Trade Organization
SAGIA	Saudi Arabian General Investment Authority
SME	Small And Medium Enterprises
TM	Training Manager
UAE	United Arab Emirates

# Glossary

<b>Word</b>	<b>Definition</b>
Convergence theory	...is when countries or cultures become more alike, share common trends and decrease differences between them (Brewster, Mayrhofer & Cooke 2015).
Culture	...is the collective programming of the mind which distinguishes the members of one group or category of people from another (Hofstede, 1980).
Divergence theory	...is that cultural diversity persists and is reinforced by the rejection of the commonality (Morrell, 2012).
Globalisation	is an integration of distinct national markets into a global economy through the transfer of technology, trade and Foreign Direct Investments (FDIs) (Bhagwati, 2004)
Human Resource Management	...involves administration tasks, such as payroll as well as selection and recruitment, training and development, performance appraisal and compensation and benefits (Dowling, Schuler & Welch, 1999).
International Human Resource Management	Defined by Dowling et al. (2008) are regular human resources, includes HRM and adds the challenges of national, cultural and legal differences between the countries of the firms' operations (Adler, 2001).
Institutional theory	...views MNEs as socially constituted and reflecting national distinctiveness in institutional settings. The national institutional arrangements are strong and robust, and demonstrate significant inertia in the face of any pressure for changes due to the integration of the dominant institutions (DiMaggio & Powell, 1983; Hollingworth, 1997).
Kafeel	is a sponsor in Saudi Arabia who is responsible of the non-Saudi workers that are working in the country (Mellahi, 2007).
Multinational Enterprises	MNEs are the organisations in which their HQ are in one country and have their operations, assets and facilities in another country (Rugman & Hodgetts, 2000)
Nitaqat	is a policy designed by the Saudi ministry of labour to enhance the employment of the Saudi nationals in the private sector (Saudi Ministry of labour, 2013).
Policies and practices	...are the rules and guidelines that are adopted by the organisation to achieve its objectives and the practices are everyday actions and operations that are guided by these policies (Nankervis, Compton & Baird, 2007).
Saudisation	Saudi nationalization scheme, a policy of the Kingdom of Saudi Arabia implemented by the Ministry of Labor, whereby Saudi

and non-Saudi companies are required to hire Saudi nationals (The Saudi Ministry of labour, 2013).

Wasta

is an Arabic word that means the use of social connections to obtain benefits that otherwise would not be provided (Aldraehim, Edwards and Watson (2012)).

## **Abstract**

This thesis examines the interaction between home country and host country in determining the human resource management (HRM) policies and practices of American (USA) multinational enterprises (MNEs) in the context of Saudi Arabia's hotel sector. As national institutional patterns can affect a subsidiary's core operations, this study investigates the diffusion and adaptation of the home country's HRM characteristics at MNE subsidiaries in the host country. The research constructs a bridge between international human resource management (IHRM) and strategic management by investigating how USA MNEs transfer HRM policies and practices to their Saudi Arabian subsidiaries. The research investigates how factors originating from two institutional frameworks—cultural and comparative—may affect the process and outcomes of HRM policy and practice transfers. The research examines the central research question; to what extent do USA-owned MNEs (in the hotel sector) transfer their HRM policies and practices to their subsidiaries based in Saudi Arabia?, through addressing the three research questions:

1. What is the degree of autonomy and discretion that USA MNEs give to their Saudi Arabian subsidiaries regarding the transfer of HRM; that is, what is the 'home country impact'?
2. What are the cultural, societal, legal and business-specific issues behind the modification and development of new HRM practices; that is, what is the host country impact?
3. What are the similarities and differences across the four case studies and the reasons behind these variations?

This research uses a qualitative, multiple case study approach. This method enables the researcher to capture both human and situational influences affecting the social phenomena studied. The data was collected from four American hotels located in Riyadh, the capital city of Saudi Arabia. Based on the analysis of four case studies, the data incorporates 20 face-to-face interviews with general managers (GMs), HR managers, training managers (TMs), HR directors (DHRs), as well as (housing manager, accounts supervisor, marketing and sales supervisors).

The exploratory findings demonstrate that USA MNEs have different approaches to applying their HRM policies and practices, according to how significant these policies or practices are to the MNE's strategy. This finding is central to the thesis' objectives. By studying the Saudi Arabian context, these findings have extended current knowledge concerning USA MNEs, which follow an exportive approach in managing and controlling their subsidiaries across borders. Further, the study reveals the significance of organisational learning in international transfer activities, regarding local cultural and institutional contexts. Differences between the USA and Saudi cultures are reflected in some themes that emerged through data collection. These include: communication styles, stereotypes that concern working in hotels as below the dignity of locals, the importance of personal relationships at work being more common in Saudi Arabia, team spirit, work pressure and workloads being low among local workers, workplace segregation (sex segregation) and nepotism (*wasta*) being high in Saudi Arabia. Further, this study revealed the significant role of local HR managers in assisting the transfer of USA HRM policies and practices in the Saudi context. Further, MNEs planned to invest and promote Saudi HR managers to higher positions in the subsidiaries. This is because the MNEs studied considered local HR managers have a talent for management through facilitating organisational learning and adaptation.

Moreover, this study revealed the significant role of expatriates in the process of transferring HRM policies and practices from the USA headquarter (HQ) to subsidiaries in Saudi Arabia. In the MNEs of this study, HQ employ a number of expatriates who have international tasks. In terms of HRM practices, USA MNEs can possibly transfer HRM policies and practices to their subsidiaries in Saudi Arabia, with varying levels of transfer success. For example, it is possible to transfer selection and recruitment practices, yet subsidiaries in Saudi Arabia experience institutional pressures to localise their labour force somewhat, through adopting a 'Saudisation' policy. Performance appraisals can be successfully transferred to subsidiaries if introduced progressively to the local context. During their implementation, the MNEs training and development practices sometimes clashed with local Saudi labour laws. For example, while compensation and benefits have to be localised, payroll and salary packages must be adapted according to local labour laws and markets.

This study explores the constraints and opportunities that concern the transfer of HR policies and practices—and the key differences in the national, cultural and societal systems—between Saudi Arabia and the USA that are relevant for HR policy transfer and development. The study contributes to the international HRM literature by examining the HRM practices of MNEs in the context of an emerging context through the application of comparative case studies.

# **Chapter 1: Introduction and Background**

## **1.1 Introduction**

This research investigates the processes and constraints associated with transferring the human resource management (HRM) policies and practices of USA-owned MNEs in the Saudi Arabian luxury hotel sector. This is undertaken through case study analysis of four USA owned hotels located in Riyadh, Saudi Arabia's capital city. This research aims to understand the relationship between different business systems in the home and host countries, as they relate to the transfer of HRM policies and practices (Cruz, Scapens & Major, 2011). It seeks to contribute to the current state of knowledge about the processes and responses of US MNEs regarding the transfer of their HRM policies and practices to Saudi Arabian subsidiaries. Convergence theory refers to a situation when countries or cultures become more alike, sharing common trends that decrease the differences between them (Brewster et al., 2015). In contrast, divergence theory posits that cultural diversity persists, and is reinforced by rejecting commonality (Vance, Chow, Paik & Gale, 2015). This study investigates the interactions between MNE behaviours and national business systems through two frameworks: cultural and institutional. It examines the influence of both cultural and institutional factors regarding the process of transferring HRM policies and practices. Accordingly, this study adds to the knowledge of several research fields through answering the central research question: to what extent do USA-owned MNEs (in the hotel sector) transfer their HRM policies and practices to their subsidiaries based in Saudi Arabia?

To answer the central research question, the study addresses the following research questions:

1. What is the degree of autonomy and discretion that USA MNEs give to their Saudi Arabian subsidiaries regarding the transfer of HRM; that is, what is the 'home country impact'?
2. What are the cultural, societal, legal and business-specific issues behind the modification and development of new HRM practices; that is, what is the host country impact?



3. What are the similarities and differences across the four case studies and the reasons behind these variations?

## **1.2 Background to the Research**

In the increasingly complex and integrated global economy, MNEs are increasingly exposed to the challenges of diverse cultural and institutional contexts. This integration has meant MNEs need to decide whether to standardise their HRM policies and practices or adapt them to local conditions. In other words, MNEs encounter a convergence versus divergence dilemma, reflecting key debates from the globalisation and nationality perspectives that concern the influence of globalisation on the nationality of MNEs' subsidiaries. The capacity of MNEs to transfer their HRM policies and practices effectively is a main factor that contributes to their international competitive advantage (Bartlett & Ghoshal, 1998; Kostova, Roth, & Dacin, 2008).

Globalisation and international trade exert pressure on MNEs to share the same environmental settings and to become structurally similar as they respond to pressures to produce isomorphism (DiMaggio & Powell, 1983). Isomorphism is created when MNEs imitate the practices and strategies of local firms to obtain legitimacy and decrease the liability of foreignness (Salomon and Wu 2012). MNEs are the key operators of the diffusion process through transferring their management practices to subsidiaries all over the globe (Chang & Smale, 2013; Postelnicu & Dabija, 2015). The power of globalisation and business internationalisation is pushing MNEs to standardise policies and practices by applying 'home country practices' across their international operations. In the globalised world, MNEs are pursuing a transnational strategy to achieve standardisation (Evans & Barsoux, 2002). Thus, it is proposed that this transnational strategy is designed in line with a geographically fragmented workforce around common principles and objectives, along with global consistency and transparency (White, 2005).

There are calls for more studies with a focus on implementing international HRM policies and practices due to an increase by MNEs in their cross-national activities. HRM is recognised as having strategic importance rather than simply being a support function (Myloni, Harzing & Mirza, 2004). Understanding how MNEs manage practices in their subsidiaries across borders is a significant component of international

business strategy. MNEs are considered by some to be the key agent of internationalisation in the world's systems (Hocking, Brown & Harzing, 2004). A MNEs' capability to perform effectively in international markets and obtain competitive advantage is based on the ability to adjust key resources in their global operations (Chung & Furusawa, 2015). Therefore, MNEs must develop their strategies in line with their HRM practices to remain competitive in global markets (Smith et al., 2012). In other words, a key constraint encountered by MNEs in implementing global strategies is that they fail to maintain congruency between their HRM practices and strategies. Strategic HRM can help MNEs to meet the needs of their employees, while promoting their companies' objectives (Tarique, Briscoe & Schuler, 2015). Therefore, subsidiaries are challenged by internal pressure to conform to international MNE HRM strategies while simultaneously adapting to the host country's institutional settings (Kostova & Roth, 2002). This study investigates the transfer of USA-based MNE HR practices to their Saudi Arabian subsidiaries. It also examines the degree of standardisation versus the adaptation of these practices and the potential for adaptation.

The international human resource management (IHRM) literature encourages national cultural awareness within MNEs to build effective corporations with culturally diverse employees (Beamish & Bartlett, 2010). The organisational effectiveness of MNEs depends on their ability to have a 'global mind-set' that helps sustain global success through the coordination and control of their business across borders in a competitive market economy (Bartlett & Ghoshal, 2002). Although the notion of convergence versus divergence has been used widely to explore IHRM strategy and the practices of MNEs, to date in-depth studies in IHRM research focusing on how global integration and local responsiveness are conceptualised has been lacking. As a result, this study seeks to expand current understanding of the relationship between different business systems in the home and host countries (Cruz et al., 2011). Despite other studies having addressed convergence versus divergence across MNEs in their HRM practices (Brewster et al., 2015; Rowley & Benson, 2002), few research studies have focused on developing economies in general and Saudi Arabia in particular. This is despite a significant level of large-scale MNE investment there, especially from the United States of America (USA) (Ali, 1990; Budhwar & Debrah, 2001; Tayeb, 1997).

This exploratory study investigates the key forces influencing the implementation of HRM practices by USA-based MNEs in their Saudi Arabian subsidiaries. This study is significant as it reveals the constraints and opportunities that may be present in Saudi Arabia as the host country regarding the transfer of HRM practices deriving from USA-based MNEs. As the study is based on qualitative research, it provides insights into MNE employees' IHRM perceptions concerning the transfer of HRM policies and practices from USA-based MNEs to their subsidiaries in Saudi Arabia. The study will enhance the understanding of managers and HRM professionals in effectively managing the transfer of HRM policies and practices across cultures and thus, enhancing organisational effectiveness.

The study will investigate three research questions to determine the extent to which the selected USA-based MNEs adapt to the local context when transferring their HRM practices to Saudi Arabia. First, the study investigates the degree of autonomy and discretion that USA-based MNEs give to their subsidiaries in Saudi Arabia in relation to HRM. This question aims to explore the influence of the home country culture on the MNE subsidiaries operating in the host country. In addressing this issue, the study will investigate whether USA-based MNEs provide a degree of freedom and autonomy to subsidiaries in relation to applying or adapting HRM policies and practices transferred from the home to the host country. Second, the study will examine the cultural, societal, legal and business-specific issues behind possible modifications to MNEs global HRM practices. In addressing this issue, the study will clarify the influence of the host country culture on HRM practices.

Third, the study will explore the similarities and differences across the four case studies in adapting HRM practices. It will investigate the reason behind these variations through a comparative case study analysis. In addressing this issue, the study will answer the 'how' aspect of the research question.

### **1.3 Methodology**

This study has employed a qualitative case study method to examine the employment practices of the four case studies and the relationships between these practices, the hotels' general strategies and policies in relation to transferring HRM policies and practices from the USA HQ. The objective of this method is to analyse a specific

context that sheds light on the theoretical questions being investigated. A case study research strategy has been used as it is an ideal methodology when a holistic in-depth examination is required (Yin, 2014). The study adopts face to face interviews and documentary analysis as a research methodology. Face to face interviews were conducted at the managerial level within the four hotels. The case study findings were analysed at two levels: i) within-case analysis and ii) across-case analysis, including comparison and identification of similar and different emergent themes. The research methodology is discussed in detail in Chapter 4.

### **1.4 Limitations of the Study**

The limitations of this study are discussed in Chapter 7. However, a summary is provided here. First, the four case studies were selected from only one industry and were all located in one region. In future it is recommended to expand the study to include other industries and other countries in the region. Second, despite a qualitative case study approach being considered the most appropriate for this study (and therefore providing generalisation in respect to theory rather than a statistical sample of a population [Yin, 2013]), this can be viewed as a limitation. This is due to the inability to generalise the findings and conclusions across a broader spectrum. It would be interesting to use a combined methodology for future studies (qualitative and quantitative), as this study involved a smaller number of participants than would be included if employing survey questionnaires. Third, this study has been conducted at one point in time and over a short period. Therefore, it provides a snapshot of specific outcomes at a specific time. Fourth, the within-case study interviews are limited and this limits the comprehensiveness of the findings. Fifth, the study is limited to USA-owned MNEs.

### **1.5 Motivation of the Study**

The principal motivation for the study can be summarised in two major points. First, it provides a further understanding of the key forces and constraints posed by two different business systems—namely, those of the USA and Saudi Arabia—involved in the transfer of HRM policies and practices. In this study, Saudi Arabia was selected as the host country as it is an emerging transnational economy that offers an interesting context for research. Saudi Arabia has a unique culture that has been shaped by its

Islamic heritage. Consequently, this distinctive environmental setting contributes towards the understanding of new factors and powers that influence the transfer of HRM policies and practices.

Second, the private sector in Saudi Arabia, and in particular the hospitality sector, is booming and needs a qualified local workforce. This study will bridge the gap in the literature regarding national employment: it will also address the gap between the educational system outcomes in terms of human capital and the application of that human capital to the benefit of the individual, the state and employers. Further, MNEs transmit best practice of the human resource development (HRD) policies and programs as significant source of human capital development. Therefore, it is necessary for MNEs to identify barriers to the transfer of such practices.

## **1.6 Contributions of the Study**

This study is significant for several reasons. First, it is one of the first studies to examine the HRM practices of USA-based MNEs in Saudi Arabia as the host country. Second, the study is one of the first to examine HRM practices in the hospitality sector in Saudi Arabia using the case study approach; specifically in one host country with four case studies that are subsidiaries of companies from the same home country (Ali 1990; Budhwar & Debrah 2001; Al-Gahtani, YanXia, Al-Shahrani 2015.). Third, it is also one of the first studies to explain thoroughly the cultural and institutional influence of Saudi Arabia on the transfer of USA HRM practices. Fourth, the study is one of the first to examine the macro level (national business systems), the meso level (industry) and the micro level (company) that, as a single or combined force, present constraints and opportunities in the transfer of HRM policies and practices in a Saudi Arabian context. Fifth, this study is valuable as it is able to explore the forces and barriers related to the transfer and adaptation of HRM policies and practices, thus contributing to the broader literature on HRM convergence and divergence (Morrell 2012).

A key finding of this study is that USA-based MNEs, at the strategic level, are encouraged to apply an exportive approach towards their subsidiaries in Saudi Arabia, becoming more adaptive when this is essential to make policies and practices effective. Further, the study has found that all of the case study hotels enjoyed some

level of autonomy in relation to some HR functions, such as allowances and benefits. Each MNEs HQ could choose such functions. In turn, this allowed the subsidiaries to decide what was appropriate in the Saudi context, with input provided by specialists in the respective hotels. Among the MNEs with an exportive approach, an adaptive approach was used to conform to the local context. MNEs are exportive when their HR policies and practices are considered strategic by the corporation or are strategic to certain employees with regard to the recruitment, selection and training of senior management.

Further, several factors, including socio-cultural and institutional factors, can have a significant effect on the adaptation of HRM policies and practices, due to the host country's influence. The socio-cultural factors for Saudi employees largely comprises factors concerning nepotism or *wasta*, interpersonal relationships in the workplace, avoiding losing face and the influence of a collectivist society on employees. The institutional factors comprise labour laws, Saudi Arabian national business systems and employee resistance and compliance. The study recommends that MNEs identify where it is necessary to adapt HR practices. For example, performance appraisal implementation across the four case studies was found to be standard. Training and development varied between standard and localised practices, recruitment and selection were partially adapted and based on process details such as recruitment and selection methods, recruitment sources and reference checking, and compensation and benefits were adapted based on the requirements of the local context.

Having provided an outline of the research questions and overall thesis content, this chapter will now briefly outline the structure and content of the remaining chapters.

## **1.7 Thesis Chapter Outline**

**Chapter 2** reviews the literature on HRM in MNEs through investigating the role of HRM in MNEs in different contexts. It discusses the key frameworks, such as cultural and institutional approaches that have been developed through extant research to

examine the relationship between social settings and the economic performance of corporations.

**Chapter 3** describes the context of this study, which is located in Saudi Arabia as the host country. It presents a brief description of the country's history, the education and political systems and the labour market.

**Chapter 4** describes the research approach undertaken, while explaining and justifying the research methods.

**Chapter 5** introduces and then examines the analysis of the four case study hotels through a within-case analysis.

**Chapter 6** compares the findings of the four case study hotels through across-case analysis to explore the possible similarities and differences between each case.

**Chapter 7** concludes the study by answering the central research question, along with the secondary research questions. It also outlines the contributions and limitations of the study, and suggests potential future research directions.

## **Chapter 2: Literature Review and Research Framework**

### **2.1 Introduction**

This chapter presents an overview of significant issues raised within the extant literature regarding the transfer processes for the global integration of HRM policies and practices of MNE subsidiaries. This is done by conceptualising the research framework for this study. This study focuses on the processes and outcomes of the integration of HRM policies and practices of USA-owned MNEs based in Saudi Arabia. The research contributes to the debate about the global integration of HRM policies and practices. The central research question is ‘to what extent do USA-owned MNEs (in the hotel sector) integrate and replicate their HRM policies and practices within Saudi Arabian-based subsidiaries?’

This chapter is divided into two parts: the literature review and the theoretical framework. The literature review will address the main arguments concerning the influence of globalisation on the MNE subsidiaries’ nationality through a discussion of globalisation and nationality perspectives. Globalisation theorists claim that, due to the powerful pressure of globalisation, nations move more towards convergence of HRM practices than towards divergence (Morrell 2012). In contrast, theorists using a nationalist perspective argue the opposite (Quintanilla & Ferner, 2003; Wood, Dibben, Stride & Webster, 2011).

In exploring and examining the interactions between MNE behaviours and national business systems, the literature review focuses on two frameworks: cultural and institutional approaches. A discussion of these theories is followed by an evaluation of the debate regarding whether either cultural or institutional factors (or both) have had a major effect on the transfer of HRM policies and practices (Quintanilla & Ferner, 2003; Sparrow, Brewster & Harris, 2004). The key drivers of the theoretical framework are based on the question of how these theoretical approaches can be assessed and applied to this research. They also include an exploration of the key forces that influence the shape and implementation of MNE HRM policies and practices within their subsidiaries. For example, some authors argue that national



business systems—as represented by the nation’s economic, governance, financial and legal systems and trade unions—are the main power influencing HRM policies and practices between countries (Hall, Soskice & Press, 2001; Lane, 2000a). However, the cultural perspective argues that the major influences on differences in national business systems between nations are norms, and that those values and beliefs shape expectations, orientations and behaviours (Hofstede, 1980; Huang, 2000). The key contribution of this study is based on a four-level analysis framework through which these approaches are reviewed to explain how MNEs integrate their HRM patterns. This study also examines the forces that contribute to shaping HRM policies and practices within MNE subsidiaries. The research framework will explore how and to what extent individual or collective forces at the macro, meso level and micro level can pose constraints and opportunities for transferring HRM policies and practices (a fourth level). The framework will also illuminate how all these levels can influence HRM behaviour. Further, the framework will consider the HRM policies and practices that MNEs can apparently integrate and replicate (or otherwise) within their subsidiaries. Finally, a brief summary is provided to conclude this chapter see Appendix (1).

## **2.2 Literature Review**

### **2.2.1 Global human resource management integration in multinational enterprises**

The impact of globalisation has forced MNEs to compete through integrated global HRM and efficient global HR practices. Integration involves an internal transfer of HRM policies and practices within MNEs (Smale, 2008; Sparrow et al., 2004). The global integration process is described by Cray (1984) as the coordination and control of business operations across borders. Similarly, Smale (2008, 146) defines the process of global integration with care, differentiating between ‘global standardisation’ and ‘global integration’. He does this by examining the misperception that has resulted from Bartlett and Ghoshal’s (1999) typology of organisational forms, Smale (2008, 155) believes that global organisation is more than complete standardisation. Rather, it reflects the large scope of an organisation’s operations. This is contrary to Bartlett and Ghoshal’s (1999) representation of global organisation, in their typology of organisational forms, as centralised facilities and standardised products. Smale’s (2008) work is aligned with that of Cray (1984), defining global integration as the global links between a business’s coordination and control. Therefore, coordination refers to a process that provides links between geographically different units. Control refers to how the subsidiary, through its activities, adheres to the pursuit of expected goals (Martinez & Jarillo, 1989; Prahalad & Doz, 1987).

The global integration of HRM practices within MNEs is not an easy process; it is becoming more difficult and complex. According to Cray (1984), MNE subsidiaries are challenged by dual lines of authority: one from the host country, through such mechanisms as laws, and the other from the home country, through such mechanisms as national power. Therefore, the effect of the home and host countries on the transfer of HRM policies and practices will be discussed in detail in this chapter. Cray (1984) has investigated the relationship between control and coordination as key components of the integration process in relation to different organisational variables, such as organisational structure, technology, foreign commitment, financial performance and nationality. This investigation aims to determine the importance of using integration as a mechanism to respond effectively to the contingencies challenging subsidiaries (Cray, 1984). Similarly, Brewster, Sparrow and Harris (2005) refer to global HRM

integration as the strategic rearrangement of HRM. HRM plays a key role in identifying and facilitating the transfer of management practices throughout organisations and works to enable business strategies.

Fayerweather (1969) (considered a pioneer of systematic international business theory) argues that the idea of integration or 'unification' is a significant source of competitive advantage. He emphasises the organisation of global activities and suggests that the integration process does not 'encompass the standardisation and uniformity which are intended by the unification idea' (1969: 133). Fayerweather then examines the global integration of activities to obtain benefits by producing at an optimal economic scale.

Björkman and Lervik (2007) have proposed three dimensions that influence the integration process, in terms of the transfer of HRM practices from MNE HQ to their subsidiaries in host countries. These involve the degree to which practices are implemented, internalised and integrated within foreign subsidiaries. Kim, Park and Prescott (2003) identify four modes of global integration: centralisation, formalisation, information-based and people-based. One study conducted by Smale (2008) provides evidence that MNEs operating in China apply all four modes of global integration to counterbalance global consistency and local sensitivities. This discussion reveals that 'integration' refers to the transfer process and, as a result, this research proposes to use the term 'transfer'.

The common theme emerging from this discussion is that the power of globalisation is the main driver pushing countries to integrate into one global economy, and in the process attempting to negate the influence of national institutions. The following section discusses the globalisation perspective behind the organisation of MNE activities.

### **2.2.2 The globalisation perspective**

The emergence of empowered world bodies such as the International Monetary Fund (IMF), World Trade Organization (WTO), World Bank (WB), United Nations (UN) and the International Court of Justice supports international integration and the “one system” rules of engagement. In turn, bilateral and multilateral trade and investment treaties support economic integration. As a result of globalisation, dominant major markets have emerged, represented by Japan, Europe and the USA. These are known as the Triad powers (Ohmae, 1990). Their emergence has been supported by other international entities such as the European Union (EU), the North American Free Trade Agreement (NAFTA) and the Asia Pacific Economic Cooperation (APEC) forum. Such manifestations of the integration processes of regional economics and politics have enabled MNEs to take advantage of the global economy by operating in large regional markets (Dixon & Sybrandy, 2015; Hirst, Thompson & Bromley, 2015; Pieterse, 2015). The general term ‘globalisation’ is linked to a rising diffusion of technologies, products and services across the globe, which is causing a convergence of societies towards a uniform arrangement of economic, political and cultural organisations. This convergence highlights the powerful force that globalisation possesses in forming homogenised practices (Cruz et al., 2011).

The meaning of globalisation is considered widely in the extant literature, from both economic and non-economic perspectives (Aggarwal, 2011; Dorodnykh, 2012; Lee, 2010). There is no single definition of the term ‘globalisation’. However, globalisation can be defined as:

the increasing of worldwide integration of markets for goods, services, and capital concurrent with the increased role for MNEs in the world economy and an increased intervention into domestic and regional policies and affairs by international institutions such as IMF, WTO, the World Bank, and the United Nations (Menipaz & Menipaz, 2011, 30).

According to Held, McGrew, Goldblatt and Perraton, globalisation can be defined as ‘the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, from the cultural to the criminal, the financial to the spiritual’ (1999: 2). The common economic definition of globalisation is presented by Bhagwati (2004), who defines globalisation as an integration of distinct national

markets into a global economy through the transfer of technology, trade and FDIs. In the same context, Friedman and Shachmurove (2005) note that equity market integration is driven by the globalisation process and constrained by national regulatory barriers. Gilpin and Gilpin define globalisation as the ‘increasing interdependence of national economies in trade, finance, and macroeconomic policy’ (1987: 389). Globalisation is also defined as the ‘diffusion of practices, values and technology that have an influence on people’s lives worldwide’ (Albrow, 1997: 88).

The nation state as a social form is challenged in a globalisation context. The extent to which the convergence or divergence of HRM policies and practices between companies has occurred has been a vital issue over several decades. Scholars increasingly argue that, within the world economy’s globalisation, MNEs should have the capacity to integrate globally with free markets as well as respond locally to the domestic market (Bartlett & Ghoshal, 1998; Hamel & Prahalad, 2013; Rosenzweig & Nohria, 1994). The trend towards globalisation has encouraged the emergence of stateless organisations in a borderless world. In the international business environment, organisations are now focusing more on significant production across nations, products and industries, with what is termed a ‘global mind-set’ (Bartlett & Ghoshal, 1998). MNEs need to sustain success through the coordination and control of business across borders in a competitive market economy. Ohmae (1990) argues that globalisation has brought boundless success and free international economic prosperity, along with consumer satisfaction. Globalisation results in a convergence of societies, with uniform configurations of economic, political and cultural organisations. The globalisation perspective is matched with the logic of industrialisation, as demonstrated by Kerr (1960). Kerr argues that the phenomenon of globalisation is a pluralistic industrialism based on the idea of convergence between the west and developing countries through technology and the sciences. Therefore, researchers tend to have been more concerned with whether MNEs can build global integration by transferring their HR policies and practices.

Globalisation means a fundamental change in all fields, including HRM policy and practice. The impact of globalisation on the degree of a corporation’s nationality has been documented comprehensively in the extant international business literature (Björkman & Lervik, 2007; Hamel & Prahalad, 2013; Menipaz & Menipaz, 2011;

Nester, 2010; Ohmae, 1990; Rosenzweig & Nohria, 1994). The globalisation perspective asserts that the pressure of global competition has forced many corporations to adopt common practices—or the same set of ‘best practices’—that produce uniformity and create homogenisation in their performance and behaviour. This enables the corporations to respond successfully to a competitive international environment. According to Ohmae (1990), globally minded management is the instrument of organisations that compete successfully in the interlinked economy. For example, the youth customer segment in developed nations is more likely to behave ‘Californian’ than their own nationality, as argued by Ohmae (1990) due to the global economy. This is because the youth segment tend to pay less attention to a product’s country of origin than to its quality and price. This indicates that the power of globalisation has left organisations with a critical strategic decision of whether to integrate globally or adapt locally (Rosenzweig & Nohria, 1994).

Narula & Dunning (2000) suggest that due to ‘[i]ndustrial development, globalization and multinational enterprises: [the] new realities for developing countries’, MNEs must understand the new reality of globalisation. MNEs can achieve the boundless benefits of economies of scale in production, distribution and marketing, and that management must increasingly disregard regional, state or distinct national markets. Reich (1990) argues that in the global economy, the concept of a firm’s national identity is weaker and will eventually vanish under the irresistible force of globalisation. Correspondingly, Ohmae (1990) asserts that an organisation’s national identity is no longer important, as MNEs become transnational firms with no national identity but with a robust corporate identity. Other authors have perceived globalisation as a movement towards prosperity and development. For example, Wiley (2004, 79) argues that the trend towards globalisation encourages reconsideration of nationality from different perspectives, such as new geographies of belonging, cultural multiplicity, migration and regionalisation. His argument calls for a positive rethinking of the impact of globalisation on nationality. He argues that corporations will not lose their nationality. However, based on the globalisation perspective, MNEs are encountering irresistible pressure from the forces of globalisation (Knight, 2000). The only way for MNEs to survive is to follow the same set of practices and ignore national management styles, achieving homogenisation in their practices and performance (Bartlett & Ghoshal, 1998; Hamel & Prahalad, 2013).

### **2.2.3 The nationality perspective**

The supporters of the nationality perspective criticise globalists for positing arguments without supporting data (Hirst & Thompson, 1999). Nationalist theorists note that the world economy is based on exchanges between comparatively different national economies; however, the international economic system is still processed at the local and national level (Harzing & Pinnington, 2010). For example, Dicken (1998) claims that the nation-state level is still considered the most important influence on MNE operations. Doremus, Keller, Pauly and Reich (1998) disagree with the notion that MNEs are transnationals, as most of their income, ownership, strategic decisions, employment, production activities and other business organisation remain in the country of origin. Another criticism of the globalisation perspective is that globalisation has increased poverty and inequality across countries. This argument is specifically targeted at the disparity between developed and developing countries, as the trend towards globalisation opens up the world economy and integrates developing countries. The gap in per capita income between developed and developing countries in the years from 1870 to 1990 increased approximately five times (Guillén, 2001; Pritchett, 1997; Temple, 1999). A WB (2002) report suggests that of the 4.4 billion people in developing countries, nearly three-fifths lack basic hygiene, one-third have no clean water, a quarter lack housing and a fifth have no access to advanced health services. Kennedy (1993) warns of increasing poverty and inequality due to the lack of structures that deal with a global economy. “If a free society cannot help the many who are poor, it cannot save the few who are rich” (Kennedy, 2000, 251). Comparatively, most poor countries are becoming poorer as the massive income gap increases between developed and developing countries (Nester, 2010).

According to Isaak, poverty and inequality will always exist; however, globalisation has increased this gap between countries: “globalisation speeds up time, stimulating the rich to concentrate economic opportunities among themselves in order to maximize their own short-term interests” (Isaak, 2005: 407).

Isaak argues that globalisation is spreading poverty by increasing the rate of nations where the number of people living on less than \$2 US per day is increasing. He states that “the global economy sets up a number of traps that poor people cannot avoid without help” (Isaak, 2005: 412).

Nationalists argue that the power of globalisation does not force nations, industries or organisations to converge their sets of practices and activities with those of other nations. MNEs are national firms that operate internationally (Ferner, Quintanilla & Sánchez-Runde, 2006; Hirst & Thompson, 1999; Whitley, 2000). Nationalists assert that MNEs are not stateless companies, but rather are rooted in the national business system of their country of origin. Further, they doubt whether control over the subsidiaries lies within the national business system. According to Girod, Bellin and Ranjan (2010: 25), the paradox of ‘think global and act local’ pressures MNEs to maximise their profits by continuing to play globally while simultaneously responding locally or nationally. The extant literature has developed several frameworks to examine the relationship between social settings and the economic performance of corporations. Therefore, from these comparative perspectives, different approaches are provided by the literature review, including industrialist, capitalist, cultural and institutional perspectives. However, most authors indicate that the most significant frameworks are the cultural and institutional approaches.

#### **2.2.4 Defining and conceptualising multinational corporations**

The extant literature provides several definitions of MNEs. A number of studies conceptualise an ‘MNE’ as a network (Bartlett & Ghoshal, 2015; Ghoshal & Nohria, 1997; Narula & Verbeke, 2015). According to Ghoshal and Bartlett, MNEs are defined as ‘a group of geographically dispersed and goal-disparate organizations that include its HQ and the different national subsidiaries’ (1990: 603). They distinguish different types of MNEs based on organisational structures: namely, global, multinational and transnational. In addition to the definition of MNEs, Bartlett and Ghoshal (1998) suggest that MNEs have passed through four different stages during the twentieth century (see Table 2.1). Relevant to this view is Porter’s (1986) categorisation of MNEs as global and multi-domestic firms, based on the coordination and configuration of the organisation’s value chain. For example, the host country of this study (i.e., Saudi Arabia) considered as one of the emerging markets where MNEs are multi-domestic companies that compete in large and lucrative but distinctive domestic markets (more details in chapter 3).



Sundaram and Black (1992) have developed a more detailed definition of MNEs that includes a description of the business systems of both home and host countries. They define an MNE as:

any enterprise that carries out transactions in or between two sovereign entities, operating under a system of decision making that permits influence over resources and capabilities, where the transactions are subject to influence by factors exogenous to the home country environment of the enterprise (1992: 733).

Dunning and Lundan define an MNE as ‘an enterprise that engages in FDIs and owns or some way, controls value-added activities in more than one country’ (2008: 3). Whereas Caves definition of an MNE is ‘an enterprise that controls and manages production establishments—plant—located in at least two countries’ (1996: 1). An MNE has also been described as a firm with its HQ in one country and its subsidiaries in other countries (Narula & Verbeke, 2015; Rugman & Hodgetts, 2000; Rugman & Verbeke, 2001). The common theme emerging from all these definitions is that MNEs are organisations that operate in different countries but that are controlled within one national system. However, it is important to identify the main factors that push organisations towards industrialisation or globalisation, and how globalisation can affect the national level of these organisations. In terms of the transfer of HRM policies and practices to MNE subsidiaries, the literature reviewed indicates that global HRM integration in MNEs is a process of internal knowledge transfer. Therefore, it is important to provide a comprehensive overview of the global integration system, based on different researchers’ perspectives.

**Table 2.1: Four Different Historical Eras of MNEs**

Evolution era	Brief description
Multi-domestic era (1920–1950)	MNEs established a large number of foreign manufacturing subsidiaries that are independent from their HQ with the aim of being able to compete due to high tariffs.
International era (1950–1960)	Consumer demand boomed and a need for new technologies and products to meet this demand pushed MNEs, especially those based in the USA, to create foreign investment in western Europe and developing countries.
Global era (1960–1980)	Protectionist policies decreased, transportation and communication costs decreased and improvement in manufacturing technologies made it possible for MNEs to have profitable exports from and foreign investment in centralised and standardised production.
Transnational era (1980–2000)	Increased recognition of the difficulties linked to a geographically spread MNE led to a response to the need for global efficiency, balanced with natural responsiveness

Source: Porter (1986)

### **2.2.5 Cultural approach**

Corporate practices and managerial values vary across the globe. Corporate policies and practices are a collection of shared values and beliefs within a cultural framework. The primary focus of the cultural approach in this study is on the values and attitudes that are widespread in Saudi Arabia and the USA, and the way in which such values can shape the choices made by managers in determining employment practices. In other words, this framework explains the social interactions within MNEs. The cultural perspective holds that organisational patterns are controlled by shared values and ideas. Significant theories of culture are proposed in the extant literature, including the works of Hofstede (2001) and Hall and Hall (1990). In Hofstede's research on the impact of culture on management practices, he defines culture as the 'the software of the mind' (1980: 17). Hofstede believes that values are the 'the core element of

culture', defining them as the 'broad tendencies to prefer certain states of affairs over others' (1980: 19). Further, Schein (1985: 83) defines culture as a system of shared values. Culture is also defined as a set of values, symbols, beliefs, languages and norms that guide human behaviour within the workplace, region or country (Menipaz & Menipaz 2011). According to Hodgetts, Luthans and Doh (2006), culture is distinguished by the different features it possesses: culture is learned, not inherited; it is not only for a single person as it can be shared; it is transferred from one generation to another; it can be changed and adapted; and it can be rendered symbolically.

Hall and Hall (1990) in their study, find that USA MNEs constitute a low context culture within which social interactions are more explicit, unambiguous and formal, while Saudi Arabia constitutes a high context culture in which interpersonal chemistry such as face-to-face, exchanges word-of-mouth and body language are more significant. Culture has different levels that range from those readily visible and modifiable external layers to the more difficult to perceive internal layers (Trompenaars & Hampden-Turner, 1998). Within the same context, Hall and Hall (1990) assert that two levels of culture exist: low context and high context culture. They define context as the information that surrounds an event. Hall and Hall (1990) divide countries according to these two contexts: low context countries including West Germany, Switzerland, Scandinavia, Canada and USA; high context countries include Japan, countries in Asia, Africa, Latin America, the Middle East and Southern Europe.

Regarding diffusion concepts and HRM policies and practices, the cultural approach contributes to an understanding of the connections between national culture and managerial practices, identifying the major constraints that have blocked the diffusion of HRM policies and practices (Eisend, Evanschitzky & Gilliland, 2015; Gannon & Pillai, 2015; Tayeb, 1997). Scholars argue that national culture has a significant effect on HRM policies and practices (Budhwar & Sparrow, 2002). Many studies have used Hofstede's (1980) five cultural dimensions as major explanatory variables to explain how HRM policies and practices diverge across borders (Bjorkman 2004; Hofstede 1993; Huang 2000). According to Budhwar (2000), the context of HRM practices can be determined by both culture-free and culture-bound factors. Similarly, the transfer of HRM policies and practices is influenced by cultural and institutional arrangements. However, Budhwar and Sparrow (2002) argue that it is difficult to analyse the

influence of cultural and institutional arrangements upon managerial practices. Therefore, Tayeb (1997) suggests using multivariate and causative models as there are limits to a total focus on culture when examining the influence of national culture on work attitudes and organisational behaviours. However, MNEs need to understand and evaluate the host country's culture to achieve success when they establish business in that country. MNEs cannot simply transfer their management policies and practices to subsidiaries without considering the local settings and cultures. Therefore, applying Hofstede's (1980) cultural analysis framework promotes a significant understanding of cultural differences in the HRM context. Hofstede's (1980) five cultural dimensions, in assisting understanding, capture a broad picture of a business organisation in the host country environment as in the case of Saudi Arabia for this study.

Hofstede's studies built on survey data acquired from two company attitude surveys in 1968 and 1972. Surveys were conducted on 116,000 IBM employees across more than 60 countries. Hofstede identifies four dimensions that are universally applicable across cultures as the basis for characterising cultural differences across countries. A fifth dimension was added in 1991 (Hofstede, Hofstede & Minkoy, 1991). These are shown in Table 2.2. He presents possible patterns of values for management behaviour for each dimension and then characterises each nation with one of the national culture dimensions. These dimensions are power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity and long-term orientation. For example, in considering the current study, Hofstede's dimensions characterise the host country of Saudi Arabia as high in power distance and uncertainty avoidance, in contrast with the USA. Hofstede (2001) believed that relationships exist between the five dimensions in terms of national culture and managerial behaviours. For instance, he argued that power distance is linked to a preference for the distribution of authority, and that uncertainty avoidance is linked to the significance of rules. Both dimensions are important for the entry mode decision of MNEs (Hofstede, 2001).

**Table 2.2: Hofstede's Five National Culture Dimensions**

Hofstede's five dimensions	Definition
Power distance	'[T]he power distance between a boss B and a subordinate S in a hierarchy is the difference between the extent to which B can determine the behaviour of S and the extent to which S can determine the behaviour of B' (Hofstede, 1984: 72).
Uncertainty avoidance	The degree to which people in a country take risks, from risk avoidance to being a risk taker; and the degree that people in a society trust and feel comfortable with dealing with unknown or uncertain situations (Hofstede, 1980, 1983, 1991).
Individualism/collectivism	The degree to which people in a country have a culture in which they act as individuals rather than as members of unified groups (Hofstede, 1980, 1983, 1991).
Masculinity/femininity	'[T]he dominant sex role pattern in the majority of both traditional and modern societies [is] that of male assertiveness and female nurturing' (Hofstede, 1984: 19).
Confucian dynamism (long-term orientation vs. short-term orientation)	Long-term orientation virtues are more oriented towards future rewards such as perseverance and thrift, while short-term orientation is contrastingly more oriented towards past and present, such as fulfilling tradition and social obligations (Hofstede & Bond, 1988; Hofstede, 1994).

Source: Hofstede (2001)

While the national culture of Saudi Arabia is not examined in Hofstede's (1980) research, he does examine Arabic societies in general. Arabic countries are classified as having high power distance, high uncertainty avoidance, high collectivism and low individualism, and are moderately high in masculinity. In the extant literature, a number of studies conducted on Saudi Arabia contain an analysis of Hofstede's five national culture dimensions. These studies support the use of culture theory for a comprehensive understanding of the national culture of Saudi Arabia as a host country in the current study, allowing interpretation of organisational behaviour and barriers that may constrain the transfer process. However, this study may reveal new findings in regards to the national culture of Saudi Arabia.

Countries like Saudi Arabia are identified as emerging economic powerhouses (Petrou, 2015). Saudi Arabia is a country with a distinct societal culture, distinguished by Islamic values, status-based hierarchy and a high power distance community, all of which may impact on organisational interactions (Aycan, 2005; Aycan et al., 2000). Based on Hofstede's five dimensional frameworks, Saudi Arabia has a high score for power distance (86 out of 100). This indicates the existence of profound social divisions of power, with limited movement between social classes. Accordingly, the business culture in Saudi Arabia indicates there is a status hierarchy: in local Saudi Arabian organisations, top managers make decisions autocratically and subordinates are usually guided by their supervisors (Rice, 2004). Further, status hierarchy may refer to the informal power acquired by family networks (Malshe, Al-Khatib, Al-Habib & Ezzi, 2012). Regarding the uncertainty avoidance dimension, Saudi Arabia scored 68 out of 100. This indicates that people prefer to follow rules to reduce uncertainty and risk. Managers in Saudi Arabia encourage employees to adhere to formal rules, thus avoiding risk (Malshe et al., 2012). Therefore, managers in Saudi Arabia follow centralised decision-making practices to maximise strong control and minimise risky action, and avoid conflicts and ambiguity (Galanou & Farrag, 2015). In contrast to the higher scores for power distance and uncertainty avoidance, Saudi Arabia scores somewhat lower on masculinity/femininity: a score of 50 out of 100 suggests that people value competition and performance (Malshe et al., 2012). In terms of individualism/collectivism, Saudi Arabia scores high in collectivism and low in individualism, with a score of 36 out of 100. This indicates that group wellbeing and development come before individual benefits. As the score for the long-term orientation dimension for Saudi Arabia is not available, the current study examines only the first four dimensions.

Based on the diffusional knowledge perspective, organisations in Saudi Arabia are like clan organisational structures, an idea proposed by Ouchi (1980). The reasons for this classification includes the organic solidarity within organisational entities; organisations following a system of traditional authority; a reduction in the differences between individual and organisational goals; and finally, the context of organisations in countries such as Saudi Arabia that esteem the values, norms and beliefs held in common. Generally, the literature reveals that Saudi Arabia's culture has a significant effect on the roles and responsibilities of organisational entities and importantly, on

the interactions of these entities (Mellahi, 2007). The predictive knowledge of Hofstede's cultural framework allows an in-depth investigation to be conducted on the process of transferring HRM policies and practices from USA MNE hotels to an emerging market such as Saudi Arabia. This will advance this area of research significantly. As seen in Table 2.3, remarkable differences exist between the cultures of Saudi Arabia and the USA. These differences are evident in power distance, uncertainty avoidance and individualism/collectivism. These differences play a significant role in the transfer of HR practices. Due to the major national cultural differences between eastern countries (known as collectivist cultures) and western countries (known as individualist cultures), transferring HR practices between these cultures can be difficult (Beechler & Yang, 1994). For example, in Saudi Arabia (a high collectivist culture), loyalty to the in-group is more important than productivity. High-performing employees within a group might be disliked by the group and thus might be perceived as disturbing group harmony, possibly resulting in jealousy (Kovach, 1995; Tung, 1984). Moreover, the perception of performance could differ between countries. For example, in Middle Eastern countries, loyalty to a superior takes precedence over effective performance as measured by western criteria (Mellahi, 2003). In addition, uncertainty avoidance in Saudi culture is high; the tendency of Saudis to avoid clashes during performance appraisal feedback sessions has been described by Hall and Hall (1990).

Therefore, applying the cultural framework to this research is a significant step towards analysing and understanding the key factors that affect the transfer of HRM policies and practices within MNEs. Gamble (2010) argues that organisational practices and the institutional and cultural features of the host country influence the transfer of HRM practices most strongly. However, national differences are often presented in terms of cultural differences (Abo, 2015; Hofstede, 1983). The cultural approach provides 'a convenient catch-all "black box"' (Gamble, 2010: 708) that can clarify why it is difficult for MNEs to transfer specific parent country organisational practices.

Table 2.3: Hofstede's Country Scores for the USA and Saudi Arabia

Cultural dimension	USA	Saudi Arabia
Uncertainty avoidance	46	68
Power distance	40	80
Masculinity	62	52
Individual	91	38
Long-term orientation	29	n/a

Source: cited in Al-Gahtani, Hubona and Wang (2007)

### 2.2.6 Institutional approach

The relevance of institutional theory to HRM is based on the idea that organisational behaviours reflect the institutional environment (Lee, 2010). Institutional frameworks illustrate how organisational structures and principles are sustained, by identifying the internal and external factors that affect MNE's organisational patterns (Engert, Rauter & Baumgartner, 2015). The beginning of a revolution against the methodological individualism of both the behavioural and rational approaches is found in the work of March and Olsen (2010). Institutional theory has been primarily developed within sociology (DiMaggio & Powell, 1983).

In this study, the key focus of institutional theory concerns the impact of home and host country institutions on the transfer process of management practices across borders (Tempel & Walgenbach, 2012). Studies in the extant literature clearly use the institutional framework in different ways. Research by Ferner et al., (2005) and Tempel, Edwards, Ferner, Muller-Camen and Wächter (2006) draw on institutional arguments through by integrating agency within institutional arguments. This approach is based on Helms and Oliver's (2015) typology of strategic responses to institutional pressures. Others consider micro politics in the transfer process (Dörrenbächer & Geppert, 2011). Some studies draw on the notion of institutional isomorphism (DiMaggio & Powell, 1983). These studies essentially focus on how pressures in subsidiaries become isomorphic in relation to the parent organisation, and also on how domestic institutional settings can affect subsidiary performance (Gooderham, Nordhaug & Ringdal, 1998; Kostova et al., 2008; Lawrence & Suddaby, 2006; Phillips & Tracey, 2009; Phillips, Tracey & Karra, 2009; Rosenzweig, 1994).



Institutional isomorphism can be a useful instrument in evaluating the politics and structures that pervade modern firms (Dacin, Munir & Tracey, 2010; Lee, 2011). Three mechanisms help to explain how institutional isomorphism occurs. The first is coercive isomorphism, which occurs as the organisation seeks legitimacy due to political influence. The second mechanism is the mimetic method, which is a response to uncertainty and to seeking legitimacy. The third mechanism is the normative process, which originates from organisations seeking legitimacy through arrangements with professional values (DiMaggio & Powell, 1983). According to Suchman, 'organisational legitimacy' is defined as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions' (1995: 574). MNEs need to adjust their degree of control over overseas subsidiaries to gain legitimacy; without legitimacy, MNEs find it difficult to access local resources that are essential to their survival and productivity (Peng, 2012).

The term 'institution' can be defined as 'a social structure that is made up of a collection of individuals or organisations within which collectives exercise action or orientations in a constrained environment that will continuously be altered over time' (Weerakkody, Dwivedi & Irani, 2009: 355). It can further be defined as the objective achievements of both individuals and organisations in creating, sustaining and maintaining institutions (Phillips et al., 2009). The term 'institution' can also be defined as a tool that creates the activities of agents, combined with individual actions, such as in North's definition of institutions as the 'rules of the game in a society or, more formally, are humanly devised constraints that shape human interaction' (1990: 3). In the same context, Scott expands the definition to include 'regulative, normative and cultural-cognitive elements that, together with associated activities and resources provide stability and meaning to the social behaviour' (2008: 48).

Porter's (1990) view emphasises that, as national competitive advantage is industry-specific, countries are not more or less competitive as a result, but that industries are more or less competitive. The different drivers that prompt industrial countries to create specific national of MNEs located in particular host countries (Haake, 2002) highlight this perspective. The core concept of national competitiveness suggests that organisational performance is related to the national institutions and arrangements

within the host countries' business systems. However, a large body of comparative studies analysing the differences between national models of capitalism confirms several issues. These include the main role of national institutions as national business systems (Dekocker, Pulignano, Léonard & van den Broeck, 2012; Whitley, 1992, 2000); social systems of production (Hollingsworth & Boyer, 1998); societal effects (Maurice, 2013); national governance systems (Hollingsworth, 2000, 2011); national innovation systems (Lundvall, 2007); industrial order (Cohen & Fields, 2000; Herrigel, 1996); and national industrial order (Lane, 2000b). However, the most significant outcome of institutional theory in this study of comparative HRM is the comparison between nations by identifying and integrating the major aspects of their national business systems.

The application of institutional theory is the main tool used in this study to analyse how different forms of economic organisation have evolved in different markets. Institutional theory assists this examination by highlighting the macro level of societal institutions on cross-national transfer, especially in market economies that possess essential resources of capital and labour (Ferner, Edwards & Tempel, 2012; Vo & Hannif, 2012; Vo & Stanton, 2011). Institutional theory has been widely used to conceptualise cross-national differences as they relate to the transfer management practices (Björkman, Fey & Parks, 2007; Fenton-O'Creevy, Gooderham & Nordhaug, 2008; Ferner et al., 2005). The current study is drawn to institutional theory regarding the transfer of practices in different contexts, discussing the diffusion process of 'best practices' in these contexts. As such, it is important to review the fundamental applications of institutional theory that can provide a robust theoretical foundation to examine a broad range of critical issues and allow conceptualisation at several levels of analysis. This is vital for MNE research. Kostova et al. (2008) emphasise the significance of institutional theory for understanding the conditions of complexity in legitimating the external and internal environments of MNEs. They have summarised the formal applications of institutional theory that dominate international management research. First, institutional theory is relevant to conceptualising national business environments as a country's institutional profile is based on three important pillars: regulative, normative and cognitive. Second, it helps to conceptualise the transformation process of national systems. Third, institutional theory can explain comparative national business systems based on the notion of 'embeddedness'. Fourth,

it explains the relationship between subsidiaries and the host country environment, based on the notion of legitimacy. Fifth, institutional theory is relevant for studying the diffusion of management practices across borders, see Appendix 2 (Kostova et al., 2008).

There are several factors that affect the successful process concerning the transfer of management practices, and the degree of response from MNE subsidiaries (Ambos, Andersson & Birkinshaw, 2010; Kostova et al., 2008; Phillips & Tracey, 2009). The first factor is the institutional environment of both the home and host country. The institutional distance between both environments controls the degree to which subsidiaries respond to the local pressures that result from the transfer process. The second factor is the relationship between the host context and the subsidiary—referred to as the rational context—which is represented by different pillars, such as dependence, identity and trust between the two contexts. Institutional theorists (DiMaggio & Powell, 1983) argue that MNEs encounter pressure to adapt local institutional environments to gain legitimacy and ensure organisational sustainability. Similarly, Cantwell, Dunning and Lundan (2010) assert that the dynamic force of external and internal institutions drives MNEs to modify their strategies and structures, thus challenging uncertainty in the expansion of their activities and business environment.

Some scholars argue that the national institutional arrangements across countries are robust when encountering changes and pressures (Wooten & Hoffman, 2008). Institutional theory highlights the pressures and limitations exerted by internal and external institutions on organisational strategies. The theory helps organisations to understand the institutional environment through forming frameworks involving norms, rules and beliefs (Arslan, 2011). Subsidiaries across borders need to conform to these rules and norms, gaining legitimacy to be sustainable (DiMaggio & Powell, 1983). Organisations can gain legitimacy by complying with the external institutions of the marketplaces in which they operate, through formal and informal rules, ceremonies and behaviours, norms and beliefs. Further, divergences and changes from the national business systems can lead to institutional innovation (Mahoney & Rueschemeyer, 2003). This possibility is informed by this study's earlier discussion of the globalisation perspective. Here it was argued that institutional changes and

transformation result from liberalisation where the contemporary expansion of the global market networks inside and across the borders of national political economic systems became complex. According to Thelen (2003), institutional change is created from critical exogenous shock. She argues there are two key mechanisms of institutional change: institutional layering and institutional conversion. Institutional layering is 'the grafting of new elements onto an otherwise stable institutional framework' (Thelen, 2003: 35), in which case this kind of alteration can change the institution's advancement critically. An example of this is the integration of private savings accounts into a traditional 'pay-as-you-go-pension' system (Thelen, 2003: 277). Institutional conversion refers to the application of new elements or new actors that change the role of institutions, such as the transformation of USA social assistance programs in the 1960s into instruments of racial equality (Thelen, 2003: 229).

Hacker (2004) claims that, in addition to institutional layering and conversion, another significant mechanism exists: policy drift. This refers to the slow change of institutional arrangements due to changes in socio-economic circumstances. A wide consensus exists regarding the strong effect of internal and external institutions as production factors that significantly influence competitive advantage or disadvantage. This suggests that institutional arrangements and organisational behaviours and structures are important (Thelen, 2003). Westney (2009) argues for a relationship between environmental selection and managerial adaptation, and asserts that weak selection regimes are likely to increase managerial adaptability. However, an increasing body of knowledge has created typologies of national business systems, along with the types of organisations and expected organisational behaviour created by such systems. The summary of these typologies is shown in Appendix 3. It is worth mentioning that these typologies may lose their complexity and the diversity of distinct national systems that are placed comfortably within a given typology in countries such as Japan and Germany, which are considered collaborative business environments (Whitley, 2000).

Institutional theory has made an important contribution to the IHRM, enabling the creation of conceptual frameworks to build a comparative study of distinct national business systems based on tangible findings. Despite this, the theory has been criticised for several reasons. Institutionals have been criticised for arguing that

organisations conform to institutional pressures in a passive manner (Tempel & Walgenbach, 2012). Gamble and Blackwell (2001) assert that the potential for human agency in organisations is ignored; in addition, organisational behaviours and actions are also more over-determined than the businesses themselves. Organisational success is determined by the degree of conformity to external institutional pressures rather than to human agency (Kostova et al., 2008). The extant research on national business systems focuses more on developed countries (or the ‘Triad powers’) than on developing nations (Whitley, 1992). Accordingly, this study bridges this gap and adds to the body of knowledge for emerging economies through focusing on Saudi Arabia. The significance of the institutional approach in the current study is based in its technique of comprehensively understanding the development and preservation of diverse national business systems through a comparative framework. The reason for applying this analytical global market framework is to present the degree of variation in social institution settings done to create suitably unique business systems that will support MNEs to operate successfully overseas.

### **2.2.7 Transfer of human resource management policies and practices between different national business systems**

Comparative institutional theory has been extensively used to investigate the diffusion of managerial practices across countries. This theory is significant; it is instrumental for examining institutional constraints and opportunities that may be encountered by organisations. Consequently, it is also instrumental in developing the current body of knowledge. MNEs are challenged by the conflict experienced when operating in different countries with differing institutional pressures. Moreover, subsidiaries must gain legitimacy in the host country in which they operate: they especially need to adapt to the legal and cultural environment, and the local labour market. In addition, MNEs are pressured to adopt local resources; hence, the host country possesses all the resources and competencies needed by the home country (Ghoshal, 1990; Ghoshal & Nohria, 1997; Rugman & Verbeke, 2001). The key source of the competitive advantage for MNE practices is the internal firm resources (Porter, 2008). According to Prahalad and Hamel (2006), competitive advantage is achieved by a combination of distinctive resources and capabilities that provide companies with the capability to occupy a monopoly position in their markets. Hence, MNEs can arguably achieve this

position in the marketplace by using their unique organisational capabilities across borders. This can determine the extent to which subsidiaries act locally and integrate globally.

Beechler & Yang (1994) identify three factors that principally influence the process of HR transferability. The first factor is the home country effect, in terms of culture and influence on the company; second is the host country effect with respect to culture, the nature of the market and industrial relations; third is the position of subsidiaries, and the degree of dependency in the relationship of the parent company with its subsidiaries.

The success of an MNE's international expansion depends on its capability to transfer HRM practices across borders and in turn, on the capacity of subsidiaries in host countries to deploy those practices (Dunning & Lundan, 2008). From the resource-based perspective, the transfer process of HRM policies and practices is essential when the parent company's competencies and resources are critical for its successful business (Coates & McDermott, 2002). According to Česynienė (2008), MNEs must create critical organisational competencies that secure competitive advantage in a global market. Moreover, it is argued that such unique resources and capabilities are vital in achieving sustained competitive advantage (Coates & McDermott, 2002). The focus of the parent company is thus to transfer its unique resources and competencies to subsidiaries as its key competitive advantage (Taylor, Beechler & Napier, 1996). This is in addition to the other resources comprising its competitive advantage, created by the arrangement of economic, cultural, labour and other resources in the home country. In this case, MNEs enhance their subsidiaries' legitimacy as a global player. However, to achieve subsidiary value-added activities, MNEs must identify the necessary value and capabilities of these activities. Therefore, if MNEs realise it is profitable for subsidiaries to perform low value-added activities and consequently, that HRM strategies are considered comparatively unimportant in maximising profit assets, then the transfer of HRM policies and practices is unnecessary. For example, British firms are perceived as having a short-term focus and lacking attention to training and management development, despite their global orientation (Gamble, 2010; Lane, 2000b).

Ensuring that vital subsidiary employees are well trained and mobile is one of the main factors in the incentive and capacity for MNEs to transfer HRM policies and practices. Taylor (2007) has argued that MNEs must deploy training programs in IHRM systems globally to develop managerial and senior professional staff. He asserts that training programs support social relationship interaction and create ‘the self-awareness of their own cultural preferences in establishing relationships and the skills to create relationships with different kinds of people than they are accustomed to, and to form the relationships in ways that are novel to them’ (Taylor, 2007: 350). Thus, IHRM systems that deploy training programs create an employee team that can disperse expertise and competencies across a company’s subsidiaries.

Much of the literature has highlighted the home country’s great influence on MNE employment management. The parent company is embedded in an institutional environment in its home country (Ferner, 2000; Whitley, 2000). The competencies and economic behaviours of firms are embedded within social, economic and political institutions at the national level. The concept of ‘national business systems’ developed by Whitley, (1992–2000) provides a valuable outline to analyse the interaction between companies and institutions over time. This framework promises insight into the structures and development of both companies and institutions that appear more complex than cultural frameworks in the comparative IHRM literature (Tempel & Walgenbach, 2012). Whitley (1992:13) defines the term ‘business system’ as a unit of analysis used in comparative studies in which the significant factors of the business system are the company as an economic actor, the structure of market relations between companies and the coordination and control systems.

Ferner (1997) argues that institutions shape the national economy in a way that shapes the decisions of their business processes. This helps to understand the way subsidiaries behave according to the basis of a particular country, such as the institutions of the labour market that shape decisions regarding labour acquisition in companies. Consequently, the identity of MNEs is shaped according to the institutional features of the home country, and these features become embedded in the structure of the HRM systems used in the host country. Further, the parent company’s institutional features shape the MNE’s international orientation overseas. Therefore, with their different national origins, MNEs are characterised by distinctive traits such as ‘ethnocentricity’

and ‘polycentrism’, with the USA-based subsidiaries being considered as companies that are more ethnocentric than other companies from a different home country (Bartlett & Ghoshal, 2002).

In this current research project, the home country of the MNEs is the USA, which is highlighted in the literature as having a more standardised, formalised and centralised international policy-making approach when compared to MNEs from other nations (Harzing & Pinnington, 2010; Yuen & Kee, 1993). USA MNEs also tend to be particularly hostile to collective worker representation, and are more likely to deploy HRM practices such as direct forms of employee involvement (Enderwick & Enderwick, 2013).

Resources and competencies, including HRM practices, can be considered ‘context-specific’ or as having ‘context generalisability’, based on their usefulness. This means that a particular HRM practice may be useful only in its place of origin; that is, it is ‘context-specific’. Alternatively, it may be operative overseas, having ‘context generalisability’ (Taylor et al., 1996). For example, USA MNEs may not be able to transfer employee involvement and team-working arrangements to their subsidiaries in Saudi Arabia, as Saudi nationals tend to prefer hierarchical decision-making structures.

In terms of transferring HRM practices, some host countries place fewer constraints on subsidiaries: they are more open and permissive in their acceptance of transferring distinct practices (Whitley, 1992). Other host countries have more regulations and add constraints. These countries are more closed and constraining, so that it is difficult for MNEs to transfer their home origin practices to their subsidiaries’ operations. These subsidiaries may exploit their competencies and expertise in relation to the local business system in order to prevent the transferral of practices from the country of origin (Tempel, 2001).

The tendency to manage and control subsidiaries overseas through either centralisation or decentralisation is determined by the institutional environment of the host country (Ferner et al., 2004; Ferner, Bélanger, Tregaskis, Morley & Quintanilla, 2013; Taylor et al., 1996). From the subsidiary’s perspective, the key question is how to integrate efficiently into the local host country and simultaneously obtain the best value from



the MNE's networks (Holm, Holmström & Sharma, 2005). Different streams within the literature on the parent-subsidiary relationship—such as the MNE's inter- and intra-organisational relationships (Ghoshal & Bartlett, 2005), the differentiated network view (Ghoshal & Nohria, 1997) and the 'heterarchy' perspective (Mayrhofer & Prange, 2015)—have changed the perspective on MNEs. Therefore, in terms of relationships with their subsidiaries, MNEs are viewed as decentralised units rather than centralised and uniform units (Gammelgaard, McDonald, Stephan, Tüselmann & Dörrenbächer, 2012). However, some studies show that MNEs with different national origins have distinctive patterns of centralised control and subsidiary autonomy in their HRM policies and practices. For example, USA MNEs are more centralised than those of other nationalities (Child, 2000). In terms of subsidiary autonomy, fluctuation between centralisation and decentralisation policies reflects short-term contingent managerial adaptations to the subsidiary environment (Ferner et al., 2004). Further, subsidiary autonomy reflects distinctive capabilities and a significant exploitation of the uncertainties of diverse HQ strategies (Ferner et al., 2004).

When operating overseas, subsidiaries typically challenge both external legitimacy in the host country and internal legitimacy within MNEs (Peng, 2012). It is vital that all MNEs are legitimate; without legitimacy, they may not have access to vital resources that are critical to gaining competitive advantage. Thus, institutional theory suggests that firms can achieve legitimacy through creating isomorphic adaptations to the institutional environment (DiMaggio & Powell, 1983; Kogut, 1991; Kostova et al., 2008). Although institutional theorists suggest this, their perspectives vary on how MNEs respond to multiple institutional pressures. For example, neo-institutionalist such as DiMaggio and Powell (1983) and Meyer and Rowan (2012) suggest that an MNE's success is determined by its extent of alignment with the institutional environment. Conversely, traditional institutionalist, such as Hirsch and Lounsbury (2015) assert that organisations are not passive: they are active agents who can manage and cope with numerous types of institutional environments (Kostova et al., 2008). Moreover, institutional theorists assert the concept of 'embeddedness' and the benefits of establishing relationships with local actors, leading to trust-based relationships (Gammelgaard et al., 2012).

Marano and Kostova (2015) argue that MNEs face multiple institutional environments in different countries overseas and thus achieving legitimacy through isomorphism is difficult. However, MNEs do not necessarily have to adjust to the local institutional system; rather, they need to manage their legitimacy through negotiation processes within their various institutional environments (Greenwood & Meyer, 2008). Further, organisations operating in many countries and multiple environments may have a wide range of organisational experience when facing legitimacy matters and negotiating with important legitimising actors (Petrou, 2015). As a result, the dynamic processes of adaptation or hybridisation are created (Ricciardi, 2010). The hybridisation process is defined as the melding together of items—including cultures—due to globalisation and wide-ranging cross-cultural encounters (Kraidy, 2005). Therefore, some authors argue that modifying a firm's business system is necessary for a successful HR system (Ferner & Quintanilla, 1998; Ferner & Varul, 2000).

Most of the literature on transferring HRM practices focuses on the interactions of the Triad nations, where MNEs are substantially concentrated (Bartlett & Ghoshal, 1998; Castellani, Jimenez & Zanfei, 2013; Ferner & Varul, 2000; Hirst & Thompson, 1999; Khan, 2010; Schmitt & Sadowski, 2003). Minimal literature exists that examines the transfer of HRM practices in developing economies located in developing countries like Saudi Arabia. Further, this research's focus extends to the potential constraints and opportunities for MNEs from a dominant economy (such as the USA) but who are situated in developing host country (such as Saudi Arabia).

The extant literature on the topic reveals that interactions between different national systems have increased due to greater globalisation and internationalisation of the world economy. However, economic efficiency and a country's productivity growth is not considered to signal the diffusion of best practice models to other countries, due to the robust nature of distinct institutional systems in resisting change. MNEs (both those located in the home country and in international subsidiaries) operate amidst a mixture of diverse national systems, encountering constraints and creating opportunities in the different business systems of host countries (Cruz, 2011). Significantly, the context for this research is defined by the lack of current research on MNEs and the transfer of HRM to developing countries, particularly to a country like Saudi Arabia, a host country with an emerging, developing and transitional economy.

## **2.3 Research Framework**

The developed research framework aims to identify the diverse forces that have a significant effect on a subsidiary's nationality and on the transfer process of HRM policies and practices. The key research concept is to consider the different factors such as social, institutional and cultural values that contribute to creating the behaviour of economic organisations across countries.

To understand the nature of economic organisations, it is important to comprehend the national business system at the macro level. Moreover, it is also necessary to discuss the meso and micro levels that affect the macro level, to understand business organisations. Therefore, a four-level analysis framework is proposed that simultaneously allows analysis of organisations, industries, nations and HRM policies and practices. The research framework explores how—and to what extent—the single or collective forces of the macro, meso and micro levels and HRM policies and practices constrain and offer opportunities for transferring HRM policies and practices, Appendix 4 is summarised the research framework.

### **2.3.1 Country level**

Different critical frameworks have been developed to analyse the degree to which the key social institutions, historical development specificities and national cultures influence organisational performance. Of these frameworks, cultural and institutional theories have both made significant contributions to these analyses. The cultural approach aids understanding of MNE social interactions in terms of different cultures, religions, languages and values. The cultural approach in this study focuses on the values and attitudes that are widespread in both Saudi Arabia and the USA, and the way in which these values shape managers' choices in determining employment practices. Nevertheless, it is quite significant that MNEs understand and evaluate the host country's culture to survive and establish a business in that country. MNEs cannot simply transfer their management policies and practices to subsidiaries without considering local settings and cultures. Another critical framework is the comparative institutional approach. This establishes a conceptual framework that enables

examination of different national systems by dealing with concrete facts. It is significant for this study that the key focus of institutional theory is the impact of both home and host country institutions on the management practice transfer process across borders. However, this study applies both cultural and institutional frameworks to help answer the research questions: (what is the degree of autonomy and discretion that USA MNEs give to their Saudi Arabian subsidiaries the transfer of HRM; that is, what is the 'home country impact?; what are the cultural, societal, legal and business-specific issues that affect HRM practices in the transfer process?; what are the similarities and differences across the four case studies and the reasons behind these variations?).

Business system characteristics develop interdependently with key social institutions in different countries; therefore, distinctive systems of economic organisations are recognised in particular institutional contexts. Thus, a business system's distinctiveness reveals the extent to which key social institutions are integrated (Hall et al., 2001; Whitley, 2000). Moreover, it is important to understand the nature of business organisations by comprehending the social institutions that play a significant role in shaping an organisation's national business system. Variations occur within social institutions that may affect the transfer of HRM policies and practices; however, this research limits these factors to the state, the economic system, the education and training system, and the network of business associations.

The significance of the state as a social institution is represented in its role of coordinating economic development. The state controls the economy and shares the risks; consequently, these businesses become more dependent on state policies and structures. For example, many states of Anglo-Saxon origin have the competency to coordinate economic development dynamically (White, 2005). Further, state institutions affect an organisation's activities along with other key institutions such as education, finance, the industrial relations (IR) system and business associations. According to Whitley (2000), since industrialisation, states have had the power, through their policies, to support organisations by sustaining a supportive economic and political environment.

In general, the financial system's role as a social institution varies across firms due to differences in their political, cultural and historical backgrounds, as well as in firm

size, complexity and technology. Broadly speaking, the financial system's form and impact vary with its ability to influence industrial progress and a firm's strategic decisions, as well as risk management. According to Allen and Gale (2001), the financial system is a significant mechanism in allocating resources in firms: it influences the relationship between banks and organisations and channels household savings to firms. The financial system controls market transitions and the prices of financial assets set by competition; hence, it affects corporate strategies.

The education and training system is another social institution that influences the national business system. An organisation's development is influenced by the education and training system, which is a critical factor in establishing competitiveness for organisations (Osterman, Kochan, Locke & Piore, 2002). According to Muller and Doloreux (2009), there is a relationship between a society's institutional structures and its organisational forms and HRM practices. In addition, organisational and HRM practices are linked to market strategies and segments. Similarly, Maurice (2013), through his 'societal-effect approach', determines how actors build organisations and how this process can affect the social sphere in which those actors work.

The network of business associations is another social institution with great impact on determining organisations' national business systems. The nature of business association networks varies between countries. However, the power of business associations is in part, the power of business. Its significance is reflected in its contribution to pluralisation of the institutional environment. The business association network's significance is manifest in the creation of stable, long-term relationships among organisations.

### **2.3.2 Industry level**

In terms of the transfer process, much attention has focused on the manufacturing sector, neglecting the transfer of HRM practices in the service sector. This is despite the significance of the services sector and of retailing in particular, both in economic terms and as a source of employment.

National particularities are considered critical in determining the competitive advantage of industries. However, it is worthwhile to consider the significant role of the sector in analysing the MNEs' HRM practices. Several studies highlight the

sector's significant effect (Collings, Wood & Caligiuri, 2014; Locke, Kochan & Piore, 1995; Smith, 1995; Vo & Hannif, 2012). For example, Porter (1990) notes that the most significant factor of competitiveness at national levels is productivity. He asserts the basic concept of analysis for understanding competition is the 'industry'. Porter (1990) adds that industries, along with world markets, vary from multi-domestic to global in their competitive environment. Multi-domestic industries are usually managed perfectly, as a range of autonomous businesses with distinct investment decision making. In multi-domestic industries, MNE subsidiaries are comparatively autonomous from their HQ. Such firms depend mainly on local resources. They are driven by local competition to gain local legitimacy. Consequently, these firms are locally responsive and adopt most practices of the host country's firms. According to Bartlett and Ghoshal (2002), multi-domestic firms usually distinguish their products and services to fulfil different local demands and usually adapt their policies to match the distinct cultural and institutional environment. As far as HRM is concerned, its role in the multi-domestic industry is more likely to be local and domestic in structure and orientation (Khadria, 2008). However, if foreign MNE subsidiaries operate in global industries, the MNE needs to supply the international support required for the company's primary activity (Pattanayak, 2005).

In contrast to multi-domestic industries, global industries operate in a worldwide setting. Porter (2008) describes global industries as a collection of domestic industries in which entities compete against each other on a truly worldwide basis. According to Bartlett and Ghoshal (2015), foreign subsidiaries in global industries show a higher degree of interdependence with their MNE HQ and its other subsidiaries. They produce standardised products in a cost-effective way in an integrated production process. Further, global industries receive a high level of support from HQ regarding technological and managerial knowledge for greater integration and coordination. However, these types of industries are less dependent on the local market; therefore, they face less pressure to adapt to local norms (Hoskisson, Hitt, Ireland & Harrison, 2012). In terms of HRM, diffusion of the home country influence is much clearer in global industry MNEs than in multi-domestic ones (Ferner, 2000). In these cases, HRM is integrated strongly into the international corporate strategy of the home company (Schuler, Farr & Smith, 2013). It is therefore significant that the host

country's local environment is recognised, as it is assumed that governmental policies regarding a specific industry are critical when analysing overseas MNEs.

### **2.3.3 Organisational level**

The significance of the effects of organisational characteristics on the transfer of HRM policies and practices has been extensively researched (Beechler & Yang, 1994; Gamble & Blackwell, 2001; Jackson & Schuler, 1995; Rosenzweig & Nohria, 1994; Yuen & Kee, 1993).

Several studies emphasise the following organisational factors as affecting the transfer of HRM policies and practices: business strategy, administrative heritage and the subsidiary's nature (with the latter represented by the subsidiary's function), size and ownership. Bartlett and Ghoshal (2002) and Vo and Rowley (2010) use resource-based theory to stress the importance of HRM's position with specific organisational competencies to sustain a competitive advantage. Further, Myloni, Harzing and Mirza (2007) argue that an organisation cannot produce all of its critical resources itself, and depends on other factors.

Ibrahim and Shah (2013) argue that business strategies are the critical source of HR contingencies in characterising strategic HRM practices. They further emphasise that business strategies determine key HR requirements and create opportunities for HRM practices to support organisational business strategies. Similarly, Bartlett and Ghoshal (2002) confirm that strategic HRM plays a fundamental role in strengthening the interlinked relations between long-term global business strategies and flexible local operations.

The essential idea proposed by these authors is that developing and implementing international strategic HRM is a key purpose for MNEs' global business strategy. As stated by Prahalad and Doz:

as the required variety of strategic control configurations increases, MNEs [multinational enterprises] will be less and less able to rely on resource dependence and standard systems and procedures to achieve the required level of strategic control over their operations. Consequently human resource management has a key role to play (1987: 61).

For any organisation, administrative heritage constitutes a strong body of knowledge, values, managerial competencies and past experiences, one that shapes how new tasks are organised and conducted, whether in the home or foreign country (Bartlett & Ghoshal, 2015; Beechler & Yang, 1994). An organisation's administrative heritage is shaped by the home country's culture, norms, values and social system. Additionally, in determining an organisation's HRM policies, a significant factor is the subsidiary's nature in terms of its function, age (years of operation in the host country), size (total number of workforce) and ownership type (greenfield/acquisition).

Yiu and Makino (2002) examine ownership strategies in line with institutional theory. They suggest that organisations choose ownership types principally to achieve legitimacy. Based on the institutional literature, ownership strategy is influenced strongly by isomorphic pressures embedded in the host country context (Powell & DiMaggio, 2012). The ownership factor can be considered as the social identity created when a foreign subsidiary conforms to external and internal institutional pressures to gain legitimacy (Greenwood & Meyer, 2008).

#### **2.3.4 Human resource management level**

MNEs are a powerful tool for transferring managerial and technical knowledge across nations. The parent company is often strongly motivated to transfer one or more of its HRM practices as significant competencies and resources to its subsidiary (Taylor et al., 1996). Therefore, the organisation's resources are focused on these specific practices or functions. According to Perlmutter (1969), MNEs have three strategies to choose from as techniques for transferring HRM policies and practices: ethnocentric, polycentric and global.

The ethnocentric strategy is when MNEs decide to apply the same HRM policies and practices in their subsidiaries as are applied in the home country. For example, USA organisations usually transfer USA HRM policies and practices wherever they establish a subsidiary. With the polycentric strategy, firms broadly follow practices that are dominant in the host country. Global strategy refers to a firm following a universal or global policy that can be implemented worldwide. However, the decision making that occurs when choosing from these policies and strategies depends on the organisational culture and philosophy alongside the local culture and conditions.



MNEs can transfer HRM policies and practices more easily to their subsidiaries in countries where the local workforce is low in power and people are unskilled or uneducated. In contrast, it can be difficult for MNEs to transfer HRM policies and practices to a high power distance country with a local workforce who are well educated, highly skilled and supported by local regulations and rules (Myloni et al., 2007). Further, HRM policies and practices may vary within the same subsidiary. Some HRM practices might be the same as those followed in the country of origin, while others may be more typical of the practices followed in the host country. For example, Rosenzweig and Nohria argue that ‘adherence to local practices is the dominant influence’ on MNEs’ HRM practices (1994: 250). They find that in most USA MNEs’ subsidiaries, some HRM practices (such as wage rates, hours of work, retirement age, holidays or employment forms) resemble the local context more closely. These HRM practices are highly sensitive to local regulations. However, others are less sensitive to the local context and are easily transferred, such as salary structures, promotion systems or job design (Rosenzweig & Nohria, 1994).

According to Beechler and Yang (1994), the degree and nature of the practices that MNEs transfer to their subsidiaries can vary. In a study of five manufacturing and five services subsidiaries of Japanese MNEs, they found remarkable differences in the nature of the HRM practices transferred to USA subsidiaries. The context of the five manufacturing companies located in Tennessee was characterised by low workforce turnover, a relatively uncompetitive labour market and a less individualistic and homogeneous workforce when compared to the services companies located in New York City. These operate in a context characterised by a heterogeneous workforce in terms of religion, culture, race and gender; high workforce turnover; a competitive labour market; and a highly skilled workforce shortage. However, the Japanese subsidiaries had to detach from home country HRM practices such as job flexibility, long-term training, group-based promotion, benefit payments and also seniority-based wage agreements; they adopted USA-style HRM practices after these home country HR practices failed.

As a result, it is argued that the discussion thus far justifies using HRM-specific factors as a fourth level of analysis, joining the national, industrial and organisational levels,

as single or collected forces, and reflecting the opportunities and constraints at different levels.

## **2.4 Chapter Summary**

This chapter has reviewed two different perspectives regarding the key influence of nationality on the global market. The globalisation perspective argues that economic organisations follow the same rules of capitalism that guide the homogenisation of organisational performance due to the power of change or the power of globalisation. The alternative perspective argues that nationality possesses enduring power over the performance of economic organisations both at home and abroad. However, each view complements the other in a way that contributes to a general understanding of the interrelationships of national business systems in the global economy.

Further, this chapter has discussed the main theoretical frameworks: the cultural and comparative institutional perspectives. The cultural approach clarifies the social interactions of MNEs in terms of different cultures, religions, languages and values. The key contribution of comparative institutional theory is its creation of a conceptual framework that enables a comparative study of different national systems based on concrete facts. Therefore, comparative institutional theorists attempt to explain the processes and the degree to which institutions shape the organisational behaviours and structures in local environments. MNEs are primarily managed from the country of origin in which they are embedded, while operating in several countries and in particular sectors. Further, these companies are interrelated with various local networks that bring simultaneous constraints and opportunities.

The key contribution of this study is based on the intent of the research framework to assist the understanding and analysis of the diverse factors and the interrelationships between them that shape the economic organisations' behaviour in relation to their subsidiaries. In particular, this study focuses on those factors as they relate to MNEs in the US and Saudi Arabia, due to the gap in the extant literature relating to MNEs and the process of transferring HRM practices to developing economies. In contrast to this theme, numerous studies have made significant determinations regarding Triad power countries and their collaborations among subsidiaries. Accordingly, the current study bridges this gap and adds to the body of knowledge by focusing on a developing

country; namely, Saudi Arabia. This study adopts the cultural and comparative institutional theoretical approaches to explore how, and to what extent, subsidiary HRM behaviour and the transfer of HRM practices is influenced by the macro , meso, micro and HRM level influences. The next chapter presents the context of HRM in Saudi Arabia, as the host country of this study.

# **Chapter 3: The Human Resource Management Context in Saudi Arabia**

## **3.1 Introduction**

This chapter will explain the context of HRM in Saudi Arabia through providing an understanding of the national business systems, including the country's culture and business practices. Despite the minimal research on HRM policies and practices in the Saudi Arabian context, this chapter presents a comprehensive description of the context for HRM practices in Saudi Arabia. It does this by explaining the political and legal contexts, the education system and labour market context and the new legal framework. However, it is important to understand the history and geography of Saudi Arabia in the context of the Gulf Cooperation Council (GCC) countries. GCC countries share common features, norms and practices due to their common historical, religious and socio-cultural features. The current research focuses on HRM in a GCC country; the existing literature on this region tends to focus on topics other than HRM, such as economic growth, market force regulations and laws or political issues (Budhwar & Mellahi, 2007). Limited research exists on the transfer of HRM policies and practices from developed to developing countries and in particular, to Saudi Arabia. Regarding HRM policies and practices, GCC countries are quite similar to other developing countries (Budhwar & Debrah, 2009; Debrah & Budhwar, 2004). GCC is a regional intergovernmental political and economic union consisting of all Arab states in the Persian Gulf (also known as the Arabian Gulf), with the exception of Iraq. Its member states include the Islamic monarchies of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) (Al-Somali, Gholami & Clegg, 2015). GCC countries have a special environment that affects HRM. The Islamic culture, norms, values and habits influence the nature of HRM in MNEs. However as already established, the literature on HRM in GCC countries is limited. Growing trade and investment in the region has seen interest in the region's business practices (including HRM) increase. The significant contribution of HRM to the strategic objectives of organisations, both locally and internationally, is encouraging academics and practitioners to study HRM systems in different countries and

institutional contexts (Brewster, 2004; Brewster, Sparrow & Vernon, 2007; Schuler, Budhwar & Florkowski, 2002; Wright, Snell & Dyer, 2005).

GCC countries are governed by powerful regimes that play a strategic role in shaping all the countries' affairs, including their HRM practices. These governments have the power to interfere directly or indirectly with organisational HRM practices and policies. Direct intervention occurs through laws and regulation imposed on MNEs. According to Mellahi (2007), direct intervention prevents MNEs from applying some HRM practices that governments do not consider appropriate. Compliance with local regulations and rules varies from country to country due to many factors. For example in some countries, regulations are perceived as a moral framework to follow, and MNEs follow these sanctions as it is the right action to take (Goddard, 2002; Mellahi, 2007). For normative (indirect) intervention methods, governments encourage the diffusion of HRM best practices by changing the expectations that sustain HRM practices. The main goal is to institutionalise appropriate HRM practices by influencing managers' beliefs regarding what constitutes HRM best practices from the government perspective. The normative intervention method depends on the requirements provided by governments as guidelines for MNE operations (Mellahi, 2007). GCC countries, as oil-producers, plan to reduce their dependence on the oil sector and develop other sectors, such as manufacturing, agriculture and the hospitality and services sectors (Mellahi, 2007). Strong movements have emerged in these countries to develop a local workforce and reduce the number of foreign workers. Despite this, these countries suffer from a shortage of skilled local labour, particularly in HRM, in both the public and private sectors (Mellahi, 2007). In addition, other sectors are also experiencing shortages, including hospitality, which is the focus of this research. The reasons for this include problems with educational systems and cultural issues, such as religious and traditional values that control people's lives and attitudes. In addition, the most significant reason is the weak link between the educational system outputs and the needs of economic sectors, particularly hospitality and services that require skilled and professional labour (Achoui, 2009). For example, the female participation rate in the local workforce is still considered low, with a 14.4 per cent of females employed and 78.3 per cent unemployed in 2010 (Assaad, 2014). The main reasons behind the low rate of female participation in the local workforce, particularly female job seekers, include limited access to education and training,

females preferring public sector employment and the presence of strong community resistance to female workforce participation. According to the previous Saudi Labour Minister:

"the [Labour] Ministry is not acting to [promote] women's employment since the best place for a woman to serve is in her own home. ... therefore no woman will be employed without the explicit consent of her guardian. We will also make sure that the [woman's] job will not interfere with her work at home with her family or with her eternal duty of raising her children". (The Middle East Media Research Institute, 2006).

In Saudi Arabia, women are allowed to work only in places where they can serve women exclusively and no interaction with males. Further, women are allowed to work as doctors, nurses, teachers, and bankers and in jobs that they contact only with women. On the other hand, some jobs are not allowed for women to work in such as judges, attorney, engineer, as receptionist in hotel, or waiter.

GCC countries share common features: one of the most important is the influence of the Islamic culture, work ethics and principles. However, there is a dearth of research on the potential association between religious beliefs and HRM in the extant literature (Budhwar & Mellahi, 2007). According to Budhwar and Mellahi (2007), HRM systems in GCC countries are quite similar to those in developing countries that are sensitive to the local culture and to restricted participation in the decision-making process. Some studies find that cultural values significantly influence employee preferences in relation to HRM policies and practices in GCC countries, and how the culture controls people's decisions regarding participation in the decision-making process (Ayca, 2005; Budhwar & Mellahi, 2007). Research indicates that Islamic values have a significant effect on the workforce in shaping policies on HRM and gender participation (Budhwar & Mellahi, 2007; Mellahi, 2007; Metcalfe, 2008).

Social conditions play a very important role in GCC countries. According to Abed, Erbas and Guerami (2003), the following five conditions impede growth and development: slow political reform, dominant public sectors, underdeveloped financial markets, trade restrictions and fixed exchange rates. Further, Looney (2003) identifies other factors such as the lack of integration into the global economy,

increasing unemployment rates, heavy oil dependence and a lack of privatisation initiatives as constraining growth.

### **3.2 Saudi Arabian History and Geography**

Saudi Arabia occupies about 80 per cent of the Arabian Peninsula. It covers approximately 2,250,000 km<sup>2</sup> (868,730 sq. mi) and is listed as the world's thirteenth largest state, according to the CIA World Fact Book (World Bank, 2014). Geographically, Saudi Arabia is dominated by the Arabian Desert and associated semi-desert and shrub land; accordingly, the country has a desert climate. No rivers or lakes exist, but there are many valleys. The central plateau is Saudi Arabia's main topographical feature. This rises abruptly from the Red Sea and gradually descends into the Nejd and towards the Persian Gulf.

Saudi Arabia is one of the GCC countries, along with Oman, Kuwait, the UAE, Bahrain and Qatar, and has a population of 28,287,855. Saudi Arabia is located in western Asia (the Middle East). It covers an area of 149,690 km and is the largest GCC country (see Figure 3.1). Riyadh is the capital city and its currency is the Saudi Arabian Riyal. The Kingdom of Saudi Arabia is an absolute monarchy. According to the Basic Law of Saudi Arabia (approved by Royal Announcement in 1992), the king must act in accordance with Islamic law (Sharia), the Quran and the traditions of the Prophet Mohammed (Sunnah), which are confirmed in the country's constitution. Among the governments of 167 countries worldwide, the Saudi Arabian government is rated as the seventh most authoritarian (Velez-Calle, Robledo-Ardila & Rodriguez-Rios, 2015). No political parties, individual or collective bargaining or national elections are allowed; however, in their absence, politics in Saudi Arabia occurs in two distinct arenas. One is within the royal family of Al-Saud and between the royal family and the Saudi community. The other occurs outside the royal family's contribution in the political process and is limited to a small section of the population with whom the royal family consults on major decisions: the *Ulema* or Sheikhs, religious leaders or members of important commercial families (Crooke, 2015).

Historically, King Abdul-Aziz Al-Saud established the first Saudi state in 1932 (Bowen, 2014). He united all the tribes into one nation after he captured Hijaz, including Makkah and Madinah, and after he established Riyadh as his headquarter.

In 1932, the united country was named the Kingdom of Saudi Arabia, an Islamic state with the Holy Qur'an as the country's constitution and Arabic as the national language. Between 1932 and 1964, King Abdul-Aziz Al-Saud ruled the country and established its infrastructure, developing many systems such as education, health and agriculture. The country continued to modernise between 1953 and 1964, with King Saud bin Abdul-Aziz Al-Saud and the first council of ministers established. These included the ministries of health, education and commerce. At this stage, the education system had been successfully developed, with many schools established including the first institute of higher education, King Saud University (in 1957). Additionally in 1962, King Saud bin Abdul-Aziz Al-Saud sponsored the international Islamic conference that represents the world Islamic league and its headquarter in Makkah. From 1964 to 1975, Saudi Arabia developed economically and socially under the rule of King Faisal Bin Abdul-Aziz Al-Saud. He transformed the country's infrastructure, particularly the industry sector (Bowen, 2014). During this time, the first school for girls was established, considered a remarkable educational transformation. This tremendous development and growth has continued. From 1982 to 2005, King Fahad bin Abdul-Aziz Al-Saud led the country to great socio-economic development by promoting private enterprise and investment. In 2005, the first nationwide municipal elections occurred. Saudi Arabia has witnessed significant accomplishments, represented by a series of projects to expand the country's facilities to accommodate millions of yearly pilgrims (Bowen, 2014). Under the rule of King Abdullah Bin Abdul-Aziz Al-Saud, the education system has been expanded and modernised; many universities have been established, along with a scholarship program that supports the international studies of over 100,000 young Saudi men and women around the world (Bowen, 2014). In addition, Saudi females have taken seats in the Majlis al-Shura (Consultative Council) for the first time in the conservative kingdom's history (Saudi Gazette, 2013).



Figure 3.1: Map of Saudi Arabia



Source: Google Maps

**Table 3.1: Saudi Arabia Facts & Figures**

Location	Middle East, bordering Jordan and Iraq to the north, Kuwait to the north east, Qatar, Bahrain and the UAE to the east, Oman to the south east, and Yemen to the south. It is the only nation with both Red Sea and Persian Gulf coastlines. (see Figure 1)
Capital	Riyadh
Population	29,897,000
Language	Arabic
Religion	Islam
Literacy rate	96%
GDP	US\$745.27 billion
GDP per capita	US\$51,779
Labour force	7.63 million
Exports	US\$381.5 billion Export partners (USA 14.3%, China 13.7%)
Imports	US\$136.8 billion Most important import partners (China 13.5%, USA 13.2%)

Sources: WB (2015), CIA (2015)

### **3.3 Religion, Culture and Politics**

Saudi Arabia is governed by an Islamic monarchy with Islam comprising the civil, cultural, economic, legal, political and social fabric of the country (Bowen, 2014). The Saudi Arabian judicial system is built on the fundamental assumption that the Holy Qur'an is the most suitable legal system for the country, rather than any secular constitution (Saudinf, 2006). The Basic Law, adopted in 1992, states that Saudi Arabia is a monarchy ruled by the sons and grandsons of the first king, Abd Al Aziz Al-Saud and that the Holy Qur'an forms the basis for the kingdom's constitution, which is governed on the basis of Islamic law (Sharia) (Saudinf, 2006; Bowen, 2014). Sharia laws are governed by two primary sources: the Holy Qur'an and the teachings of the Prophet Muhammad (the Sunnah). Saudi Arabia's law, based on Sharia, is a system of incentives and penalties, as well as a system of moral principles and sacred symbols. Religious police (muttawa) who are responsible for finding and arresting violators impose sharia law in the country. According to the Islamic constitution of Saudi Arabia, women are required to cover their bodies in black robes and face coverings

(abaya) as a sign of respect for Muslim modesty laws. People are obliged to follow Islamic commands and the social structure is organised into clans and tribes (Saudinf, 2006; Bowen, 2014).

The Saudi culture is family oriented, with a strong sense of loyalty to the in-group (Mellahi, 2007). In Saudi Arabia, family is considered the key object of loyalty; individuals always identify themselves as being part of family (Dickson, 2015). In Islamic society, family is the most fundamental social institution (Wahab & Rahman, 2011). Aldraehim, Edwards and Watson (2012) believe that '*wasta*', is a form of nepotism, is deeply rooted in the Saudi community due to the country's culture. This results from Saudis being integrated from birth into a strong and cohesive family and tribe; this strengthens the widespread practice of *wasta* in the community (Mellahi, 2007).

The Saudi Arabian political system dates back to the establishment of the Kingdom of Saudi Arabia in 1932 by Ibn Saud, of the House of Saud. Since that time, Saudi Arabia has remained an absolute monarchy, where the king is the chief figure in the government and the head of state. The royal family dominates most aspects of political life. Despite the introduction of substantive formal rules-based structures in economic management, personalised and idiosyncratic factors based on informal customs and judgements still dominate the management of both private and public organisations (Forstenlechner & Mellahi, 2011; Rice, 2004).

The king rules the country through a council of ministers. Neither political parties nor trade unions are allowed (Kéchichian, 2004). The king administers through royal and ministerial decrees. People participate in the country's political life through the Majlis al-Shura (Consultative Council); here people can voice their concerns and communicate their views to the government (Mellahi, 2007). The Majlis al-Shura consists of around 90 appointed members and a chair, who is appointed by the king. However, the king is the final authority for promulgating laws and determining new policies, although members of bodies such as the Majlis al-Shura may influence the king's decisions (Al-Twajjry, Brierley & Gwilliam, 2003). Ministers and heads of key departments within ministries have the power to make decisions on matters relating to their responsibilities, subject to their decisions being consistent with Islamic principles and to royal and ministerial decrees (Al-Twajjry et al., 2003; Stephenson, Russell &

Edgar, 2010). That is, royal decrees may adopt laws and regulations that are not directly based on, but must not contradict, Sharia laws (such as some aspects of labour and FDI laws and taxes).

### **3.4 The Labour Market**

Saudi Arabia's education system has been transformed extensively since 1932, when Saudi Arabia was formed as a nation. Before then formal education was largely limited to instruction for a select few in Islamic schools. Education is now available to all citizens from primary level to college. Today, the education system includes 25 public and 27 private universities (with more planned), approximately 30,000 schools and a large number of colleges and other educational institutions (Saudi Ministry of Education, 2014).

The education system has Islamic religious content; Islam is at the curriculum's core and education is oriented to Islamic values. The education system is segregated by sex and divided into three separately administered systems: general education for boys, general education for girls and traditional Islamic education for boys. The latter system educates boys to become religious clergy or members of the *Ulema*. As mentioned above that the Sharia is embodied in the education system in Saudi Arabia, this is because the role of education is to keep the Saudi society in a moral and religious life. Further, gender segregation is the status label in Saudi Arabia In all education level from primary to university. By promoting segregation in the education system in Saudi Arabia, the religious Saudi society and culture is preserved. The education system in Saudi Arabia deals with the genders differently based on their different societal roles. Males and females are provided with different courses through by a differential tracking system. For example, Males are taught about male activities; while females, about their roles as mothers and housewives (Baki, 2004).

Saudi Arabia's education system is structured as follows. First, pre-primary education was not regulated in public school until 2012, it was only provided by the private sector and usually expatriate parents in Saudi Arabia are users of this sector of the industry. Pre-primary education is not regulated but it possibly provided by the private sector (Saudi Ministry of Education, 2014). Second, primary education begins with year one for six-year-old students (no younger than five years and nine months at the start of

the school year), up until year six for students aged 11. Third, intermediate education occurs for three years after primary education for students from 11 to 14 years old. Secondary education takes another three years from 14 to 18 years of age. However, students who complete intermediate education have the option of either joining the general secondary education or specialised secondary education offered through technical schools. Students who complete the official tests provided and managed by each school are awarded a secondary diploma certificate: this is available in all education sectors whether public, private or international. The international school aims to deliver a curriculum (such as American, British, Indian and Pakistani) to any combination of pre-school, primary or secondary students, wholly or partly in English language outside an English-speaking country. However, private schools are required to follow Saudi regulations including gender segregation (Saudi Ministry of Education, 2014). For the international schools in Saudi Arabia, the schools that owned by locals are following the Saudi regulations including gender segregation while the schools that owned by foreign nationals are not required to separate male and female. Finally, expatriates' children do not normally access higher education at Saudi universities. Instead, most either move back to their home country or to another country in the area, such as the UAE. One reason for this is that after 18 years of age, male children can no longer stay on their father's *Iqama* and need to apply for their own. *Iqama* is a residence permit for expatriates who come to work in Saudi Arabia (Saudi Ministry of Labour, 2013).

Currently, foreign labour make up about one-quarter of Saudi Arabia's population of approximately 30 million and about three-quarters of the private sector workforce, of which 85 per cent are deemed low skilled, according to an IMF study (IMF, 2014). Foreign labour are engaged in skilled labour industries such as oil, healthcare, finance, and trading at a rate of only 15 per cent, while the majority are employed in industries requiring low-skilled labour, such as agriculture, cleaning and domestic service. Foreign labour from Europe, Canada and USA dominates the most highly-skilled positions, while low-skilled workers originate from south and south East Asia (Saudi Ministry of Labour, 2013; Pant, 2011). Typically, foreign labour enters the country on a service visa sponsored by a Saudi company or individual sponsor. The sponsor is responsible for the initial renewal of this visa and the employee's residence permit

after two years, and the renewal of the employee's documents every four years (Saudi Ministry of Labour, 2013).

However, the education system still suffers from weaknesses, such as poorly trained workers and workers with weak technical skills. Young Saudi students are graduating without the technical skills needed by the local market (Mellahi, 2007). This is the main reason for the government's encouragement of expatriates to fill these gaps, particularly in the private sector. In the 1990s, the government of Saudi Arabia delivered fundamental reforms to liberalise foreign trade and to reform investment systems to encourage private investment (Al Surf, Susilawati & Trigunarsyah, 2013). These reforms have opened the door to foreign MNEs, including USA MNEs that now have a significant presence in different activities in Saudi Arabia. To enter the Saudi Arabian market and operate a business, foreign investors need to have a local partner to manage business operations (Saudi Ministry of Labour, 2013). In 2007, the government declared the opening of new sectors for foreign investment, such as insurance services, wholesale/retail trade, communications services and air/rail transport services (Saudi Ministry of Labour, 2013). The evolution of the country into a market economy has challenged the Saudi government. This is compounded by the additional challenge of creating sustainable employment for the increasing number of young Saudis joining the labour market, thus decreasing the unemployment rate. As the public sector is unlikely to expand and provide additional jobs, the private sector has become the focus for job creation (Mellahi, 2007). The process of realising job growth faces a number of challenges, notably the matching of people to jobs, particularly where a skills gap exists, problems with the vocational training system, and a lack of focus on management and people-related skills training.

All these factors have affected HR practices in the four hotels examined in this study. Across the four cases, the HR managers agree that the hospitality industry is a new market in Saudi Arabia and that an increased necessity for well-educated workers exists. They also note that local people are not motivated to study hospitality and tourism as major discipline streams during their education. This is due to the cultural stereotyping that makes them distrust hotels as an employer: as local people have a high sense of self-worth, they perceive working in hotels as a shameful and disrespectful job in their community. However, based on the interviews with the HR

managers across the four cases, they note that once they can access the talent of local people, they will have a competitive advantage among other MNEs in the region. The government of Saudi Arabia supports the education system for males in hospitality and tourism and encourages them to complete their degrees overseas (Saudi Ministry of Education, 2014). Across the four cases in this study, the HR managers consider that young people at universities should be aware that Saudi Arabia will witness a new era of comprehensive development and modernisation in the hospitality sector and that this progress will need local people who are well prepared for professional life. Unfortunately, the education system also establishes national cultural conditions that encourage a strict hierarchical order, moral behaviour in relationships and social harmony (Vo, 2009). For example, there is no hospitality management course or college for women in Saudi Arabia (Saudi Ministry of Education, 2014). The relevant accreditation required for employment in hotels can only be obtained through the School of Administration Management (Saudi Ministry of Education, 2014). Further, belief systems within Saudi Arabia encourage negative stereotypes regarding hotels and hotel (services) employment (Al Surf, Susilawati & Trigunarsyah, 2013). Moreover, the lack of qualified local experts in hospitality and services is behind the use of expatriate subsidiaries to develop or adapt training programs that could otherwise develop skills among local people in this field. However, as part of the institutional context, the education system primarily affects HR practices such as recruitment and selection and training and development (Dowling, Festing & Engle Sr, 2008).

### **3.5 The Role of Institutions and Culture in Labour Market Regulation and Behaviour**

A number of institutional and cultural key factors have shaped the structure of Saudi Arabia's labour market, such as high population growth, heavy reliance on foreign workers, negative stereotypes of local workers by private sector employers and resistance against service work in the private sector. In relation to the high population growth, birth rates in Saudi Arabia are estimated at around 75 per cent, considered one of the highest in the world (WB, 2014). Some forecasts have estimated that the population of Saudi Arabia could increase from over 25 million in 2005 to 46.3 million in 2030. The challenge for the Saudi government is to create sustainable employment

for the increasing number of young Saudis joining the labour market. As the public sector is already saturated, the private sector is now the main sector where new jobs are created (Mellahi, 2007). For instance, in 2002 the private sector employed around 6.2 million people, representing 87 per cent of the labour force, while the public sector employed around 916,000 people, representing 13 per cent of the total workforce (Mellahi, 2007). Looney and Hamad (2004) report that the 1999–2004 Seventh Development Plan estimated that 94.6 per cent of all new job opportunities would be created in the private sector, compared to 4.6 per cent in the government sector.

The Saudi labour market relies on cheap foreign labour; the private sector has been dependent on this labour sector since the discovery of oil in the 1970s (Torofodar, 2011). Previous studies show that one of the key barriers to employing Saudis in the private sector is the widespread belief among Saudi managers that local workers are much more expensive to hire than expatriates (Mellahi and Al-Hinai, 2000). This is confirmed by the Saudi Ministry of Economy and Planning: '[w]ages should equal the marginal productivity of labour but Saudi since we've opened the gates to imported labour, we're talking about the marginal productivity of labour in Bangladesh' (Saudi Ministry of Economy and Planning, 2013).

More than 12.5 million foreign workers represent 31 per cent of the population of 40 million in GCC countries. The proportion of the population comprising foreign workers is 88 per cent in the UAE, 83 per cent in Qatar, 81 per cent in Kuwait, 72 per cent in Saudi Arabia, 55 per cent in Bahrain and 54 per cent in Oman (Arab News, 2015). Significant efforts have been undertaken by the governments of these countries to reduce the heavy dependence on foreign workers strategically, through adopting policies that focus on employing local workers instead of foreigners and developing plans that create a well-educated, professional and skilled local workforce. An additional problem is the negative stereotype that local workers are less disciplined or serious about their jobs than foreign workers (Mellahi, 2003). Managers are not enthusiastic about hiring workers who are difficult to dismiss (Mellahi, 2007). Evidence reveals that Saudi workers do not accept jobs such as sales, laundry work in a hotel, any job with a low salary or one that threatens their pride (Al Rajhi, Al-Salamah, Malik & Wilson, 2012; Mellahi, 2007). In addition, the social status of individuals is determined by their employment. Saudis have a high level of pride;



therefore, they do not accept low-status jobs (Al-Salamah & Wilson, 2001; Mellahi, 2007). However, new legal frameworks are reducing the unemployment rates of local workers by establishing policies for the private sector to improve work environments to attract local people (Looney & Hamad, 2004). These new legal frameworks include developments in work environment and workplace conditions, social protection and fairness and equality between local and non-local labour, to meet international labour standards. For example, the quota system forces the private sector to employ locals and when companies fail to comply with the requirements, these companies get penalties, see table 3.2. (Saudi Ministry of Labour, 2013). Abdulwahab, Alwaheeb and Jianqiao (2015) reported that locals do not prefer seeking jobs in the private sector due to many reasons such as private sector cannot assure them of job security, better salaries, and benefits, therefore, they prefer seeking jobs in the public sector.

### **3.6 Saudi Arabian Workforce and Human Resource Management Challenges**

This section lists the key challenges encountered in the workforce and HRM in Saudi Arabia, in addition to introducing government initiatives intended to solve these issues. These challenges include significant dependence on a foreign workforce (that has been highlighted earlier in this chapter), an increasing unemployment rate and the lack of female workforce participation.

Unemployment amongst Saudi nationals is another significant challenge. This is particularly evident among higher education graduates due to a gap between the output of education and training systems and labour market requirements, especially in the private sector. This mismatch between the content of university programs and industry requirements creates weak workforce links (Calvert & Al-Shetaiwi, 2002; Yusuf, 2014). In today's labour market, this issue is a principle challenge in HR development plans. Harmony between the content of educational/training programs and rapidly changing labour market requirements is vital. Therefore, developing the skills required for the labour market, particularly in management and technical areas, is essential. The rapid growth in new graduates who lack the qualifications and skills necessary for

employment requires effective policies and rules to ensure these graduates are not left behind.

The lack of female workforce participation presents another key challenge. The percentage of female participation in the labour market in 2013 was estimated at 16.5% per cent' whereas for males it was estimated at 83.6 per cent (Saudi Ministry labour law, 2013). Many reasons lie behind the low participation rates for females. For example, the preference for the limited jobs in the public sector as these jobs have a higher status, regular working hours and good salaries (Coughlin, 2009). Further, families prefer their females to work in employment that involves minimal communication with males, due to strict regulations that prevent females from contact with males outside their families. In some cases, families may prefer to support unemployed females rather than have them work in the private sector. Another cultural reason encouraging females to be employed in the public sector is that females may lose their 'attractiveness' as a future wife (Coughlin, 2009).

However, there are Saudi government initiatives that are addressing these challenges and developing the local workforce and HRM systems (Fasano & Iqbal, 2003). The Saudi government is developing a strategy to reduce dependence on foreign labour and encourage locals to seek private sector employment. For example, the government has prepared a long-term strategy to develop HR in line with economic growth until 2020 (Al-Darwish et al., 2015). This strategy ensures that the development of human capital will increase the technical, managerial and innovative competencies of the workforce through many avenues (Wahab & Rahman, 2011; Wahab, Rose & Osman, 2012). Educational institutions are required to develop the standards of technical and scientific courses and ensure they relate to labour requirements. Additionally, managerial abilities and skills and innovative competencies of existing companies are to be enhanced through accelerated learning in industrial management. Private companies are obliged to recruit from the local workforce through a Saudisation policy that aims to replace the foreign workforce with Saudis in the private sector (Nasief, 2015). Further, the government has linked new local graduates' skills with workforce requirements through reviewing training programs and educational curricula, and expanding technical education institutions and facilities to provide an adequate supply of skilled labour.

Regarding female workforce participation, the government has created some initiatives to open further opportunities for locals including females to participate through the Saudisation program. Further, the system of *nitaqat* created by the Saudi Ministry of Labour in 2011 ensures that both genders are treated equally as national employees; it also promotes female workforce participation (Sadi, 2013). The system of *nitaqat* is a policy designed by the Saudi ministry of labour to enhance the employment of the Saudi nationals in the private sector (Saudi Ministry of labour, 2013). This system established in 2011, it is classify the organisation of the private sector into four categories; platinum, green, yellow and red. Platinum or green means that organisations have high rate of Saudisation while yellow and red include organisations with low rates. The classification is based on the percentage of Saudi employees. The organisations with less than 10 employees are exempt from *nitaqat* system but still need to employ at least one more Saudi national employee. Organisations received incentives or penalties depending on the *nitaqat* categories as shown in table (3.2).

**Table 3.2: *Nitaqat* Policy**

<b>Platenuim category organisations</b>	<b>Green category organisations</b>	<b>Yellow category organisations</b>	<b>Red category organisations</b>
<b>Incentives</b>	<b>Incentives</b>	<b>Penalities</b>	<b>Penalities</b>
Can hire employees from any country. Easier visa processing. Condition- free visa transfer: Can hire employees from Red and yellow category and transfer their visas without the permission of their current employees.	Can apply for new visas once every two months .  Can change their foreign workers` profession except to those restricted to Saudis.	Cannot apply for new visas  Caan get only one visa after the departure of two expatriates  Cannot transfer visas and change professions  Grace period: Nine months to improve their status	Banned from change of profession, transfer of visas, issuance of new visas and opening files for new visas and opening files for new branches

(source: Saudi Ministry of Labour, 2013).

### **3.7 The Saudi Arabian Hospitality Sector**

The significance of the hospitality sector has increased in GCC countries over recent years. Historically, the GCC economies have depended heavily on oil revenues. Despite this, the region has experienced numerous economic shifts in the previous few years, particularly in the non-oil sectors. For example, as part of a flourishing tourism sector, in 2011 accommodation accounted for the largest share of tourist spending. The region's total accommodation capacity was 458,045 rooms at the end of 2013 and Saudi Arabia accounted for the largest share with 63.6 per cent of the regions' total (Aljaziracapital, 2014).

In Saudi Arabia, key tourism activities are focused on the holy cities of Makkah and Madinah, as part of religious tourism. The hospitality market is linked to pilgrims performing Hajj or Umrah in Makkah and then travelling to Madinah to visit Al Masjid An Nabawi. Hajj is a pilgrimage to Mecca on a specific date, and is expected to take place at least once in a person's life; Umrah is a visit to the holy cities at any time and possibly many times. In 2014, the number of pilgrims in Hajj reached 2,085,238 and the number of visitors for Umrah reached 5,677,430 (Saudi Ministry of Hajj, 2014). Besides religious tourism, there is strong growth in the meeting, incentives, conferences and exhibitions (MICE) segment. This enhances the tourism sector all over Saudi Arabia. Significantly, Riyadh—Saudi Arabia's capital—is a prime destination of MICE tourism. A number of luxury hotels in Riyadh are considered the first choice for business travellers. The number of MICE tourists from 2009 to 2013 numbered 50 million (Aljaziracapital, 2014). However, Saudi Arabia has witnessed great development in terms of economic, cultural and social sectors that have developed business tourism. Due to the continuous development of the national hospitality industry in the country of Saudi Arabia, many of the world's largest hotel brands are progressively increased. In 2014 Saudi Arabia had registered a 12.6% increase in occupancy to 54.1% compared to November 2014. Referring to a report by Tourism Information and Research Centre for the year 2014, the total number of employees in tourism and hospitality sectors reached 466,523. Only 30% are Saudis while the majority are non-Saudis 70% (Tourism Information and Research Centre, 2014). This is due to many reasons that are discussed in the next chapters. There are also women only hotels that considered as growing trend in Saudi Arabia. Due to the

market demand for women only accommodation, there is a growing of women only hotels (women only hotel website, 2013). According to the view of the owners of these hotels, the idea of this type of hotels comes as a solution to the difficult situations encounter Saudi women, particularly the travellers despite the fact that this type of hotels will increase the gender segregation. Due to some women jobs that require their travel across the country, women only hotel make the life of Saudi women much easier. This is because of the strict rules that force hotels to not accommodate single women in Saudi Arabia. Usually hotels in Saudi Arabia only accommodate women who are either accompanied by male family members or women who have the approval documents from their male guardians. However, in women only hotels the management and staff are all women, men only hired as needed as plumbers or electricians.

### **3.8 Chapter Summary**

This chapter has provided a contextual review of HRM in Saudi Arabia (the host country of this research) by identifying the national business systems, including the country's cultural and business practices. This chapter has presented many aspects of the Saudi Arabian context that help to draw a comprehensive picture of HRM system conditions through clarifying the political and legal contexts, the education system and labour market context and the new legal framework, along with some challenges for HRM.

This chapter has shed some light on the role of Saudi culture, religion, politics and education to understand how these factors can affect the labour market that depends heavily on expatriates and shape HRM policies and practices. Further, it is vital to understand the institutions and cultural settings in Saudi Arabia that must be accommodated in the hospitality sector, as well as the key role of these settings in controlling labour market regulations and behaviours. In addition, this chapter has presented the main challenges that face the workforce and HRM in Saudi, especially the hotel market as it considers as a new market in the country and dominated by the expatriates. Further, these challenges include a significant dependence on foreign workers, increasing unemployment rates and the lack of female workforce participation.

## **Chapter 4: Research Methodology**

### **4.1 Introduction**

Chapter 2 discussed different perspectives regarding the key impact of nationality on global markets. The globalisation perspective argues that economic organisations follow the same rules of capitalism that encourage homogenisation in relation to organisational policies. The nationality perspective suggests that nationality possesses an enduring power over the policies of economic organisations at home and abroad. However, it is also arguable that each view is complementary in the way that it contributes to understanding the national business system's role in the global economy (Vo & Hannif, 2012; Vo, 2004). Chapter 2 also discussed the main theoretical frameworks for examining these debates: the cultural and comparative institutional approaches. The cultural approach helps understanding of the social interactions of MNEs in terms of different cultures, religions, languages and values. The key contribution of the comparative institutional perspective is in creating a conceptual framework that supports comparative study of different national systems based on concrete facts. Comparative institutional theorists attempt to explain the processes through which, and to what degree, institutions can shape organisational behaviours and structures in the local environment (Sparrow et al., 2004; Quintanilla & Ferner, 2003). Chapter 3 discussed the context of Saudi Arabia, the host country in this research, through understanding its national business systems, including the culture, religion, institutional settings and labour markets.

Chapter 4 outlines the research methods and rationale for the current study. The chapter is structured as follows. The first part discusses the research design. The second part of the chapter presents a justification for the methods that direct this research. The third part describes the procedures, protocol, and ethical considerations of the research. This is followed by a discussion of the limitations of the methods used.

To address the central research question: to what extent do USA-owned MNEs (in the hotel sector) transfer their HRM policies and practices to their subsidiaries based in Saudi Arabia? it is important to understand managers' perceptions of this transfer process. Qualitative studies relate to research questions that seek answers to 'how

do...?’ questions concerning real world phenomena. Qualitative research methodology seeks insights to assist understanding of social problems (Malhotra & Birks, 2007). The methodology helps researchers to gain insights into the social constructions of meaning and to explain the conceptual processes underlying behaviour (Javalgi, Granot & Brashear Alejandro, 2011). Justification of the Research Paradigm

A paradigm may be viewed as a set of basic beliefs (or metaphysics) that deal with ultimate or first principles. It represents a *worldview* that defines, for its holder, the nature of the ‘*world*’, and the individual’s place in it, and the range of possible relationships to that world and its parts, as, for example, cosmologies and theologies do. The beliefs are basic in the sense that they must be accepted simply on faith (however well argued); there is no way to establish their ultimate truthfulness. If there were, the philosophical debates reflected in these pages would have been resolved millennia ago (Denzin, 1994: 107).

Mingers argues that ‘different research methods (especially from different paradigms) focus on different aspects of reality and therefore a richer understanding of a research topic will be gained by combining several methods together in a single piece of research or research program’ (2001: 241). The four paradigms in social science are positivism, realism, critical theory and constructivism. Further, three elements included in the operation of the paradigm are ontology, epistemology and methodology (Perry, 1998). Ontology is the ‘reality’ that researchers investigate, which is followed by the adoption of epistemological and methodological positions. Ontology is defined as the image of social reality upon which a theory is based. Epistemology is the relationship between that reality and the researcher. It helps to develop knowledge through focusing on the data collection process: ‘the possible ways of gaining knowledge of social reality, whatever it is understood to be’ (Blaikie, 2000: 8). Methodology is the approach a researcher uses to explore that reality and knowledge. It concentrates on how the researcher investigates knowledge about the real world. Thus, if ontology is about what we may know, epistemology is about how we know and what we need to know, and methodology is the technique used to discover that knowledge (Blaikie, 2007; Perry, 1998).

This research uses a constructivism and realism approach towards addressing the research questions.

### **4.1.1 Constructivism**

The constructivist paradigm posits that multiple realities are constructed by human beings who experience the phenomena being studied (Charmaz, 2006; Lauckner, Paterson & Krupa, 2012). Constructivism assumes that the meanings of experiences are constructed by people and consequently, that people construct the realities in which they participate. Constructivist research aims to understand how research participants construct their individual and shared meanings around the phenomenon of interest. In addition, a particular feature of constructivism is a similar meaning created by researchers in which 'their interpretation of the studied phenomenon is itself a construction' (Charmaz, 2006).

According to constructivism, no single valid methodology exists for social science and multiple methodologies are available for researchers to interpret meaning. Accordingly, the constructivist paradigm contrasts with positivism: underpinning constructivism is the belief that the only reliable knowledge is based on experience (Lauckner et al., 2012). Knowledge is not fixed; rather, it is constructed by people through their own experiences (Lauckner et al., 2012). Therefore, rather than controlling the external effects of factors such as the home and host country's national culture (as a positivist researcher is likely to recommend), this study seeks to understand specifically the effect of these external influences on the transfer process.

A face to face interviews method with management level is implemented in this study and by comparing the interview results with documents collected from four USA MNE hotels in Saudi Arabia. Based on the above discussion, the constructivist paradigm is considered appropriate for this study, as the issue of transferring HR policies and practices is embedded in (and cannot be separated from) the real world. The real world is represented by the overall business situation, organisational experimentation and management philosophy that requires research to understand as much as possible about the cultural, economic and political context (Yin, 2003).

### **4.1.2 The Realism Paradigm**

The Realism paradigm considers that there is a real world to explore (Godfrey & Hill, 1995; Guba & Lincoln, 1994; Merriam, 1988; Tsoukas, 1989). Perry (1998) argues that realism is the preferred case study research paradigm for business research for two



reasons. The first reason is that case study research is typically contemporary and requires an inductive rather than a deductive technique. The second reason is that realism is often characterised by researcher objectivity. For example, perception is not reality; it is considered a window through which researchers can see reality formed from a picture of reality triangulated with other perceptions. The realism paradigm proposes that there is a difference between the world and perceptions of that world. This paradigm recognises an external reality (Riege, 2003). The complexity of the world and the limitations in a researcher's mental capacity makes data triangulation necessary to explain imperfect observations of that reality. Constructivism considers that many realities exist; in contrast, realists consider there is one reality, but with several perceptions of it that must be triangulated to find a better picture of that reality (Perry, 1998). Therefore, both paradigms complement each other in this study.

## **4.2 Selection of Case Studies for this Research**

### **4.2.1 Why select USA multinational enterprises?**

MNEs strive to take advantage of the different business systems across countries: both the home and host country are powerfully affected by the comparative dominant power of particular countries within international businesses (Edwards & Ferner, 2002). In fact, strong economic performance in one market creates pressure for diffusion into other markets. Smith and Meiksins (1995) argue that the hierarchy of economies within the international financial system forms what are called 'dominance effects'. In other words, countries in dominant positions regularly develop methods of systematising production or the division of labour. According to Kogut (1991), these dominant effects or positions result from the chief technological and organisational elements of a system, with the former able to be diffused and adapted quickly; the latter can be diffused, but more slowly and must be adapted to the new institutional and cultural setting. The USA is considered the world's largest economy. It is a global power that plays a critical role in global economic development, dominating as both the originator and destination for international investment (Bayne & Woolcock, 2011). The USA (the home country for the MNEs in this research) has a strong political and economic relationship with Saudi Arabia. As a result, the Kingdom of Saudi Arabia was the largest USA trading partner in the Middle East in 2010 (Blanchard, 2010).

Saudi exports to the USA were US\$15,986.3 billion and USA exports to Saudi Arabia were US\$18,775.0 billion (International Trade, 2015).

In 2010, Saudi Arabia was the third-largest source of USA oil imports, at about 1.1 million barrels per day (bpd) of 11.1 million bpd gross USA imports (USA Energy Information Administration, 2011). However, when attempting to integrate HRM practices into Saudi Arabia, USA MNEs must consider the different institutional and cultural environments before making a decision to transfer HRM practices (Clark & Lengnick-Hall, 2012).

Regarding HRM, it is important to comprehend the role of the originating country through its social and institutional systems, as they can have a significant effect on constructing the shape of HRM policies and practices. Over time, the USA has occupied the top position in the international hierarchy of economies, supporting the diffusion of practices developed in the USA to other countries (Edwards & Ferner, 2002). As noted in Chapter 2, USA MNEs have management systems with distinctive features that influence HRM systems in their subsidiaries (Child, 2000; Edwards & Ferner, 2002).

#### **4.2.2 Exploratory, Descriptive and Explanatory types of case study research**

The three types of case study research are exploratory, descriptive and explanatory (Yin, 2011). Exploratory research (induction), which is the nature of this research, builds on questions that require discussion and explanations rather than 'yes' or 'no' answers to questions. This type of research is usually constructed through questions developed from extant research that guides data collection, as indicated by Perry (1998). According to Yin (2008), a literature review finds gaps and indicates unresolved research questions that lead to the development of a primary model based on existing theory. Moreover, Perry (1998) argues that exploratory research is considered the appropriate type of case study research for a doctoral (PhD) thesis in which prior theory informs data collection.

The second type of case study is descriptive case study research. Case study methodology can be used for descriptive purposes if the generality of the situation or phenomenon has secondary significance (Runeson & Höst, 2009). In this type of research, the case study builds on extensive details that relate to the research.

According to Gummesson (2006), descriptive case study research is considered the simplest of the three types and is more vulnerable to criticism, as it is dependent on reporting and observation.

The last type of case study research is explanatory. This type of research applies various kinds of qualitative methods. Explanatory case study research is normally used to study processes within organisations and is useful for informative purposes (Gummesson, 2006). Explanatory research deals with hypotheses or propositions, questions that can be answered with 'yes' or 'no', or questions relating to how many and how widespread the issues under investigation are (Runeson & Höst, 2009; Yin, 2011).

The three types of case study research incorporate three conditions: the type of research questions proposed; the extent of control that a researcher has over the actual behavioural event; and the degree of focus on contemporary events, as opposed to historical events (Yin, 2013).

This study applies a multiple case study design, which examines the real context and other multifaceted conditions that are vital for comprehending the phenomena being studied. The case study method is preferred due to its ability to reach beyond the study of isolated variables. In this research, multiple case studies are expected to effectively represent USA subsidiaries operating in the Saudi Arabian hospitality industry. This research uses a multiple case study design that is appropriate in a study where a critical, unique or revelatory case is signified, as argued by Yin (2011). Walsham (2006) argues that multiple case studies allow researchers to investigate phenomena in-depth, providing a good understanding of the issues concerned. However, Yin argues that:

[m]ultiple case designs have distinct advantages and disadvantages in comparison to single case designs. The evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust. At the same time, the rationale for single case designs cannot usually be satisfied by multiple cases. By definition, the unusual or extreme case, the critical case, and the revelatory case all are likely to involve only single cases. Moreover, the conduct a single student or independent research investigator. Therefore, the decision to undertake multiple case studies cannot be taken lightly (2013: 57).

Multiple case study design also represents a set of empirical conditions: the findings of multiple cases are generalisable to other empirical settings in which other cases can test and confirm findings in additional settings. Further, multiple case study design allows researchers to retain holistic and meaningful characteristics of real-life events, such as organisational and managerial behaviours (Yin, 2013).

Moreover, statistical generalisation to a population is not the objective of case study research. What is significant is its theoretical or analytical generalisation so that a theory can be developed or an existing theory tested (Yin, 2008). Walsham (2006) identifies four types of generalisations: concept development; theory generation; drawing specific implications; and good, comprehensive insights. These enable the flow of explanations resulting from empirical exploratory research that might be significant in additional settings and generalisations as the explanation of particular phenomena, yet which may remain unable to predict future circumstances (Walsham, 2006).

### **4.3 Selection of Case Study Research**

Case study research can be defined as ‘consisting of a detailed investigation, often with data collected over a period of time, of phenomena, within their context’ (Hartley, 2004: 323). This objective of this method is to analyse a specific context that sheds light on the theoretical questions being investigated. In this research, case studies are used as a research methodology. Case study methodology is used in different fields, such as sociology. Yin, Stake and other academics with extensive knowledge and experience in this approach have developed robust techniques that help researchers to test and develop their fieldwork (Stake, 2013; Yin, 2014). Case study design helps to find the hidden details that other research methods may fail to explore (Stake, 2013).

It is proposed that a case study method is appropriate for this study for several reasons. Through this approach, it is possible to explore in detail the employment practices of the four hotels and their relationships with the organisation’s general strategy to contextualise the respective organisation’s practices (Yin, 2014).

Additional factors support the case study approach. For example, Saudi Arabia, as a less developed host country, has specific limitations in relation to data access,

availability and reliability. A case study approach is more insightful than a quantitative method in this situation, given the general unreliability of data. In addition, in the absence of comprehensive theoretical or practical research on HRM in Saudi Arabia, but a wide number of such studies in many other countries, this research is exploratory and therefore mainly depends on qualitative methods to help uncover detail that may be missed if using surveys for example. Further, a case study method allows the researcher to comprehend the social and cultural contexts relevant to the case studies. It also enables the researcher to understand how managers implement or modify HRM practices emanating from head office. Due to the exploratory nature of the research, an in-depth study is necessary that contextualises organisational practices in terms of transferring HRM practices.

Case study design involves studying an issue through one or more cases within a bounded system (Creswell, 2007). Thus, a multiple case study approach concentrates on various issues and then chooses multiple bounded systems through which to explain these issues (Creswell, 2007). The case study approach is also preferred as it allows researchers to understand multiple issues. As discussed earlier in this chapter, the research methodology used for the current study is a multiple case study design. This method allows the researcher to gain more knowledge about the behaviours and institutional practices used in the four different hotels being investigated. It is important to have a case study approach to undertake comparisons and determine the similarities and differences between all four USA owned MNE hotels.

The application of the case study method addresses the issue of how HR policies and practices are transferred from USA HQ to the MNE subsidiaries in Saudi Arabia. The case study methodology enables the study of HR policies and practices, using a variety of evidence to understand the case study sites in relation to the research question (Stake, 2013; Zikmund, Babin, Carr & Griffin, 2012). In this study, several data sources will be used, such as in-depth interviews, internal company documentation and external information (such as publicly available information on websites), which will contribute to understanding through extensive discussion (Perry, 1998). According to Yin (2013), a case study should concentrate on one specific and recent aspect of the business. As this case study is exploratory, it aims to explore in-depth the

key forces that shape HRM policies and practices in USA MNE subsidiaries in the Saudi Arabian context.

The choice of which method to employ is dependent upon the nature of the research problem. The appropriateness of the research method originates from the nature of the social phenomena to be explored, as argued by Morgan (1980), Morgan and Smircich (1980) and Noor (2008). Fundamentally, two basic methodological traditions of research exist in social science: inductive and deductive research or positivism and post-positivism (SOFAER, 2002). In this study, the research method is inductive as it uses a qualitative approach. According to Lincoln, Lynham and Guba (2011:102), qualitative research employs inductive data analysis to provide a good understanding of the interaction of ‘mutually shaping influences’ and to explain the intersecting realities and experiences of the researcher and participants. In qualitative research, the study design evolves progressively through fieldwork rather than having a complete design. Predicting the outcome of interactions is complex, due to the different views and values of both the researcher and participants, and their influence on the explanation of reality and the research outcome.

#### **4.3.1 Sample size**

Although quantitative research methods require random probability sampling, in qualitative research, there are no hard and fast rules for sample size (Patton, 2005). The sample size depends on the purpose of the research, the credibility of the selected cases and the available time and resources (Bryman, 2011; Patton, 2005). In comparison with quantitative research, qualitative methods tend to focus on a small sample: the way these samples are selected is not considered significant, as the sample will be too small to create generalisations (Patton, 2005). Further, Patton maintains that the available time and resources leads researchers to select cases that are low in cost and easy to access (Patton, 2005). In terms of category saturation, researchers must keep sampling until no more new data emerge regarding a particular category. The process of moving from description to conceptualisation may begin once categories have been saturated, linked and reduced according to the similarities between them (Bryman & Bell, 2015). When the 20 interviews within four hotels had been completed for this study, the key research themes had become obvious.

Based on advice from the literature, this study includes four cases chosen for their similarity to each other. As discussed in Chapter 1, the question that generated this study was to what extent do USA-owned MNEs (in the hotel sector) transfer their HRM policies and practices to their subsidiaries based in Saudi Arabia?, This problem was identified by selecting four hotels in one sector, the hospitality industry. In addition, hotels are considered easy to access. Female researchers can access Saudi Arabian hotels more easily than in other industries in the country, due to gender-based restrictions elsewhere. Accordingly, it is appropriate to analyse four hotels from the one sector as this offsets differences across sectors. Although it is recognised that the selected hotels display a number of differences, due to variances in the authority of local partners (who were considered a third party in managing the hotel operations), these hotels also share several similarities in relation to size and structure. Further, the focus of this research is to study the transfer of western HRM policies and practices from MNEs to their subsidiaries operating in Saudi Arabia. Due to the lack of western luxury hotels in Riyadh (apart from USA hotels), it was difficult to find a sufficient number of hotels from western countries other than the USA.

In addition, Patton (2005) has also discussed the trade-off between depth and breadth in research, indicating that researchers either seek breadth through studying a specific set of experiences for a larger number of people, or depth through studying a large set of experiences for a small number of people. Moreover, information from a larger number of people can be very helpful in exploring a phenomenon. In contrast, trying to understand the variations and information from a small number of people can be valuable if cases are rich in information:

[n]o ‘rule of thumb’ exists to tell a researcher precisely how to focus a study. The extent to which a research or evaluation study is broad or narrow depends on the purpose, the resources available, the time available, and the interests of those involved. In brief, these are not choices between good and bad but choices among alternatives, all of which have merit (Patton, 2014: 228).

#### **4.3.2 Selected hotels**

The empirical part of this study is based on interviews conducted at four hotels operated by USA MNEs. The criteria for selection includes the fact that the USA hotels had been operating in a five star market for at least ten years in Saudi Arabia and that

they have at least 200 employees. The reason for this criterion is that the objective is to explore the HRM policies and practices over the longest possible time span, and to investigate the interaction between practices originating from USA business systems and those from the Saudi business system. Further, these organisations need to have a similar number of employees as well as similar investment capital and capacity.

This study proposes to select four hotels to study a specific set of experiences for a large number of people where potential differences between practices emanating from the USA and the Saudi business system may occur. It is anticipated that this will aid in phenomena exploration, understanding differences and enriching the collected information. Further, this initial number of cases is considered suitable, as the research can be done with the available time and resources, and the cases are straightforward to access. This number of cases also permits some degree of generalisation of the findings. In addition, sampling of multiple cases helps create credibility and confidence in the findings, as investigating similar and contrasting cases enables the researcher to understand the findings from a single case.

#### **4.3.3 Number of interviews conducted**

Twenty interviews were conducted for this study, with the following organisational levels covered: HRM, general managers (GMs), training managers (TMs) and HR directors, as well as supervisors in different departments in the four hotels. Table 4.1 shows the total number of interviews conducted.

Table 4.1: Interviews Conducted

MNEs	GMs	HRMs	TMs	DHR	Supervisors	Total number of interviews for each hotel
MNE1	1	1	1	1	1	5
MNE2	1	1	1	1	1	5
MNE3	1	1	1	1	2	6
MNE4	1	1	1	1	-	4



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Total	20
interviews	

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Source: developed for this study

Key: GMs = general managers; HRMs = human resource managers; TMs = training managers; DHR = director of human resources; supervisors (from different departments).

In terms of participant selection, the criteria were based on the individual's role within the HRM system. After conducting some investigation of the organisations' websites, together with relevant documents and reports, two key functional groups for HR employees were revealed: operational and strategic. For this research, HR practices were identified as the key area of investigation with representatives from both levels. Therefore, these positions, as identified earlier, play a significant role in transferring HRM policies and practices at the HR level. As such, they are considered suitable for this research.

#### *4.3.3.1 Interviewee selection*

Interviews with key informants aimed to gather information regarding the existence and extent of HRM policies emanating from the USA business system and their adaptation in the Saudi context.

Interviews were conducted at the management level. In addition, it was necessary to verify evidence, reducing hidden biases and supporting reliability. Therefore, the same protocol was followed for each case study. Following invitations sent out via email from managers, 20 respondents agreed to participate in the interviews. Consequently, the researcher immediately established an interview time in an email. The reason behind the numbers of interviews for each position is that there was only one individual in each position.

#### *4.3.3.2 Interviews*

The research interview is a common data collection strategy in qualitative research (Bryman, 2011). The interview is the primary source of data collection, and the focal point of empirical research (Yin, 2009). Interviews can be very dynamic and productive as the interviewer can pursue specific issues that lead to constructive suggestions (Shneiderman & Plaisant, 2006). Kvale and Brinkmann (2008) describe

the interview as a conversation; this should be remembered during the interview and later when analysing the interview data see the interview guide in Appendix 5.

In this research project, interviews were conducted as directed conversations. This was done to build relationships with respondents, as recommended by Henwood and Pidgeon (2006). The interview is an almost infinitely flexible tool for research. It is considered a vehicle for deploying many more specific data collection methods. Further, interviews are flexible in format and function, which helps to generate many types of data (Henwood & Pidgeon, 2006). Pidgeon and Henwood (2004) emphasise that during interviews, the focus is on the respondent. The research is guided by the respondent's reflections and opinions. However, during an interview the researcher has to follow the interview guide to keep the interview in the frame in which he/she wants it to be. Moreover, the researcher has to provide respondents with an overview in terms of what they want to say and how they should say it. In contrast, Rubin and Rubin argue that:

[t]he technique for conducting responsive interviews builds on some of the skills of ordinary conversations but go beyond them in specific ways. Interviews are more one sided than ordinary conversations; the interviewer asks most of the questions, and the interviewee provides most of the answers. Rather than just listening, the interviewer keeps a record of the conversation. Responsive interviews usually focus on a single topic and explore it thoroughly rather than skipping around from one matter to another. At least early on in a research project, interviews are often between strangers (2011: 5).

## **4.4 Data Collection**

Data collection was conducted from October to December 2013, inclusive. As stated earlier, the fieldwork adopts three methods of data collection: interviews with key personnel, documentary analysis.

### **4.4.1 Interviews**

In this study, the purpose of the interviews is to collect information on the HRM policies and practices used by MNEs to track the practices in relation to their adaptation in the Saudi context. Interviewing groups of interviewees from the enterprises selected as the study's focus on the company management: human resource

managers (HRMs), general managers (GMs), training managers (TMs) and director human resources (DHRs).

It was necessary to conduct interviews at different management levels to crosscheck the data provided, as well as to examine whether the policies stated and described by management were implemented at all levels of the organisation. This reduces hidden bias and aids reliability.

The main purpose of interviews with management is to identify the international HRM policies and practices currently followed by companies at these levels, and the extent to which these companies expect them to be transferred to Saudi Arabia. The combination of data-gathering methods (triangulation) is significant when conducting case studies. This method crosschecks data and confirms its reliability (Yin, 2003). This study uses a multi-method approach and a combination of data-gathering methods to ensure reliability and to mitigate the bias that may occur with case study research (Yin, 2009).

This study has employed semi-structured interviews as evidence of the existence or non-existence of HRM policies and practices is required. The data must be specific so that comparisons can be made between the cross-case studies within the same industry. This research is largely exploratory with little prior data or analysis of the topic undertaken in Saudi Arabia to date; therefore, it is difficult to locate or construct comprehensive analytical measures.

#### **4.4.2 Documentary analysis**

The documents analysed include reports, minutes of meetings and newspaper articles. Document analysis is a method of content analysis that allows the researcher to test theoretical issues to enhance their understanding of the data (Elo & Kyngäs, 2008). It creates validity, as each source of data has strengths and weaknesses (Marshall & Rossman, 1989). Documents can provide a significant source of communication within organisations and are an important data source for researchers (Elo & Kyngäs, 2008). This data collection method is necessary both for the case studies and for analysis of the industry as a whole. Document analysis can be undertaken with regard to public law documents, such as labour law or foreign investment law and can be undertaken on company documents (Yin, 2009). The latter include internal documents

such as company policies, HR manuals, company websites and operating procedures or consulting reports, government reports and legislation. These kinds of documents might assist understanding of the HR policies followed in Saudi Arabian subsidiaries. Further, it is also useful to compare respondents' answers with company reports, press releases and other company documents or written articles about the company that are publically available, as unexpected answers or findings may occur. However, in some cases, this group might include the official views of the Saudi Ministry of Economy and Planning and of authorities or officials such as the Saudi Arabian General Investment Authority (SAGIA) or Human Resources Development Fund (HRDF). These bodies are in charge of administrating relevant laws and regulations and managing the activities of MNEs. This may reveal the possible hidden interactions between MNEs and likely legal constraints in the local environment. However, document analysis has a number of disadvantages. Due to security issues, some relevant documents may not be available to the researcher or some documents may be incomplete or inaccurate (Patmore, 1998). However, the internal documentation of a company and the external information (such as information that is publicly available on websites) can contribute to an extensive discussion (Perry, 1998).

According to Yin (2003), the case study should concentrate on one specific and recent aspect of the business. As this case study is exploratory, it will examine in-depth the key forces that shape HRM policies and practices in the subsidiaries of MNEs in Saudi Arabia. Publicly available documents such as annual financial reports (for 2012), a general overview and documents of interest (such as those on employment-related matters, growth and the marketplace) were collected before starting the interview process. Internal HRM and employment relations documents, such as meeting minutes, labour laws, polices and performance appraisals were provided to the researcher at the first interview with HR managers in each hotel. However, early access to relevant documents can help researchers clarify the meaning of such documents throughout the interview process. For example, HR policies were available in handbook with chapters that interpreted all policies of HR; companies' websites that include policies updates; labour laws in regards to gender segregations and some internal documents such as staff induction documents, performance appraisals and management including manager guide, and committee meeting minutes.

## **4.5 Pilot Study**

In this study, the pre-testing or pilot testing technique uses the proposed interview (or survey) questions in a small pilot study to ensure that all research questions are answered (van Teijlingen & Hundley, 2001). The significance of the pre-testing technique is that it ascertains whether questions are comprehensible and enable interconnection with ordinary people as well as the targeted sample. According to Hunt et al. (1982), the advantage of pre-testing is that it detects issues such as questions that are inappropriate, vague or loaded, as well as other problems. For this study, five participants (PhD students) in Australia were asked to take notes on the questions regarding the interview's flow, their understanding of the interview questions, grammatical mistakes, question length or any technical issues. The pilot study participants' feedback was then double-checked and the questions amended accordingly.

## **4.6 Back-Translation Method**

As this study was conducted within USA hotels in the Saudi context, a back-translation method was employed. This is used when a study asks questions created and developed in an English-speaking country (Australia) to conduct interviews or surveys in a non-English-speaking country (Saudi Arabia). According to Su and Parham (2002), the back-translation method is one of the most common techniques used to overcome the difficulties that may be created from direct translations. It allows researchers to identify issues that might occur between the original questions and the translated copy (Dixon & Sybrandy, 2015).

The forward-translation stage used two bilingual translators—the first is a master's graduate from the English Translation School at King Saud University and the second is a professional translator working in an accredited office—to create the initial translation version from the source language (English) into the target language (Arabic). The two translators worked independently and do not know each other. Su and Parham (2002) recommend choosing two translators to enable checking and comparison for equivalence in meaning and quality.

## 4.7 Data Analysis

This research employs inductive data analysis to understand the interaction of realities and the experiences of the interviewer and interviewees (Lincoln et al., 2011). This research is based on exploratory case study design and within-case and cross-case syntheses. This approach confirms the data that results from interviews, and that the progressively revised theory is constructed from data collection and cross-case data analysis (Perry, 1998). Data analysis is defined as a continuous, iterative process that starts in the early stages of data collection and lasts throughout the study (Bradley, Curry & Devers, 2007). Justification results from a sequence of iterations in which primary findings and initial theoretical schemes are compared and revised (Yin, 2003). When the study's focus is narrowed and the gaps identified, the overall case design appears, the research questions are redefined and the themes are recognised in the fieldwork's second phase. During research development, interaction is constant between theory and evidence; therefore, data analysis is interactive.

In this research, the initial literature review allowed the researcher to gain increasing 'theoretical sensitivity' (Glaser & Holton, 2004). Theoretical sensitivity refers to a personal quality of the researcher. It indicates awareness of the subtleties of the meaning of the data (Corbin & Strauss, 2014) and helps generate themes and issues for the first phase of fieldwork. In this first phase, a general picture of the cases emerges, the research questions are redefined and new themes are recognised, the foci are narrowed and gaps are identified. All of these are then considered in the second phase of fieldwork. During this second phase, all the initial findings are discussed with the companies. This is useful in relation to the validity of the data as it allows the researcher to receive feedback from the companies regarding the extent to which the emerging interpretation of research themes and findings is reasonable. Moreover, the approach to data analysis is iterative; there is continuous interaction between theory and evidence throughout the research process.

As in any qualitative research, the research propositions based on the literature review inform the data collection and analysis stages, and these propositions continue to be developed throughout the processes of each stage. According to Yin (2003), returning to propositions during the data analysis stage is very significant. This is for several reasons. First, data analysis needs focus, particularly with data outside the research

questions' scope. Second, the possibility of an alternative explanation for a phenomenon due to the exploration of challenging propositions is increased. Third, confidence in the findings is increased due to the iterative data analysis process.

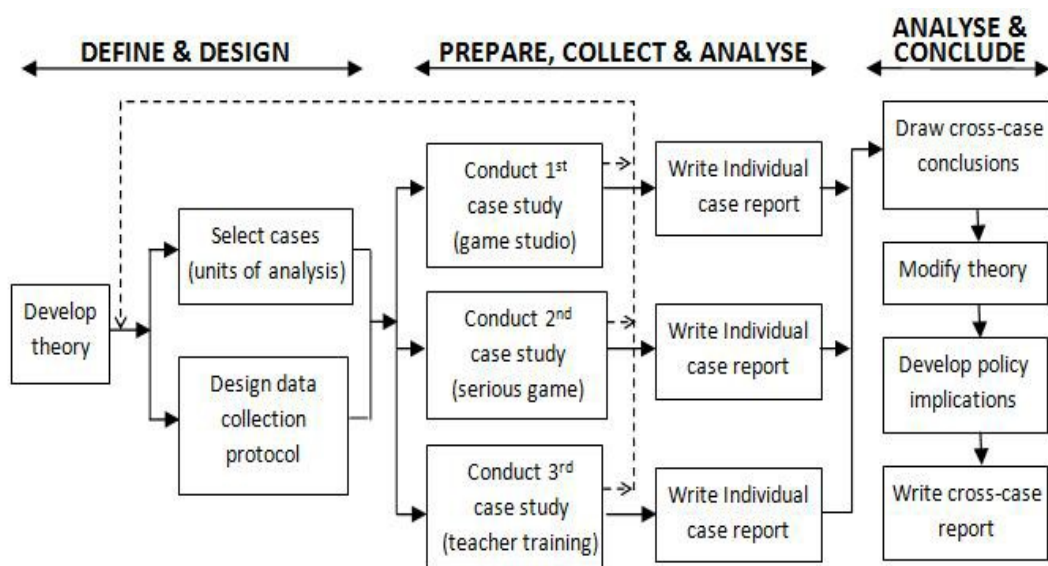
Qualitative data analysis starts at the design phase and continues until the interviews are completed. Based on the multiple case study research design, the data analysis stage is divided into two key parts: within-case and cross-case analysis. The researcher becomes acquainted with each case as a stand-alone unit in the within-case analysis stage. This usually contains brief but comprehensive case study write-ups for each company. In this stage, the distinctive patterns of each case start to appear before generalised patterns are found across the cases. The second stage is cross-case analysis. Pettigrew argues it is important to manage the massive amount of data collection and to avoid what he calls 'death through data asphyxiation' (1990: 281). Data management is achieved by indexing and then systematising and structuring all collected data and information using the main themes. The approach suggested by Pettigrew (1990) is to write analytical chronologies to present the data and to begin shaping the possible foundations of organisational flexibility. This approach is followed here for the within-case analysis. This is achieved by ensuring that all data and information are placed effectively within each theme and are similar to the organisation as a whole, reflecting the organisation's characteristics. In this step, after the general patterns and differences are recognised as being associated with the tentative explanations, they are compared with the evidence of each case through 'replication logic', which allows the possibility of extending, qualifying or discarding them (Yin, 2013). Regarding replication logic, Yin (2013) argues that each case has to be carefully selected by the researcher; therefore, these cases either predict similar results (a literal replication) or predict contrasting results but for predictable reasons (a theoretical replication). Yin (2003) illustrates the concepts of literal and theoretical replication that are summarised analogously in the following extract:

[c]onsider the initial proposition that an increase in using computers in school districts will occur when such a technology is used for both administrative and instructional applications, but not either alone. To investigate this proposition in multiple case study design, three or four case organizations might be selected in which both types of applications are present. Then, the objective is to determine whether, in fact, computer use did increase over a period of time (literal replication).

Furthermore, three or four additional cases might be selected in which only administrative applications are present. Here, the prediction is that little increase in computer use is taking place (theoretical replication). Finally, three or four other cases might be selected in which only instructional applications are present. And again, the prediction is that little increase in computer use is occurring (another theoretical replication). If this entire pattern of results across these multiple cases is found, then the entire research study would provide substantial support for the initial proposition (2003: 48).

Using replication logic in multiple case study design is demonstrated in the example in Figure 4.1.

**Figure 4.1: Example of Multiple Case Study Design Procedure**



Source: Yin (2013: 60)



Figure 4.1 shows that the first step in designing a study includes theory development and illustrates that case selection and defining specific procedures are significant stages in the design and data collection processes. Each single case study comprises a whole study in which convergent evidence is essential regarding the conclusions for the case. Both the single and multiple case results can be the focus of a summary report. For each single case, the report indicates how and why a specific proposition is either validated or not validated. Across cases, the report indicates the degree of replication logic: it also indicates why certain cases predict certain results while other cases, if any, predict contrasting results.

In this study, data collected from the interviews were kept, along with other documents about the company, in matrices to assist the structure of the data flow. Records of the initial recorded interviews were kept along with their transcripts during the analysis process, as the researcher returned many times to these original documents. This research presents two forms of case analysis, as discussed previously. Within-case analysis was conducted firstly and compares the data and patterns within one main case (the subsidiary as a unit of analysis). This form of analysis revealed insights about the transferred HR practices to a specific subsidiary. The second form of analysis comprised cross-case analysis that compares data across the four subsidiaries to discover either similarities or differences. This form resolved the research questions through identifying any differences between USA MNEs and their subsidiaries in Saudi Arabia, in terms of transferring HR practices. It has also explored and compared issues such as what HRM approach is used by the USA MNEs; what HR practices are adapted, what are the reasons for these adaptations, and what should be changed to better adjust to the local context. The last step in the case analysis process, as recommended by Miles and Huberman (1994), is to build conceptual and theoretical coherence through comparisons with prior theory in the existing literature to replicate the research findings.

Further, the interviews were recorded, transcribed and then analysed using NVivo 10 software. Thus, it was anticipated that a number of categories associated with key relationships found in the data would emerge. Consequently, the researcher used the

search and compare node ability of NVivo 10. This identified key areas related to the integration of HR policies and practices.

#### **4.8 Validity and Reliability**

According to Yin (2013), qualitative research is concerned with theoretical implications rather than issues concerning generalisability. In contrast, other researchers claim that generalisation is often a relevant objective for the case study method (Gomm, Hammersley & Foster, 2000). Case studies (as a qualitative method) can enhance research generalisability and validity. Further, Yin (2013) argues that validity, reliability and generalisability are different aspects of the quality measures of case study research design that are strengthened through data sources and methods. Bryman and Bell (2015) note that LeCompte and Goetz (1982) offer different meanings in relation to qualitative research. For example, LeCompte and Goetz (1982) discuss several criteria such as external reliability, which means the degree to which a study can be replicated. This is a difficult criterion to achieve in qualitative research, as it is impossible to 'freeze' the social setting of an initial study for replication.

Further, Yin (2013: 325) argues that in global development, generalisations can form the basis for transferring lessons from one place to another for 'scaling-up' a desirable intervention within the same country. He argues that qualitative researchers can maximise theoretical generalisation. However, validity can lead to generalisability, which is suggested by Stenbacka (2001) as a concept for documenting high-quality qualitative research. Therefore, within this study, validity and generalisation are ensured as much as possible by using four case studies and adopting qualitative methods. Extrapolated arguments might be a more realistic option in relation to the generalisation of qualitative research. Patton maintains that researchers can enrich their studies by 'reasonable extrapolation' (2002: 489), rather than disdaining the possibility of generalisability or the limitations of qualitative research. Moreover, Patton (2014) argues that the concept of generalisability is one just one criteria for measuring case study quality, depending on the case selected and studied.

Hammersley (2007) maintains that reliability and validity are unrealistic assumptions for qualitative research methods. However, many believe it is possible to develop criteria for validity in qualitative research. Healy and Perry (2000) argue that realism

in qualitative research generates more validity. Golafshani (2003) also argues that reliability and validity in the qualitative paradigm are conceptualised as trustworthiness, rigour and quality.

Further to this, Lincoln et al. (2011) propose applying simple reliability and validity standards to qualitative research, such as credibility that matches internal validity, transferability that matches external validity, dependability that matches reliability, and conformability. They argue these criteria presuppose that a single absolute account of social reality is feasible: this means there are absolute truths about social research that are the main purpose behind its exploration by the researcher. Within this study, validity is ensured as much as possible by using single case studies as the qualitative method.

For this study, a method of data triangulation was established through analysing documentary data before the interview process and continuing in this way throughout the data gathering stage of the research. This analysis provided significant insights into the internal behaviour of the organisation and helped to contradict or complement interview answers. For example, one of the documents provided to the researcher was a performance appraisal document issued at the corporate level. This document is significant due to the appraisal method and content that ensures consistency in performance appraisals for operational staff globally. However, managers must use many measurements to evaluate employees' commitment to organisational strategic goals. During the interviews, respondents interpreted the meaning of the performance appraisal document differently. This indicates that triangulation data sources are valuable to ensure validity between the meanings and outcomes.

#### **4.9 Ethical Considerations**

The research has to comply with the relevant guidelines provided by Curtin University's Ethics and Safety Committee. As a result, this research addresses the following concerns: participants' privacy, the treatment of collected data and the participant's right to withdraw at any time during the research. The ethics clearance number for this study is RD\_37\_13 (see Appendix 6). The research process complies with ethics protocols. Before the interviews began, participants were asked to provide their consent after receiving an information sheet that contained relevant information

pertinent to this study, as well as contact numbers related to the researcher and the university. Confidentiality is assured for all participants, whether organisations or individuals. Regarding accessing the original data, this has been limited to the researcher and thesis supervisors. Data will be held for five years and then destroyed, in accordance with Curtin University ethics policies. Information sheets and consent forms are included in the Appendix 7 and 8. Documents collected from hotels as data are in the public domain; therefore, no ethical approval is required.

#### **4.10 Chapter Summary**

This chapter has developed the research methodology by reviewing epistemological perspectives, which emphasise the relevance of constructionism and realism to qualitative research. In line with the methodological literature, a qualitative, multiple case study approach was selected as the best method to answer research questions when the objective is to answer ‘how?’ and ‘why?’ questions. The case study approach can capture human situational influences that influence social phenomena. Data collection has included semi-structured in-depth interviews with representatives from corporate, hotel and HR management. The broad-based nature of the interview questions helped the researcher to manage the direction of the interview and build comparisons between participant responses. Further, documentary data were investigated to support the interview findings. This has resulted in ensuring the findings’ validity through data triangulation. Analysis of the data was conducted using NVivo 10 software.

The next chapter will outline the cases of four MNEs operating in Saudi Arabia. These MNEs are USA hotels with subsidiaries in Saudi Arabia. Each case is structured as follows: a brief description is presented of the company and its HR practices as applied in Saudi Arabia. The HR practices described are recruitment and selection, training and development, performance appraisal, and compensation and benefits. This chapter will include an analysis of each case (within-case analysis), giving an overview of the company.



## **Chapter 5: Within-Case Study Analysis**

### **5.1 Introduction**

This chapter outlines the case study findings of four MNEs operating in Saudi Arabia. As explained earlier, these MNEs are USA hotels with subsidiaries in Saudi Arabia. Each case is structured as follows: a brief description is presented of the company and its HR practices as applied in Saudi Arabia. The HR practices described are recruitment and selection, training and development, performance appraisal and compensation and benefits. This section also includes an analysis of each case (a within-case analysis) giving an overview of the company. The overview describes and evaluates the HR practices implemented within the Saudi subsidiary. However, the main focus of this chapter is to determine the similarities and differences of each MNE and whether choice and discretion are apparent in the process of transferring HR policies and practices from the parent company in the USA to the subsidiary in Saudi Arabia. The next chapter (6) will then present a cross-case analysis to discover how the HR policies and practices are transferred and adapted, and the reasons behind any adaptations. This current chapter will examine the constraints and opportunities concerning the transfer of HR policies and practices and the key differences in the national, cultural and social systems between Saudi Arabia and the USA that are relevant to HR policy transfer and development. This chapter also examines whether any HR policies and practices exist that the MNE headquarter cannot transfer to the subsidiary and the reasons for this. However, before considering each of the four hotels, it is important to outline the common features of the examined MNEs.

#### **5.1.1 Common features across all examined cases**

All the examined MNEs are USA five star hotels located in Riyadh city, Saudi Arabia. These hotels employ large foreign workforces and all are subject to Saudi Arabian customs and labour laws. In addition, all must deal with the local populations' refusal to work in particular types of jobs. Further, all the examined MNEs have entered the Saudi Arabian market and run businesses in the country with a local partner. This local partner is sometimes considered a third party in managing the hotel operations, as the cases have revealed (Saudi Ministry of Labour, 2013). None of the hotels included in

this study were allowed to conduct training courses that involved any content focusing on casinos, liquor bars, prostitutes and nightclubs, as these kinds of practices contravene Islamic rules. Further, as Saudi Arabia is a tax-free country, it is not necessary to conduct training on taxation.

In addition, a factor common across all cases is the issue of recruiting women (both Saudi and non-Saudi). It is not legal to recruit women to work as receptionists, based on Saudi labour law (Saudi Ministry of Labour, 2013). When recruiting females, the organisation is obliged by law to prepare a specific workplace environment that incorporates areas segregated from the male section of the workplace, including a separate entrance/exit for females. Further, women are obliged to wear the *abaya* (a loose over-garment or a robe-like dress) and not a uniform that represents the hotel's brand. Women in senior managerial positions in all hotels have little power and authority, including both local and expatriate females. They can perform positions such as director of operations. In addition, women can work in event management and public relations. Besides the position of receptionist, other roles that women cannot perform include catering and working in the hotel kitchen.

The Saudi labour market is very dependent on foreign labour (Madhi & Barrientos, 2003; Tayeh & Mustafa, 2011). The hospitality industry, especially luxury hotels, constitutes a new market in Saudi Arabia. As a result, recruiting local people into the hotel industry is difficult as they are not very aware of the hotel industry and the services provided. In addition, very little formal training and accreditation exists to support the industry (Saudi Gazette, 2012). According to Fakieh (2013), in 2010 Saudis accounted for only 7 per cent of the labour force in the private sector and 47.1 per cent of the overall labour force. This imbalance is due to significant demand for workers in the oil industry; mega-infrastructure projects in Saudi Arabia only need short-term labour. There are also cultural barriers: locals are unwilling to accept sub-management jobs such as housekeeping, laundry, cleaning, plumbing, construction and gardening (Ramady, 2013). To overcome these factors, all hotels have two separate labour markets: one for Saudi labour and one for foreign labour. The average monthly wage for local people is US\$ 1412 while for foreigners it is US\$ 600 (The Saudi Ministry of Labour, 2015). Due to visa rules, foreign workers are obliged to have a job contract for the length of time they are in the country and an *iqama* (a residency permit

issued to them and valid for two years). Therefore, it is more attractive for the private sector, particularly hotels, to recruit foreign labour (both skilled and unskilled) as these companies are generally motivated by profit. They need efficient, reliable workers at the lowest possible salaries. For skilled labourers, the private sector faces a shortage of skills in certain categories, such as management and trades (mechanical, electrical and construction). For unskilled labour, the private sector faces a shortage of workers in certain types of jobs that are considered low level and as such not appealing to Saudis, such as maintenance, cleaning hotel rooms, porters, waiters or kitchen staff.

Saudi Arabia's labour laws force both public and private businesses to hire Saudi workers by imposing restrictions on the recruitment of foreign workers. The reason for this policy of job localisation (*nitaqat*), that explained earlier in chapter 3, is the growing unemployment rate among Saudis, rising from 10 per cent in 2011 to 30 per cent in 2013 (The Saudi Ministry of Labour, 2013). In these cases, recruitment practices have been modified to fit the country's restrictions regarding 'Saudisation'. This modification has occurred in all the examined cases reported here.

Foreign workers differ from local workers in their payments to and cover from the General Organization for Social Insurance (GOSI). For example, foreign workers are covered for occupational hazards only (2% paid by the company), but Saudis pay 20 per cent, as they will be entitled to a GOSI pension (10% paid by the company and 10% paid by the employee) (The Saudi Ministry of Labour, 2013). Further, in describing their foreign labour workforce, employers must provide specific details regarding the number of workers, their positions, how they were recruited and trained and their country of origin (The Saudi Ministry of Labour, 2013).

For the purpose of this study, it is important to differentiate between expatriates and the foreign labour workforce in all hotels. Expatriates occupy a significant majority of managerial positions in international hotels in Saudi Arabia, such as GMs, HR managers, training managers (TMs) and, in the kitchen, executive chefs who are mostly from Western Europe (as confirmed by data collected through this study). Expatriates in GCC countries are mostly from the USA, Western Europe, India and Pakistan (Pant, 2011). They are paid well and have exceptional living conditions and housing, as well as school allowances, in comparison to foreign workers who occupy sub-management jobs and work in departments where many skills or qualifications are



unnecessary. In general, expatriates and foreign workers need to be sponsored according to the *kafala* system to gain a visa to access the country. This is unlike other countries that recognise the Universal Declaration of Human Rights (in which it is declared that everyone has the right to leave any country, including his/her own) (The Saudi Ministry of Labour 2013). In all the cases in this study, sponsors hold the passports of foreign workers and their family members.

In addition, Saudis receive two days off per week regardless of their employment position; however, foreign workers among the front line staff who work mornings only receive one day off per week. In addition, national breaks such as Islamic celebration days (*Eid Al Fitr* and *Eid Al Adha*) and the Saudi National Day are the only breaks for Saudis: the country does not celebrate the New Year break.

The MNEs studied in this reaserch are presented in Table 5.1 below.

**Table 5.1: Multinational Companies Investigated**

MNE	Nationality	Sector	Regional office	Parent company	Number of employees at Riyadh
MNE1	USA	Hospitality	Dubai	USA	600
MNE2	USA	Hospitality	Dubai	USA	500
MNE3	USA	Hospitality	Al Khobar, Dubai	USA	350
MNE4	USA	Hospitality	Dubai	USA	440

Source: developed for this study

As mentioned earlier in chapter 2, the key contribution of this study is based on a four-level analysis framework (see Appendix 4) through which these approaches are reviewed to explain how MNEs integrate their HRM patterns. The developed research framework aims to identify the diverse forces that have a significant effect on a subsidiary's nationality and on the transfer process of HRM policies and practices. The key research concept is to consider the different factors such as social, institutional and cultural values that contribute to creating the behaviour of economic organisations across countries. Therefore, it is important to comprehend the national business system at the macro level in order to understand the nature of economic organisations. It is also necessary to discuss the meso and micro levels that affect the macro level, to understand business organisations. Consequently, a four-level analysis framework

allows analysis of organisations, industries, nations and HRM policies and practices. The research framework explores how—and to what extent—the single or collective forces of the macro, meso and micro levels and HRM policies and practices constrain and offer opportunities for transferring HRM policies and practices. This study also examines the forces that contribute to shaping HRM policies and practices within MNE subsidiaries. The research framework helps to explore how and to what extent individual or collective forces at the macro, meso level and micro level can pose constraints and opportunities for transferring HRM policies and practices (such as recruitment and selection, training and development, performance appraisal and compensation and benefits). The framework also illuminates how all these levels can influence HRM behaviour through considering the HRM policies and practices that MNEs can apparently integrate and replicate (or otherwise) within their subsidiaries. Next section describes HR practices in the four MNEs as applied in Saudi Arabia. This section presents an overview of each company including a description and evaluation of the HR practices implemented within the Saudi subsidiary.

## 5.2 Multinational Enterprise MNE1

### 5.2.1 Recruitment, selection and orientation

The MNE1 GM believes that, to provide superior service, it must successfully recruit and select potential employees (locals, expatriates and professionals) who are the best match for their employment. Upon being selected, new employees participate in a two-day orientation. The HR manager reflected that it is part of the hotel's strategy to incorporate some practices that are localised and others that are global. Recruitment is considered a global HR practice. The recruitment system is the same in Saudi Arabia as it is in the USA and globally. The same recruitment tools are used, such as job fairs, online recruiting, head hunter recruitment and recruiting agencies (MNE1 website). The recruiting process is standard: it uses an online system where all the global positions are posted, according to region. The HR manager of MNE1 stated that:

I think it is the same tools and the same recruitment tools like they have the job fairs, the online recruiting, the head hunters' recruitment, recruiting agencies that we use it from time to time so I believe it is the same.

According to this HR manager, the company followed the same policy of recruitment and selection everywhere, with some local modifications such as the Saudisation policy and the *nitaqat* system (as explained earlier in chapter 3). MNE1 responded to the Saudisation policy by implementing the Saudi Voyager program. This program prescribes that Saudi employees receive management training within all hotel departments for two years, and are then placed into the most appropriate department. This program has been created to fit the local market and cannot be found globally (this information is based on the company's recruitment policy document and has been confirmed by HR manager). The HR manager stated that:

Saudi Voyager is a company policy you find it not only in hotels but also in banks and it is not only in Saudi Arabia it is in all GCC countries. Managers choose some candidate, put them in this program with a fast track, and prepare them to become the future managers and leaders in a specific organisation. They are taken care of from the top managers; they are compensated differently from others because they

put lots of investment in them. It is in all properties and it is created within the company.

The foreign workforce in MNE1 numbered approximately 400 workers. They were recruited by the hotel through different methods, including applying through networks or staff recommendations and through agencies located in countries like the UAE or the Philippines. They occupy positions in the hotel such as housekeeping and laundry, food and beverages, room services, and events and catering. Further, MNE1 identified the key sources for recruitment according to its company standards. MNE1 projects an image of a luxury and prestigious hotel worldwide; therefore, the hotel follows standard procedures in recruiting qualified staff. For example, to hire a chef for the kitchen, the manager has to select staff himself, either by travelling to conduct personal interviews, or by phone or Skype (confirmed by the HR director).

For recruitment in the Saudi Arabian market, connections to key universities is essential. Recruiting processes included lectures or presentations to students that provided an overview of the hotel's strategies and objectives, and the recruitment and selection process. Students were then required to go through a standardised recruitment process. The candidate had to apply online and, if successful at this stage, had to undergo a number of interviews with three to four different managers. Following this, the candidate was asked to undertake a standard reasoning test. If he/she passed, they underwent a further screening interview. To ensure the transparency, consistency and fairness of the recruitment process, a panel of those managers who had interviewed candidates voted for/against the recruitment of each candidate. In terms of internal recruitment, vacancies were posted internally within hotel departments for current employees who might be eager to apply. The parent company did not restrict the recruitment process in the host country. The hotel in the host country merely adopted the MNE's set of global standards and measures that had been transferred from HQ, with an awareness of the culture and norms of the host country. For example, the parent country set the policies for recruitment and took action to ensure the validity and reliability of the reasoning test used, but the host country implemented these policies and practices.

According to the HR director for MNE1, the company's recruitment strategy emphasised that it did not hire candidates directly: it only selected the candidates. For

example, in terms of recruiting females who wore the *niqab* to cover their faces, they were not 'selected' to fill any positions in MNE1. As stated in the interview with the HR director, the most important factor considered, in terms of recruitment and selection, was the attitude of the candidates. This determined whether they were willing to fit into the environment. However, the key concept of MNEs in terms of the recruitment of Saudi and non-Saudi women was the attitude of the women. This mainly meant not covering their face and being more skilled in dealing with men as colleagues or customers. As the director of HR in MNE1 stated:

[t]here are no problems with recruiting ladies in hotels at all. Ladies are doing great jobs actually, especially in the hospitality field. I would say they are much more open now than in the past; you may find that they work in HR, learning and development department and different parts of the hotels. There are so many departments that allow ladies to work with a respectful atmosphere and it provides them with training and tools and what they are needing to accomplish their jobs. But there are no ladies in [the] front line in the hospitality sector in Saudi Arabia, in contrast with other sectors like hospitals where ladies work as receptionists. Until now, nothing has approved that hospitality ladies can.

MNE1 is a partner with the Ministry of Finance, which represents one of the most powerful entities in Saudi Arabia and follows a subsidiary approach strictly, in the sense that policies and practices were originally created in the USA HQ and transferred to the subsidiary. The Ministry of Finance can manage the operational aspects of the hotel as a third party, which has addressed some obstacles, such as those related to visas for the non-Saudi workforce and to having a mixed environment for males and females. Therefore, MNE1 has been projected as a strong entity in the country, more than any other organisation in the same sector within the local market. The hotel can avoid some labour law issues by recruiting females in different departments within the hotel, such as HR or learning and development, with the exception of reception duties. Nevertheless, females and males have experienced a mixed environment when working in MNE1, an environment that is not permitted by Saudi labour laws. For example, it was observed during the interviews that females in MNE1 were not obliged to wear the *abaya* or the *hijab* during their work hours on hotel premises, as it is locals discretion.

As claimed by the HR manager, the orientation program for new employees was considered the most significant aspect of hiring at MNE1. This program for all new employees was supervised by HR employees and was the same orientation program that was applied in the USA. Employees could not start their jobs without completing the orientation program. Every new employee had to undertake a two-day orientation program. Throughout these two days, new employees were introduced to the company standards, procedures and philosophy. Further, they were introduced to each department, from the hygiene department to the GM, to ensure that all employees were familiar with all hotel departments and operations.

### **5.2.2 Training and development**

While training at MNE1 was a demanding process of classifying loyal service professionals, candidates came to the hotel with diverse backgrounds and technical skills, from both inside and outside the hospitality industry. New staff members were allocated trainers who trained them in the core competencies for their jobs. According to the HR manager, the training and development program for MNE1 in Saudi Arabia was the same as that in USA HQ, except for some sections. These included the casino and liquor bar sections, that were removed from the training program by audits to align with the local culture of Saudi Arabia.

Some training practices were transferred to Saudi Arabia from the USA HQ as they were considered standard, such as managing diversity. This kind of training practice is important as MNE1 had a number of different nationalities working together within one environment and context and the hotel industry in Saudi Arabia encompasses diverse nationalities. As such, diversity training can help to reduce discrimination. The managing diversity training course focused on the interactions between managers and employees, and between employees and customers, to enhance human interactions. The advantages of this program were that it decreased stress, conflict and discrimination between employees and customers (MNE1 website). It also improved the quality of services and the productivity of work groups. Therefore, such training programs are considered standard practice as they promote awareness of differences, attitude changes and empathy.

Training programs for MNE1 employees were conducted abroad, online and at the workplace. For example, trainees could attend seminars and conferences held outside the hotel, or they could participate in some training courses that were organised outside the hotel. They also had the chance to go abroad to other branches of the hotel for training workshops or conferences. The training courses held overseas were offered to senior managers and executive managers, and included leadership courses. Workshops and conferences created the chance for managers from different countries and different industries to meet with each other and discuss global issues, challenges and developments in the hospitality industry. The hotels offered their employees corporate security policies and corporate guiding principles or values through online training courses. On-the-job training courses included language training, hotel services and administration training, telephone techniques, guest relations, sales skills, public relations, safety and first aid.

Cross-training programs were also available; for example, the training manager (TM) confirmed that the hotel offered these for their employees who were interested in developing skills across different divisions. For example, if any employee was interested in the engineering department, they could fill out a cross-training form, gain approval from their direct manager and begin training in that department outside their working hours. In this case, employees did not get paid, but they gained extra work experience. If this department had any available positions in the future, they could apply for these if the department was satisfied with their skills and talents. In MNE1, most employees were regularly transferred from their departments to other departments within the hotel. For example, some documents archived in the HR manager's office referred to the number of employees who transferred from the front desk to the finance department if they had performed well during their training. The director of HR stated that:

[s]ome employees do a cross-training: for example, if I am in HR and I am interested in training in engineering, there is a form available, a cross-training form to fill in and get approval from my direct manager. Then I go to that department to start training after duty hours but not to be paid but additional experience and also if they have any available position in the future, I can apply for it; if they are satisfied with my skills and talents, they will hire me. Most of employees are transferring from

their department to another department they like in property, finance; some people from front desk transferred to finance department after they get training.

New employees were offered training if they passed their six-month job review in the position for which they had been hired. The training plans lasted for three months and involved three to four hours a day in the relevant department. They started at entry-level and then progressed to more advanced skills and knowledge. Promotion to the next level of training or a specific training course depended on receiving a satisfactory performance appraisal and a positive report regarding the ability of the employee to progress to a higher level. In terms of online training, the company offered an online training program across all the subsidiaries. Completion of the online program resulted in certification. Other types of training included on-site classroom training. The hotel hosted professional trainers who were external to the hotel to train employees in particular skills, such as problem solving, maintaining professional and ethical standards, professionalism and leadership qualities. This type of training was conducted every two to three months. However, only employees already within MNE1 had access to the online training program, which made it difficult for the researcher to provide examples or details about all these types of training.

Examples of the on-site training that MNE1 provided include English language skills, cross-cultural training (taking about two hours and introducing the local culture, including local laws and restrictions), job-related training (including management training) and a 'look-see' visit (including knowledge about living and working in Saudi Arabia). Some support was also offered in regard to health care, housing, family adjustments, school and day care facilities, and banking arrangements. The selection of training consultants was important for MNE1: consultants were mainly expatriates who had a central role as controllers, coordinators and knowledge transferrers within multinational and global organisations. Consultants were selected through the official MNE1 website. For example, the GM of MNE1 could choose recruits based on the regions of the hotel chain chosen by them (the recruit) and by the competencies in which they were qualified.

The company provided opportunities for both personal and professional learning that were standard worldwide to assist staff development throughout their career. The top levels of management were provided with on-the-job training and instructor-led



classes. In addition, there activities were available, such as e-learning classes, that included the following topics: financial essentials, managing your career, preparing a business plan and managing workplace stress.

For non-management employees, who were mostly foreign workers, the company provided a wide range of instructor-led classes, workshops and e-learning classes that included service training, which emphasised skills and techniques for anticipating guests' needs and solving guests' issues. There was also lateral service training provided which offered opportunities to work in other departments. The training budget was allocated from the regional office, and the training manager (TM) in the Saudi subsidiary submitted the training plan with a budget, for regional office approval. In this case, the researcher could not access the documents due to the organisation's confidentiality requirements, but was able to view some written documents that generally outlined this process, excluding the budget section. As confirmed by the HR director:

at the end of the day because other things can be learned at the workplace and willing to offer training as well but the most important thing is the attitude, if this person can fit the environment or not. One of the benefits that we have here in the hotel for us as Saudis in order to get exposure we need to travel, to mingle and to learn from other people and here it is a completely different story. It is just lovely that you don't need to go anywhere because we have almost 35 nationalities here. They are all in one place, different background, different experiences, religion, cultures: this is all come to you and you learn from them just like a perfect environment, we learn from the experts ... Let's face it; they come in here for a contract with two or three years and they leave so who is staying behind? Saudis, so this is what we focus on when we recruit whether male or female.

For the local Saudis working in MNE1, one of the key benefits was that the hotel employed more than 35 nationalities from all over the world, so local workers could gain international exposure, mingle and learn, without travelling anywhere. Different backgrounds, cultures, experiences and religions were incorporated in 'one perfect environment', as nominated by the MNE1 HR director. He added that the HRM department focused on developing local competencies as local people would remain long-term. However all employees, without exception, had to be familiar with expected guest issues and how they might resolve these problems.

### **5.2.3 Performance appraisal**

The performance appraisal technique used to evaluate employees' performances was the performance development review (PDR). It was designed to align employees' goals and accomplishments with the hotel's strategic directions. The PDR was designed to be a constant communication process between the line manager and the employee throughout the year. It is a tool to evaluate good performance and career growth. It identifies and addresses underperformance issues at an early stage. This process is repeated and continuous in its nature.

Performance appraisals were usually completed four times each year. The manager reviewed feedback and used this as the basis for employee work plans. The manager then met with employees to discuss the plans and develop job targets. Each manager discussed each employee's work plans and their implementation with employees. In addition, there was a standardisation committee that adjusted the rating of the employee on the compensation and benefits system. According to the HR manager, the performance appraisal was based on important targets, or what were called 'golden standards', that apply to all employees in the orientation program. The PDR was about four pages in length, with one copy for the manager to evaluate employees and the other for employees to evaluate themselves before meeting with their manager. Feedback was provided by the manager verbally and through a card rating system. Those who had performed above and beyond expectations were rewarded through first class recognition cards. This was the most popular method of recognition for employees in MNE1. It is a card to say 'thank you' to the employee, with a written reason regarding the exemplary performance, and is signed by the manager. In addition, the '5-Star Awards Program' was given as recognition to outstanding employees, in addition to regular praise for work that was done well.

Another method to reward employees was through establishing a new leader of employee every four months. MNE1 recognised outstanding employees each week in their Monday 'Line-Up'. During this 'Line-Up', employees shared their success stories of how they handled difficult situations. In this case, MNE1 expected to duplicate these positive encounters in similar situations, through feedback from guests and employees. The featured an employee or associate's story which was heard by all employees and they also received a cash award of 500SAR/US\$151. Recognising

dedication and outstanding service helped to involve employees in the organisation's goals. Therefore, MNE1 also recognised employees each quarter during a special ceremonial meal. Here, all top employees of MNE1 met to receive further recognition. Annually, one employee from every department of the hotel was recognised through this very unique employee recognition program. The HR manager stated that:

[w]e usually send emails to all our departments in the hotel to discuss before we start duty. During that time, we will announce the first class and also five star honours every quarter or four months. Once staff suggests who is eligible to get that honour so HR will go through it and [those] who get more nominations, they will get awards.

However across the cases, PM systems were used for all employees in the companies (local and non-local) but varied based on the employees' positions and job tasks. See Table 5.2 regarding this information.

**Table 5.2: Key PM Systems Used in MNE1**

MNE1	PM systems			
	Employees	How often	Managers	How often
	Self-evaluation.	3 times a year.	360-degree	Twice a
	Regular performance appraisal	PDR runs every three months.	feedback.	year.
	PDR.			

Source: developed for this study

When performance reviews involved negative feedback, certain procedures must be followed, including a caution, written and verbal warnings, or suspension. In the case of an employee who deviated from his/her duties, this would be documented and discussed to determine what they did (or did not do) and to ensure they knew what they were supposed to do in future. If employees did something that was against the company’s policies and procedures, supervisors or managers would explain the policies to ensure those actions did not happen again. A document was produced and the signature of the employee was required, along with comments on their perspective. The case was then forwarded to the HR section and, after six months, the document was archived. Further, as confirmed by the regional HR manager at MNE1’s regional office in Dubai, the performance appraisal had to be standard and applied formally to centralise this practice globally. He explained it was not professional to apply different systems of performance appraisal across subsidiaries, as this may create inconsistencies that would make it difficult to ensure the right person was in the right place.

#### **5.2.4 Compensation and benefits**

Compensation is an HR practices that was adapted and tailored to the local context. According to the HR manager, USA labour law could not be transferred overseas: it was not applicable to Saudi Arabia in terms of tax, compensation or sick leave. He added that when it came to compensation in the USA, many rules restricted the company when hiring people. For example in the USA, a tax is imposed on income by federal law. Tax is determined by the tax rate, which may increase as income increases, based on defined taxable income. Workers are compensated in the form of wages,

salary and possibly tips, with that compensation taxed through numerous federal and state taxes. Some taxes are paid by workers through withholding and some are paid by employers. Four federal taxes are imposed on wage and salary income, in addition to any state and local taxes. Therefore, the compensation system had to be adapted to comply with the local rules and restrictions in Saudi Arabia (Brownlee, 2004; Wiederhold, 2014).

Further, the rewards and compensation systems applied globally can be performance-based bonuses and cash equivalents, such as travel awards or benefits, such as employee training. Globally, employee training is considered to influence future employment decisions to leave or stay (Chiang, Jang, Canter & Prince, 2008; Curry, McCarragher & Dellmann-Jenkins, 2005). Locally in Saudi Arabia, business compensation systems share common practices such as performance-based bonuses, annual leave, maternity leave, health care benefits and transportation reimbursements. These apply to Saudi and non-Saudi employees. In specific positions, they are paid a housing allowance and school allowance (The Saudi Ministry of Labour, 2013).

In terms of USA sick leave, according to labour laws for the private sector, workers are paid sick leave compensation for eight sick days after one year of service (USA Beureau, 2010). Locally, according to Saudi labour laws, employers may not dismiss workers due to illness prior to providing them with the period nominated for sick leave as stipulated by the law. Workers can combine their sick leave with their annual leave. A worker whose illness has been proven is eligible for fully paid sick leave for the first 30 days, three-quarters of their wage for the next 60 days and leave without pay for the following 30 days during a single year, whether such leave is continuous or intermittent. A single year means the year that begins from the date of the first sick leave (The Saudi Ministry of Labour 2013). Further, if an employee in the USA is late, he/she receives a first warning. When he/she has received three warnings, the employee may be dismissed (USA Beureau, 2010). In Saudi Arabia, the labour law and regulations are different: if an employee receives more than three warnings, he/she cannot be terminated. This was confirmed by the HR manager:

in the US, if an employee is late, you can give him first warning and, when he gets three warnings, they get fired but, in Saudi Arabia, the whole story is different: if you give an employee a 100 warnings, he cannot be fired due to the labour law.

In MNE1, the compensation system is based on Saudi labour law. For example, Saudi labour law regulates the minimum salary for Saudi employees to be no less than 5,000 SAR and this is not subject to negotiation. Employee benefits do not include sick leave and tax compensation. Monthly salaries, including any housing allowance for Saudi employees who work in the private sector, are reduced by 9% by the GOSI. This protects the rights of local workers and their families so that, if they leave their current jobs, they can receive salaries from GOSI until they find another job (GOSI, 2013).

All employees, whether in the USA or Saudi Arabia, male and female, are reportedly considered by MNE1 as their most precious asset: this is reflected in the reward programs focusing on effort and commitment. Even though some practices must be adapted to fit local labour laws, MNE1 is also obliged to meet its global standards regarding compensation and benefits. Worldwide compensation and benefits include benefits from Day 1, such as low-cost meals and hotel accommodation, spa and resort discounts worldwide, the choice of salary or wages payment via direct deposit or a payroll debit card. Based on their job role and location, employees receive rewards, such as hotel room discounts or free weekend stays at properties all over the globe, and competitive benefit packages that vary from country to country according to local employment laws and practices. In terms of recognition, employees are recognised when they have demonstrated excellent commitment to their guests or when they have provided referrals for new employees. In terms of growth opportunities, MNE1's culture inspired long-term growth and progress. According to the HR manager, '[w]orking at MNE1 is a life-changing journey that encourages gaining experiences and responsibilities'. Moreover, the MNE1 subsidiary in Saudi Arabia has continued to think globally but act locally. Some practices must be changed or updated according to the local laws and regulations, ensuring the subsidiary remains competitive within the local market. Internal audits identify practices that must be updated and changed to ensure suitability for the local market. Table 5.3 below summarises the key HR functions of MNE1.

**Table 5.3: Key HR Functions of MNE1**

HR practices	Global practices	Local subsidiary Practices	Regional office practices
Recruitment and selection	Global standards and measures used.	Local policies are affecting this practice such as Saudisation policy: <i>nitaqat</i> .	There is no interference by the regional office.
Training and development	Global standards and measures used.	Based on Islamic rules and principles there are no casinos, liquor bars or prostitutes.	Cooperate with local subsidiary to adapt training and development policy.
Performance appraisal	Global standards and measures used.	Global standards and measures used.	Global standards and measures used.
Compensation and benefits	Global standards and measures used.	It is adapted based on GOSI and Saudi Arabian labour law.	There is no interference by the regional office.

Source: developed for this study

### 5.2.5 Standardisation versus adaptation in MNE1

Overall, the analysis indicated that MNE1's HR policies and practices in Saudi Arabia were mostly the same as in the USA, but with major modifications made to comply with local rules and culture. This was agreed to and confirmed by the documents provided and the interviews (face-to-face and phone calls) with MNE1's GM, the HR manager, HR director, and supervisors from different departments.

It is part of MNE1's strategy to have global practices but to localise them. This is a standardisation and adaptation process. The code of conduct is one of the standard practices that did not require any adaptation to the local context. According to the HR manager and director, the code of conduct was transferred easily to the Saudi Arabian subsidiary without any adaptation. This was because MNE1 had a strong homogeneous organisational culture and its system of best practices model was shared by all subsidiaries. However, the code of conduct practice was monitored collectively at MNE1 through internal audits that ensured any single initiative would fit the diverse hotel community. This indicates that the corporation tried to solve any

problems that may be created through transferring the code of conduct by involving its diverse workforce to establish the codes. Respect for this diversity is reflected in the corporate culture that respects all individuals regardless of their differences. In addition, with standardisation and adaptation of practices, the MNE1 recruitment system is the same in both the USA and Saudi Arabia. It is a standard practice as it is an online system. However, the subsidiary has to identify the key sources for recruitment. The Saudisation policy, enacted through local labour law, pushed companies towards cooperation with the HRDF to recruit Saudi people. It is clear that the recruitment process had been adapted according to local market requirements but the selection procedure was applied in a standard way, as discussed. Although there was communication between the parent company in the home country and the subsidiary in the host country, the subsidiary had the authority to apply all these practices in a way that fitted the specific markets within which it operated.

In terms of training and development, the corporate training policy was standard and was the same as that used in the USA HQ. However, any trainer could establish a different training method that fitted the corporate culture. The training programs and materials were standard but the context might be modified as training is subject to situational factors that affect the training process. Training also depended on the participants who, being of different nationalities and both genders, may have had different cultural interactions. However, it was clear that adaptation occurred despite the requirement for standardisation.

In terms of performance appraisal, the HR manager and director from MNE1 confirmed that the criteria, system and guidelines of performance appraisal were standard; however, the rewards were different according to the local market. For example, salaries in Saudi Arabia differed from those in the USA, which meant the salary scale and bonuses were adapted, rather than the performance appraisal policy itself.

The compensation and benefits were adapted according to the host country's restrictions and laws, but followed the general guidelines set by the company's HQ. The benefits offered were a mixture of standard benefits provided by the parent company globally, and local benefits.



## **5.3 Multinational Enterprise MNE2**

### **5.3.1 Recruitment, selection and orientation**

MNE2 used the same recruitment practice as its USA parent company. Nevertheless, there were some differences in their recruitment policy. MNE2 used job fairs to attract Saudi talent through advertisements. The company opened positions for qualified people as part of the recruitment process. The job fair process was conducted every two months in universities in different cities all over Saudi Arabia, such as Jeddah, Jazan and Dammam. This recruitment practice allowed people, both Saudi and non-Saudi, to select an appropriate position based on their preferences and talents. In the Saudi work environment, there is a difference in that males and females are separated at work and this is not experienced at the USA HQ. In accordance with the Saudi labour law, special conditions for female recruitment required the company to provide separate departments and work environments so that women could work with limited male contact, avoiding any potential misunderstandings.

In terms of recruitment, the Saudi subsidiary hotel had its own identity that could not be separated from the country's culture and laws. Females could not be hired to work with males with no consideration for their privacy or Saudi policy and workplace procedures. Further, the hotel had some activities that were attended by male employees only, such as the annual winter party. The winter party was a celebration ceremony honouring ideal employees, but not female employees, they are not allowed to be honoured in public.

Further, local recruitment in hospitality was affected by many factors other than labour laws, such as payment and status. For example, local people preferred to occupy positions in management rather than work in the housekeeping department or kitchens. The reason for this concerns the lower pay and poor job status of the latter positions in the local community's perspective. Local people lose face when they occupy this type of job, indicating that cultural barriers had a great impact on the nature of work undertaken. For example, in MNE2, one of the most distinguished employees who worked in the laundry department quit his job as he became engaged to be married; the Saudi community would not accept his job and would look down on him.

In common with MNE1, the tool used in the recruitment process was the Saudi Voyager program, which was also used by MNE1. MNE2 paid a significant amount of money to plan and support this program and to maximise resources by associating with Al Hukair Institute for hospitality. This is an institute that supports trainees to develop their practical skills and knowledge as hoteliers. Moreover, the Voyager program is an opportunity created by MNE2 to guide global business and set standards for the hospitality industry so this program can fit into and be conducted in every region worldwide. The Voyager program is a 12 to 18 month full-time, paid leadership development program for new graduates to support their future career growth. The program presents specific training to support the employee's interests, which can focus on food and beverage operations, culinary skills, revenue management, accounting and finance, room operations, HR, engineering, event management or sales and marketing. It also allows participation in a unique virtual portal that contains all program curriculum materials and links participants around the globe. It helps employees to understand comprehensively the global scale of MNE2 operations. The Voyager program is available in more than 13 countries, including two countries in the Americas, nine countries in Europe, eight countries in the Asia Pacific region, seven countries in the Middle East (including Saudi Arabia) and three countries in Africa.

During the interview with the GM of MNE2, he revealed issues about cultural orientation affecting employees' preferences in terms of HR policies and practices that reflected subjugation. This is also evident in other research. According to Budhwar and Mellahi, it is a 'belief of a society that people's life is destined or controlled by supernatural forces; thus whatever actions societies and individuals take have little influence on the outcomes of events' (2007: 15). MNE2 faced a significant challenge in recruiting local people as some locals did not meet international labour standards or they did not take these opportunities seriously. They left as soon as they obtained government or public sector offers (as confirmed by the GM in the interview). Most Saudi workers preferred government jobs over those in the private sector, for many reasons such as better salaries and benefits, better working hours, and the nature of the work itself that did not require professional skills.

Part of the MNE2 hotel philosophy was that either the property added value to the employees or the employees added value to the property, or that they both added value

to each other. The corporation believed that staff motivation, productivity and retention were based on employees being hired for a suitable job that matched their interests. MNE2 offered employees the opportunity to transfer within the hotel if they wished. For example, it was stated that all supervisors supported their staff members who were motivated to enhance their skills and develop new competencies to take on greater responsibilities within the organisation. Based on the needs of the areas (as determined by the supervisors) each department had the authority to transfer employees to another appropriate role. Therefore, all supervisors made internal announcements relating to the opportunities available for their employees. This cooperative strategy helped to maintain efficiency and productivity in the hotel's workforce (as confirmed by the GM, HR manager and director). MNE2 had about 200 employees who were foreign workers recruited through accredited employment agencies located in different Asian countries. They received in-house training and on-the-job tasks and had to be aware of the country's rules and culture. Foreign workers in MNE2 could be in different positions such as waiters in the lobby, or laundry services, the IT department, food and beverages, events and catering.

The HR department in MNE2 confirmed that recruitment programs were applied everywhere, with a little adjustment to fit the local market of the country. MNE2, as a global corporation, respected both international and local laws by following the international laws that aligned with local ones in a way that did not cause adverse effects. For example, employment contracts in MNE2 for both Saudi employees and non-Saudi employees were the same. This was a two-year contract, but local people had the right to resign at any time, unlike the non-Saudi workers who were obliged to remain for the full two years as it is clear in the website of the Saudi ministry of labour that linked to visa laws (The Saudi Ministry of Labour 2013).

In terms of orientation, new employees had to follow a program for two weeks where they rotated through all departments so that they became familiar with their new job. In addition, there was an introduction to Saudi culture for non-Saudi workers. This brief introduction allowed employees to learn more about the country's culture and laws.

### **5.3.2 Training and development**

MNE2 had its own training procedures and program, with its own training department, training managers TMs and training sessions. These sessions were conducted regularly held every month, and evaluated and monitored by the regional office. Training sessions were considered an essential tool that developed the employee's competencies to support the hotel. Therefore, the subsidiary of MNE2 created a task force list that included any employee who wanted to cover shortages in any area, according to special criteria that supported the company.

In-house training, or induction, was also offered. Here, a new employee was required to select one of the given dates as suitable for them to stay overnight at the hotel, to have dinner and breakfast at the hotel where she/he intended to work. This was provided at no cost to the employee. After breakfast, employees were then asked to attend a three-day induction course with other new employees in a hotel meeting room. This type of training gave employees information about the hotel and its facilities: as new employees visited the hotel as guests, they familiarised themselves with hotel services, procedures and facilities. While at the hotel, new employees had the opportunity to evaluate the efficiency and customer service of the front desk and the hotel's cleanliness, and to learn more about the use of room appliances such as the air conditioner system, the safe and television.

Training and development practices in MNE2 were the same as in its HQ, except for any practices that were against the law and religion of Saudi Arabia. Therefore, when it came to training new employees in MNE2, the program did not include training sessions on casinos and liquor bars.

Through training programs, professional development opportunities and other learning experiences, MNE2 provided its associates (local people and foreign workers) with over 4,500 formal learning programs for career and personal growth. These associates also participated in informal learning activities during the year. Breakthrough leadership training was a formal learning program which helped managers to create, execute and measure critical career goals associated with their hotel business priorities. Numerous types of training were offered, including 15 minutes training in each department. This on-the-job training covered different issues every day, such as how

to greet guests, the procedure for cleaning tables and knowledge of non-alcoholic beverages. In addition, English language training was organised once a week, including speaking, reading and hearing about hotels. Further, departmental and organisational training programs were offered to managers and supervisors.

MNE2 had its own training program called 'Passport to Success'. It offered eight levels of training on the fundamentals of hospitality and service, and on understanding the history, culture and strategy of MNE2. At the first level, it was also used to test employees about their knowledge of hospitality and safety. This training also covered the standards for food and beverage service in hotel rooms. The passport for having accomplished the training is recognised in all branches of MNE2.

### **5.3.3 Performance appraisal**

The annual performance appraisal in MNE2 was standardised and was linked to rewards. The criteria used to evaluate performance differed from one department to another. A leadership performance program was offered in which employees had to meet targets and certain expectations to be appraised, receive promotions and salary bonuses. It was a tradition before the end of the year for employees to receive a performance appraisal from their direct manager. They formally discussed this performance evaluation together.

In addition, the HR manager of MNE2 confirmed that employees received feedback on their performance on a regular basis. Every quarter, employees received feedback on their teamwork regarding how they had performed on a monthly basis. In other words, an official appraisal was held every quarter. At the end of the year, employees received a more detailed final appraisal. In the formal discussion on their performance appraisal, employees discussed the results of their appraisal and, if the report was negative, they were encouraged to be more productive.

Everyone at the hotel had the chance to be promoted, based on equal employment opportunities. If an employee displayed exceptional performance during the first year working at the hotel, he/she could be promoted easily. The promotion system was a standard practice determined according to the employee's performance and how much this performance met the management's expectations. The promotion process was not a generic process for every individual. It was based on performance rather than on the

length of experience at the hotel. MNE2 offered employees the opportunity to motivate other employees by earning bonuses. For example, if the sales department achieved above expectations for the year in sales and marketing, the entire department deserved and received bonuses. In terms of salary and wages, the scale varied between Saudi employees and non-Saudi employees, based on Saudi labour law.

#### **5.3.4 Compensation and benefits**

MNE2 offers competitive compensation and benefits for all employees based on their career positions. For example, employees can have competitive benefit packages. This type of compensation was not standard and varied from one country to another, based on the host country's labour laws. The kind of rewards that MNE2 presented to its employees were hotel room discounts, discounts on food and beverage and retail discounts in its gift shops at MNE2 hotels around the globe. Compensation and benefit programs changed as business needs and laws changed. Salaries were related to the market practices and cost of living in the host country.

MNE2 recognised employees for their commitment to delivering exceptional guest experiences in the hotel. This recognition targeted employees who displayed outstanding commitment to guests, managers who displayed exceptional leadership, employees who showed commitment to local communities, employees who provided referrals for new employees and employees who had served for five-year intervals. Those who served for 25 years were rewarded with free weekend stays at MNE2 branches around the world.

The MNE2 culture encouraged long-term growth and development. For example, the HR manager of MNE2 considers that working at MNE2 was considered a life-changing journey for all employees. It enabled increasing levels of responsibility, accountability and management. MNE2 is a global business with many brands and locations, and many employees created lifelong, continuously developing careers within the hotel. MNE2 promoted employees from within; many of their managers started their career in entry-level positions. MNE2 encouraged corporate self-promotion for all its employees through access to services that supported their physical and emotional wellbeing throughout their careers. MNE2 provided employees with an average of 78 hours of training and 34 hours of professional development every year,

and encouraged employees to gain experience in understanding the hospitality business. Table 5.4 summaries the key HRM processed applied in MNE2.

**Table 5.4: Key HR Functions of MNE2**

HR practices	Global practices	Local subsidiary Practices	Regional office practices
Recruitment and selection	Global standards and measures used.	Saudisation policy, or <i>nitaqat</i> . Separate working environment for women. Reception and security department staffed only by local people.	Cooperate with local subsidiary to adapt recruitment policy.
Training and development	Global standards and measures used.	Based on Islamic rules and principles, there are no casinos, liquor bars or prostitutes.	There is no interference by the regional office.
Performance appraisal	Global standards and measures used.	Global standard and measures.	Global standard and measures used.
Compensation and benefits	Global standards and measures used.	This policy is adapted based on GOSI and Saudi Arabian labour law.	There is no interference by the regional office.

Source: developed for this study

### 5.3.5 Standardisation versus adaptation in MNE2

Overall, the HR policies and practices in MNE2 were generally standard and the same as those in the USA HQ, but with small modifications to fit local rules and culture. The standardisation and adaptation process were one pillar of MNE2's strategy.

Recruitment, selection, training and development, performance appraisal and compensation and benefits were standard practices that did not require adaptation to any particular context. MNE2 applied a standard performance appraisal system that was transferred from its HQ. Salaries were adapted to the local cost of living and local market changes, while benefits varied. Some benefits provided by MNE2 were based

on Saudi labour laws, while others were imported benefits which were standardised across the region. For expatriates, MNE2 in Saudi Arabia filled a gap in the local country system by providing a pension and schooling scheme to give its employees a feeling of security. For expatriates with families, pension plans and schooling schemes were necessary due to the high cost of schooling, and different language in the host country. However, there was no violation of labour laws or any governmental rules: all policies and practices were adapted according to the country's culture and laws. The MNE2 subsidiary worked in parallel with the country's rules and regulations. MNE2, as a global player, had a standardisation and adaptation strategy. The recruitment practice was standard in both Saudi Arabia and the USA, as it was an online system. Nevertheless, MNE2 in Saudi Arabia applied the Saudisation policy through labour laws and the HRDF to recruit Saudi people. MNE2 had the power and control to adapt its recruitment practices according to the local market. Its HQ accepted this right and cooperated with the MNE2 subsidiary. MNE2 considered providing a separate work environment for recruiting females, but selection and orientation practices are standard and the same as those applied everywhere else.

Training and development practices in MNE2 are the same as for its HQ except for training in specific services and facilities that are not present in MNE2, such as casinos, liquor bars and prostitutes. Training methods and content were modified based on the local context and local laws. For example, MNE2 responded to organisational needs through modifying some content of the training and development programs, such as tax course work (the host country is a tax-free country). Therefore, certain training program content needed to be modified based on local specificities

The performance appraisal practice was standard, including the criteria and guidelines for appraisal. The rewards varied, based on the local market and the host country, so the bonuses were different from those in the HQ. For example, there was no tax on employees' salaries; further, the payroll was different from that in the HQ (Internal document such as payroll, staff induction documents and performance appraisal). However, Table 5.5 shows how the performance management system worked within the organisation. MNE2 adapted its compensation and benefits scheme according to Saudi labour law, but still followed the general guidelines set by the parent company.



The offered benefits are a mixture of standard benefits provided by the parent company globally, and local benefits as confirmed by HR manager.

**Table 5.5: Key PM Systems Used in MNE2**

MNE2	PM systems			
	Employees	How often	Managers	How often
	Regular performance appraisal: 360-degree feedback.	Every quarter and at the end of the year.	360-degree feedback.	Twice a year.

Source: developed for this study

## 5.4 Multinational Enterprise MNE3

### 5.4.1 Recruitment, selection and orientation

In some ways, MNE3 offered a different perspective on the recruitment process from the other MNEs. It had no formal methods of recruitment and selection but whatever recruitment technique was used had to be approved by the home office and used across the region. For example, the main source for recruiting local people into the hotel was the HRDF. MNE3 received candidates' curriculum vitae (CVs) from the HRDF, based on vacancies in the hotel. All candidates then underwent an interview process until they were approved or rejected. MNE3 offered 30 per cent of its jobs to Saudis, due to the labour law or *nitaqat*, but also had a major objective of deploying qualified local people to become managers and executives in the future. No data about MNE3 provided a detailed explanation of the recruitment practice, but it was clear that the procedure was standard to some degree. Further, it was discovered that the selection process was based on qualifications. *Wasta* played a significant role in selecting and recruiting some employees. *Wasta* refers to the use of connections or influence to get a job. All candidates had to pass English and Arabic tests, which were assessed through interviews. There were approximately 150 foreign workers in MNE3 and most were from Asian countries such as Bangladesh, India, the Philippines and Sri Lanka.

MNE3 considered female recruitment a problematic issue. For example, the reservation clerk in the hotel needed one of the female accounting employees to be with him in the same office to save time and make his work easier; yet this was not

allowed due to Saudi labour laws. Therefore, the reservation clerk as a male employee is not allowed to be in same office or location with the female employee due to the sex segregation workplace laws. However, the main difference experienced by MNE3 managers was the lack of what would be considered a normal international work environment in which males and females worked together. This is illegal in the Saudi Arabian context.

The orientation program was standard: it was the same program as that applied in the US. New employees were not allowed to start their new jobs without completing the two-day orientation program. The orientation program in MNE3 introduced the company standards, procedures and philosophy to new employees. All policies and practices were received from HQ through the regional office in Dubai. They were adapted, if required, according to the host country laws and culture. A US executive of MNE3 recently visited Saudi Arabia and met with all members of MNE3. He spoke positively and indicated that he really wished to see all Saudi GMs within the next few years. It was clear that in MNE3, the most powerful member of the hotel was the HR manager. He controlled the data collection process and supervised the interviews held in his office after he reviewed and modified all interview questions.

However, one of the major challenges facing the corporation is with local recruitment (male and female), and how the company can retain local people in its hotels. The HR manager of MNE3 added that one of the hotel training courses concerned how to retain Saudi employees and reduce the job-hopping of Saudi employees who usually resigned due to job dissatisfaction or stereotyped views about hotels. Many people did not respect the hospitality sector, nor did they accept working in hotels as a prestigious career. Therefore, MNE3 worked very hard to increase employment commitment. The HR manager noted, 'I have noticed that we, as Saudis, have many cultures in one country. For example, I have seen Saudis work in hotels for seven years. Also, I saw Saudis work in housekeeping in the western part of our country. Also, males and females are working together'.

#### **5.4.2 Training and development**

One of the most important components of the MNE3 strategy was training and development, monitored by experts at the regional office in Al Khobar. Courses are

followed by a full annual audit on a globally-scaled score provided by the regional office. This was clearly one of the most vital quality control mechanisms by HQ. Training and development courses included on-the-job training, organisational culture and managerial skills. These courses focused on hospitality and service skills for all employees, both front desk and back-office. They concentrated more on front desk employees by involving the assistance and supervision of an experienced employee. This helped new employees, particularly reception staff, to learn useful skills for hospitality and services.

It is interesting that MNE3 used 'Your Passport to Success', one of the most important courses for improving the quality of job skills in the region. Quite similar to MNE2 course, this course aims to improve the quality of job skills and to increase employment opportunities for new local graduates. This course has been conducted with the same aim in India, Brazil and other countries. For the first time in Saudi Arabia, it is sponsored by MNE3. Further, as MNE3 is an international hotel, it offered English language courses for local staff, enabling them to cope with all the hotel's strategies and policies. This was run by MNE3's training school, where its employees are educated and can develop the same skills required of hotel personnel everywhere. This course was hosted by MNE3.

There were some concerns about educating new employees, especially those who were not local, about the rules and culture of Saudi Arabia. These were addressed through creating courses that dealt with these issues. Before they began their new jobs, and as part of their on-site training, employees were made aware of labour laws to avoid problems. In terms of global training, it was quite usual for Saudi managers to be sent to the USA or other overseas subsidiaries to attend short courses and training programs.

#### **5.4.3 Performance appraisal**

MNE3 had the typical representation of its USA parent's performance management model. The MNE3 performance appraisal system was the most significant representative of a standard performance management system. After the first three months, the head of each department conducted the performance appraisal. Then all employees participated in the PMP online. All employees were registered on this

system and the HR department accessed all appraisals. Every six months, employees found their feedback online. The appraisal evaluated the employee’s performance and related tasks. The performance appraisal and feedback process allowed the ranking of employees based on their job performance; this subsequently determined compensation and promotion decisions.

**5.4.4 Compensation and benefits**

In MNE3, the salary ranges were in accordance with the employee’s education and the grade of their position. Employee performance was reflected in their bonuses. MNE3 completed market surveys to determine appropriate salary levels. The benefits, which included schooling allowances and medical coverage, were locally determined, as there were limited numbers of expatriates. The subsidiary must receive approval for the number of positions offered and proposed salaries should comply with budget constraints. Two types of bonuses were offered: for individual performance and department performance. With the latter, profits were distributed among employees. In addition, the subsidiary had to comply with Saudi labour law. It used to be very difficult for many employees in Saudi Arabia, as they only had one day off per week before the law was changed. However, MNE3 still offered their employees, both local and non-local, two days off per week. Recently, this law was changed to allow a 40-hour working week with two days off for both Saudis and non-Saudis. MNE3 always had to go through the regional office before adjusting and adapting existing policies and practices, or before transferring to any new practices. Table 5.6 summarises the key functions of MNE3 (recruitment and selection, training and selection, performance appraisal, compensation and benefits).

**Table 5.6: Key HR Functions of MNE3**

HR practices	Global practices	Local subsidiary Practices	Regional office practices
Recruitment and selection	Global standards and measures used.	Little adaptation.	Channel that links HQ to subsidiaries to help interpret policies and practices.

Training and development	Global standards and measures used.	Little adaptation.	Work with local subsidiary to adapt training and development policy.
Performance appraisal	Global standards and measures used.	Global standards and measures used.	Global standards and measures used.
Compensation and benefits	Global standards and measures used.	Adapted based on the local country laws.	There is no interference by the regional office.

Source: developed for this study

#### 5.4.5 Standardisation versus adaptation in MNE3

As with recruitment and selection, there was little room for MNE3 to adapt its HR practices. However, the main source of recruitment and selection was the HRDF, which is a type of adaptation to the local context. Further, MNE3 HR administration required that both Arabic and English tests must be passed to qualify for an interview and be accepted for a job. This may be considered part of the adaptation process, as Arabic was required for local and regional work arrangements.

The same training and development was provided in MNE3 as in their USA-based HQ. It was a standard practice with some supplementary training courses that supported the host market requirements.

In terms of the performance appraisal system at MNE3, no adaptation was required as this was directly transferred by the parent company. Therefore, the parent company provided the guidelines and directions to address any weaknesses in relation to performance appraisals. The performance appraisal of the subsidiary was monitored by the parent company using score cards. The regional office had a score card for each subsidiary that was monitored to ensure that the subsidiary was doing its work properly and on time. Table 5.7 shows how the PM system works within the organisation. As for compensation and benefits, salaries were adapted based on the local market, and benefits were determined locally. The HR manager and HR manager at MNE3 agreed that every policy and practice that was in compliance with the Saudi labour law had been transferred effectively.

**Table 5.7: Key PM Systems used in MNE3**

MNE3	PM systems			
	Employees	How often	Managers	How often
	PMP (online). Regular performance.	Every 6 months.	360-degree feedback	Twice a year.

Source: developed for this study

## **5.5 Multinational Enterprise MNE4**

### **5.5.1 Recruitment, selection and orientation**

The HR manager of MNE4 is a USA-based MNE perceived Saudi Arabia was a special country, due to its culture and diverse laws and rules. Such rules and laws pose more restrictions and control on the USA HR policies and practices of all the MNEs in this study, not just MNE4. Saudi labour laws are different to US labour laws. Saudi Arabia is a new market for hospitality and is not an open country, so international policies have not been effectively transferred to Saudi Arabia. Unlike the USA HQ, where 80 per cent of the hotel workforce are Americans, in the MNE4 subsidiary, employees come from many nations. As confirmed by the HR manager, ‘this is another issue because, for example, Saudi culture is different from Pakistani culture is different from the Arab culture’.

About 210 employees in MNE4 are foreign workers, who were recruited through agencies located in countries such as Dubai, the Philippines or Pakistan, or by staff recommendations. Foreign workers in MNE4 mainly work in positions such as stewarding, semi-chef, front desk agent and sales. Foreign workers receive training within the hotel conducted by the training manager, as well as the head of their departments. The focus is on cultural awareness training.

However, MNE4’s recruitment and selection policy was not standard. Different policies and standards were applied to female recruitment, according to the local labour laws. In terms of expatriates, recruitment was conducted through the hotel’s website, which connected subsidiaries, regional offices and HQ. Due to the different culture and rules in Saudi Arabia, MNE4 made its orientation program compulsory for

all expatriates and new employees. This was the same orientation program as that followed in the USA. New employees could not begin to start their careers before they had finished the orientation program. The program took two days and introduced employees to the company's standards, procedures and philosophy, as well as to the country's culture and laws. As the HR manager said, 'new employees need to know the job description of the country itself. For example, at the five prayer times, all the supermarkets and shopping centres are closed, five times a day'.

This company had a three-month probation period in which they evaluated new employees' performance. Once the organisation was satisfied with an employees' performance, they were appointed to the job; this applied to both Saudi and non-Saudi workers. With this policy, the hotel usually faced a problem with local candidates. If they were rejected by the hotel, they tended to make a claim with the labour law office. According to MNE4's HR manager, the workforce in MNE4 was quite mixed but was not ideal. This was due to the mentality of some local workers who perceived that expatriates had come to take their jobs: they were dissatisfied when expatriates did fairly similar tasks and received higher wages. Additionally, due to their ethnicity, some employees preferred to communicate with workers who shared common cultures and backgrounds.

The recruitment and selection practices in the MNE4 subsidiary used the same standards as in the USA HQ. Further, the key source of recruitment and selection was through recruiters visiting universities. Part of the hotel's community service was to open internships for all students who were about to graduate from universities. The hotel offered students a three-month internship. Recently, the hotel hired five students from King Saud University. In the previous year, the hotel had recruited ten students from different universities in different hotel departments. MNE4 believed this was the best method to recruit and select qualified people. Another method was recruiting through the job fair; however, this was costly and was not considered practical. In addition, the hotel has shifted back to selecting students from the Institute of Public Administration. These students attend lectures in universities introducing the hotel and its facilities, services and jobs. After the hotel has built a good relationship with universities, it starts posting vacancies seeking applications from students. This source of recruitment and selection was only targeted at males. Moreover, the hotel focused

on its work environment to attract candidates. The hotel wants to create a healthy, friendly work environment to increase workers' productivity. For example, MNE4 offered free international calls for Syrian employees to call their families and relatives during the recent conflict. In addition, MNE4 wishes to build the hotel's brand image. For example, if people saw the GM cleaning the street, they would interpret this positively; this would imprint the MNE4 brand image in peoples' minds. Another example was that MNE4, in order to treat its Sri Lankan employees positively, acknowledged the Sri Lankan National Day. Further, the hotel arranges an activity called 'Arabia's Got Talent' to let employers and employees have fun, and even the GM participated in this event.

### **5.5.2 Training and development**

Training programs were organised globally at MNE4. These programs were usually technical training and certification programs. MNE4 had a catalogue of training courses that were restructured yearly. Training programs were mostly held in the MNE4 subsidiary, with some training courses held at the regional office. In cases where some training courses were held at the parent company, the cost effectiveness of sending employees to the USA was checked before approval was given.

Due to the unique host country culture, MNE4 offered cultural training that introduced the country's culture and the subsidiary as a brand within that culture. This program explained to employees comprehensively how the MNE4 brand was different to other hotels in Saudi Arabia. They were taught '[h]ow to be presentable as an employee in MNE4, and [were] linked to MNE4 through computers ... found all over the hotel. Besides, there are the gyms that represent part of the hotel identity'. MNE4 had a training manager TM who was responsible for arranging the training catalogue for the whole year, downloading chapters about training practice from the parent company's website. Standard training programs covered issues such as how to welcome and greet guests, how to smile at them (this was especially targeted at reception staff) and make eye contact, and how to be patient.

MNE4 also provided on-site training, such as consultant programs, that included English language skills; cross-cultural training explaining the local culture and laws; management training; safety; health care; accommodation; family adjustment; and



banking arrangements. In case MNE4 was unable to provide training courses run by qualified instructors or trainers, the company sent trainees to the regional office. Alternatively, the regional office suggested places in different countries or inside Saudi Arabia to conduct a particular training course. The regional office trained managers to become qualified as trainers.

### **5.5.3 Performance appraisal**

PMP is a global process; it is transferable from the USA to Saudi Arabia. It measures the ability of managers through certain core criteria. Every year, MNE4 set a number of goals for each individual manager. At mid-year, these tasks were reviewed and, at the end of the year, performance was graded based on these criteria. This determined whether or not the individual managers received a bonus. The process was conducted irrespective of the religious or cultural differences of the individual managers, the same procedure was applied in the USA. All employees were required to be registered in PMP and their performances were monitored.

‘Star-voice’ concerns one form of communication from the hotel website that managers used to see if their employees were motivated or unmotivated. ‘Star-voice’ is a yearly survey conducted by the HQ of MNE4 to hear the "voice" of all the employees and associates of the hotel (HR manager interview & MNE4 website). The employees completed this themselves by evaluating their managers and the hotel. This evaluation began in the fourth year of service.

### **5.5.4 Compensation and benefits**

MNE4 had policies and strategies that were created within its parent company HQ. These were disseminated through the corporation’s website. It has been confirmed through documents and interviews that not all HR policies and practices were able to be applied in Saudi Arabia. For example, on a business trip, an individual may receive free alcoholic drinks as part of the compensation process, but in Saudi Arabia drinking alcohol is not allowed.

Further, the policy of indemnity insurance was processed differently: the calculations used in Saudi Arabia were different to those used by HQ. This was adapted based on the host country’s market changes. For example, the end-of-service indemnity applied

a different calculation compared to the policy that was transferred from the USA. It had many formulae for calculations, according to different periods of service, from one year to five years, or from one year to ten years, or for more than ten years.

Some policies were transferred easily, such as the laundry or hygiene policy, both of which were considered standard practice. However, some policies and practices were more difficult to transfer. For example, the expatriate contract did not offer a housing allowance as HR already provided expatriates with staff accommodation. However, the hotel had to offer a housing allowance to local people, according to the labour laws. In addition, some insurances were not transferred to Saudi Arabia, such as life insurance. The GM received international insurance, which was not usual in Saudi Arabia. The parent company in the USA was responsible for paying the GM's pension. This meant that different calculations were used to those of the host country. Saudi employees received compensation and benefits from both MNE4 and GOSI (9% from personal salary and 11% from the company); in effect, local Saudi employees are paid two pensions, while headquarter employees are paid differently, with only one pension from the hotel.

**Table 5.8: Key HR Functions of MNE4**

HR practices	Global practices	Local subsidiary Practices	Regional office practices
Recruitment and selection	Global standards and measures used.	This policy complies with the local rules.	Linked through website.
Training and development	Global standards and measures used.	It is adapted based on local laws of the host country.	Cooperate with local subsidiary to adapt training and development policy.
Performance appraisal	Global standards and measures used.	Global standards and measures used.	Global standards and measures used.
Compensation and benefits	Global standards and measures used.	Complies with the local rules.	There is no interference by the regional office.

Source: developed for this study

### **5.5.5 Standardisation versus adaptation in MNE4**

The MNE4 HR manager explained that the hotel had completely adapted their recruitment and selection procedures from the USA HQ. In terms of employee orientation, MNE4 was working on a task force to create a global on-boarding system as this was currently lacking at the subsidiary.

When employees began their jobs, they did not really know where they stood and they were not oriented in the way MNE4 employees needed to be oriented. Therefore, during 2014, a global system was initiated, with global on-boarding practices via the website. The role of the parent company was limited to informing the subsidiary about applying or not applying the recruitment policy. MNE4 relied on its partnership with local universities in addition to its own sources of recruitment within the Saudi context. There were no adaptations of the performance appraisal system at MNE4; see Table 5.9.

**Table 5.9: Key PM Systems Used in MNE4**

MNE4	PM systems			
	Employees	How often	Managers	How often
	PMP (performance management process online). Peer appraisal (it is a variation of 360 degree feedback, peers provide their insight into individual's performance, skills and interpersonal interactions) Regular performance.	3 times a year. PMP runs every three months.	Performance appraisal method is a variation of both the 360-degree and rating methods. “Star-voice” employees evaluating their managers and the hotel.	Twice a year.

Source: developed for this study

Regarding compensation and benefits, they were adapted to the labour laws of Saudi Arabia. MNE4 adapted its compensation levels to the Saudi Arabian market and benchmarked this against other MNE hotels in the country. However, unique benefits were given specifically to local people, such as a gym allowance. It was known that MNE4 subsidiaries worldwide had gyms within their premises, as part of the MNE4 culture of maintaining a work/life balance for employees. However, in Saudi Arabia there were no gym facilities on the premises. MNE4 instead provided an allowance for employees to join private gyms.

Fundamentally, MNE4 did not make many changes to the HRM policies and practices established by the USA HQ. For example, recruitment and selection in Saudi Arabia differed slightly from the HQ, due to visa restrictions and labour laws. Employees who worked in the kitchen in MNE4 required a health card. This was not required from an MNE4 policy, but was required by the local labour laws. The consumption of alcohol policy was also an MNE4 standard that required all hotels to offer and provide alcohol

within the hotel; however, this policy could not be transferred to Saudi Arabia as alcohol is forbidden.

In addition, the hotel was required to participate in certain activities globally, such as the 'Earth Hour' electricity saving measures. This is considered a global activity and fits within any culture. Other activities were not allowed due to Saudi Arabia's specific context. For example, a primary policy of MNE4 was to support the community and it had chosen to support the United Nations Children's Fund (UNICEF). However, this could not be transferred to Saudi Arabia as the country's law do not allow support (including financial) for UNICEF.

## **5.6 Chapter Summary**

This chapter has presented the four cases of USA hotels located in Saudi Arabia. These have been considered by briefly introducing each MNE, presenting the different HR practices implemented in their subsidiaries in Saudi Arabia, and by describing the relationship between the parent company and the subsidiary. For example, there are common features of the examined MNEs. These are, casinos, liquor bars, prostitutes and nightclubs in hotels in Saudi Arabia are not allowed due to the, practices contravene Islamic rules; Saudi Arabia's labour laws force both hotels to hire Saudi also force hotels to ensure sex segregation workplace when it comes to females recruitment.; some cultural barriers that prevent locals from accepting sub-management jobs.

In addition, this chapter has outlined the standardisation-adaptation dilemma that will be analysed further in the next chapter. This chapter aimed to build a comprehensive description of the four cases. In the next chapter's cross-case analysis, these cases will be analysed more purposefully to answer the questions of why and how such HR practices are adapted by the Saudi subsidiaries. However, it must be noted that further details of these cases could not be provided due to confidentiality.

The emerging theme of the research study is the application of standardisation and global practices where possible in the subsidiaries, but with extensive modification to accommodate local laws, institutions and labour market conditions. HR practices are shaped by the interactions of opposing pressures for internal consistency and for

isomorphism with the local institutional environment, as argued by Rosenzweig and Nohria (1994). MNEs need to gain legitimacy and institutional conformity to compete effectively in labour local markets (Tempel et al., 2006). Therefore, HRM practices are strongly influenced by local regulations such as labour laws, institution settings and the host country's culture. There are some policies and practices were more difficult to transfer. For example, the expatriate contract did not offer a housing allowance as HR already provided expatriates with staff accommodation. However, the hotel had to offer a housing allowance to local people, according to the labour laws. In addition, some insurances were not transferred to Saudi Arabia, such as life insurance.

## **Chapter 6: Cross-Case Study Analysis**

### **6.1 Introduction**

This chapter analyses data from the four case studies, described in the previous chapter, to identify the extent of similarities and differences across all of cases. This cross-case-study analysis compares data and patterns among cases with a common trait, irrespective of the case (Miles & Huberman, 1994). For example, common traits of interview respondents could be their educational background, their employment position or their gender. The most valuable analysis came from the combination of within-case analysis and across-case analysis. Across-case-study analysis was integrated in the current study by reporting the data analysis according to the research questions posed. An across-case matrix was developed for each of the study research questions:

1. what is the degree of autonomy and discretion that the USA MNEs give to their subsidiaries in Saudi Arabia in approaching HRM; that is, the ‘home country impact’
2. what are the cultural, societal, legal and business-specific issues behind possible adaptations of HR practices; that is, the ‘host country impact’
3. what are the similarities and differences across the four case studies and the reasons behind these variations?

Through identifying similarities and differences within and across the cases, this chapter will compare and contrast the case studies, based on the research questions. This chapter then details the findings of all cases in the context of relevant available knowledge. In the previous chapter, it was argued that to build valuable logic from the data generated through empirical investigation, a theoretical framework was required that included an ordering process. Studying multiple cases has the potential to build a rational chain of evidence (Yin, 2013). Therefore, this chapter presents the cross-case-study analysis that seeks a chain of evidence based on the research framework, for the relationships that have been studied. Further, the analysis of cases in this chapter is linked to the existing literature, to identify whether the findings either align with or deviate from the existing literature.

## 6.2 Research Questions Analyses

### 6.2.1 RESEARCH QUESTION NUMBER ONE (RQ1)

RQ1: what is the degree of autonomy and discretion that the USA MNEs give to their subsidiaries in Saudi Arabia in approaching HRM? That is, the ‘home country impact.

As described in the research methodology chapter (Chapter 4), the data were collected from hard and soft copies of documents (such as staff induction documents, performance appraisals and management including a manager`s guide, and committee meeting minutes), interviews with key managers of the subsidiaries (general manager (GM), human resource manager (HRM), training manager (TM), and directors of HR) and supervisors from different hotel departments. This was detailed in Table 4.1. Data (in chapter 4) were not collected from the regional office or parent companies, apart from MNE4 where the HR manager cooperated with the regional manager and provided some information by phone calls. However, the answers and explanations provided through interviews illustrated the MNEs’ HRM approach. The explanations revealed that in all four cases, the overall guidelines concerning central HR policies and practices came from the USA-based HQ or the regional offices, with the decisions left to their subsidiaries regarding implementation in Saudi Arabia. Across all four cases, information on HR policies was made available through two sources:

- 1) a handbook with chapters that interpreted all HR policies; and
- 2) websites that included any policy or work updates.

These operated as channels connecting the parent company with all their subsidiaries. The websites constituted a huge network among subsidiaries and included everything employees might need, such as hospitality and services information, new policies and processes, updates and new announcements. Everything required was available on the website and was accessible only to employees.

Across all cases, HR policies were developed and evaluated through auditors in the regional offices. The auditors assessed each HR policy and tried to clarify with all subsidiaries that the policy was available and could function in the new context. For example, in accordance with Saudi Arabia’s laws—especially labour laws—auditors sent the handbook policies to their subsidiaries in Saudi Arabia after cancelling some



policy chapters, such as those about liquor bars in the lobby and casinos. Additionally, auditors continued to monitor the implementation of such policies through visits every six months, ensuring that everything was being done correctly. For example, auditors regularly review how the paperwork was completed, how filing was systemised and how subsidiaries solved issues in relation to policies. The HR department of each subsidiary had a long list of issues to work through to audit every single point. Table 6.1 below compares the four cases in terms of decision making regarding HR policies and practices.

**Table 6.1: Decision Making in MNEs**

MNEs	Decision making	Explanatory quotes from interviewees
MNE1	Policies and practices are determined by the central HR department in HQ that allows the regional office to have a platform from which to give input to make it 'fit' the subsidiary in the local	HR manager of MNE1 explains: 'HR strategies and policies are created from US and cascade down to the property divisions and from divisions to all employees. Mostly you can sense that HR has taken a lot from the US HR model, paying attention to the culture and the norms and these staff'.
MNE2	Policies and practices are set by HQ but the subsidiary has to make them operational while staying within the international HR policies.	HR director of MNE2 explains: 'US hotels being US hotels, we are linked up with the local model, basically local procedures in terms of following local law from the time of interview assessment and following the procedures of hiring and slowly the guy accepted that this is exactly what is followed internationally, basically the same. The same general policy applied. However, if the US HR policies and strategies clash with the local setting, we prefer local. Priority is to the operation and the HQ allows us to do this'.
MNE3	Policies and practices are created by HQ and are then applied partially by the subsidiary with a certain degree of flexibility. If it is significant, it is reported to HQ.	HR manager of MNE3 says: '[i]t is created in the HQ through the hotel online system and also through the director of human resources in Saudi Arabia who works for all the subsidiaries in Saudi Arabia. In different words, the director of human resources is the one who is responsible to adapt or change any policies and practices that have been transferred from the HQ through the regional office in Khoubar: furthermore, sales and marketing are centralised, for instance. But in MNE3, we customise them'.
MNE4	Policies and practices are set by HQ and the regional office but the subsidiary has to make them operational.	HR manager of MNE4 explains: '[o]ur hotel has policies and strategies created within the parent company through the internet. Not all policies are able to be applied in Saudi Arabia. For example, you have like a business trip and through this trip the person gets a drink but in Saudi Arabia it is hard to apply [this policy] because drinking alcohol is not allowed'.

Source: developed for this study

From the evidence in the above table, HR policies and practices were clearly generated from the HQ of the selected MNEs. In the case of MNE3, the HR manager confirmed there was some margin for flexibility. Even though the policies and practices were considered as guidelines from the parent company, they could be modified locally. It is significant that MNE3 reported regularly to HQ. As stated by the HR manager, ‘one of our strategies is to understand the local society of the country itself because we do believe that to [have] success in any society is to adapt all strategies and policies. We participate in decision making’. Moreover, he believed that decision-making participation was occurring globally in MNEs. This was due to annual conferences contributing to the establishment of these policies and practices as part of an MNE’s strategic development.

In the case of MNE2, the HR manager and training managers (TMs) confirmed that their HR policies and practices were global and could be shared all over the world: the task of making them local in practical terms was based on the local culture. However, this process created some problems that could be solved through contacting the regional office or parent company. In an example provided by the training manager (TM), policies that were not applicable in the subsidiary in Saudi Arabia, but were in the USA, concerned the presence of casinos and liquor bars, as well as prostitutes, in the hotel. Although this was quite common in five star hotels in the USA, it was unacceptable in Saudi Arabia. These policies could not be applied in the host country as they were totally rejected by the religion and government of Saudi Arabia. However, HQ was aware of such issues and dealt with them flexibly, providing the subsidiary with the kind of freedom needed to adapt policies. The TM added that:

there are no casinos in here so there is no liquor so when we are training our new employees, I cancel this chapter from the training sessions and the chapter dealing with prostitutes because we are in a country like Saudi Arabia that has forbidden this type of policies and practices.

In the case of MNE1, HR policies originated from the central HR department in HQ and the regional office was allowed to provide input when policies were formulated so they could be implemented in the subsidiaries. A small amount of freedom was given to the subsidiary so that minor modifications could be made to a policy to ensure it was applicable in the new context.

Applying a ‘best practice’ approach was found in all MNE case studies. This concept can be found in all USA MNEs worldwide, so these practices can be shared everywhere with some modification. In all cases, it was clear that the key role of the parent company was to set the guidelines and directions of the MNEs’ general strategy, through conceiving global policies and practices and building information systems for subsidiaries. Although the four cases were all USA MNEs, the control mechanisms varied from one company to another. Auditors were the key control mechanism for MNE1 and MNE2, as stated by the MNE1 HR manager:

[w]e have auditors: they come mostly every six months to check the general implementation of the policies, like how the paperwork is done, how we file the papers, how we solve the issues of employees. There is a long sheet that we all have to go through to audit every single point. Those auditors come from overseas and announce that they come here physically to audit our jobs.

In the case of MNE3, the key control mechanism consisted of reporting to HQ. In MNE4, it comprised reviewing implementation of the policies and practices on a regular basis. Clearly, the subsidiaries applied the policies without modification to make their practices more effective or they adapted these policies and practices to fit the local settings. HR policies and practices in the USA MNEs were adapted to cope with the robust local regulations and rules of the host country. However, discovering how much freedom the subsidiaries in the selected cases had in applying and adapting the policies and practices was important, and is summarised in Table 6.2 below.

In all four cases, subsidiaries were professionally linked with HQ through the parent company’s website, on which all HR policies were available. Each subsidiary had a group of auditors who were responsible for interpreting these policies and adapting them locally.

**Table 6.2: Differences in Autonomy/Freedom to Adapt Policies and Practices**

MNE	Degree of autonomy	Explanation	Explanation quoted from interviews
MNE1	Considerable discretion.	According to the general guidelines of the parent company, the subsidiary is allowed to adapt policies and practices that work with the general strategy.	HR manager explains: '[g]enerally it is accepted like what you read in books, like the rules of HR, such as how to treat your employees and how to compensate them, to communicate [with] them and motivate them with certain restrictions based on the locale. When it comes to compensation in [the] US, there are lots of rules where they restrict the company in how to hire somebody; you should give him this and that etc. but here it is different ... So it is mostly the same [as] in the US with certain small modification to that. It is an Americanizing processes.
MNE2	Total autonomy	The subsidiary is free to adapt the policies and practices according to local needs and the labour law in the country.	HR manager says: 'US hotels being US hotels, we are linked up with the local model, basically local procedures in terms of following local law from the time of interview assessment and following the procedures of hiring and slowly the guy accepted that this is exactly what is followed internationally, basically the same. The same general policy applied'.
MNE3	Partial autonomy	The subsidiary is free to adapt numerous policies and practices according to the guidelines and direction of the parent	HR manager explains: '[o]ne of our strategies is to understand the local society of the country itself because we do believe that to [have] success in any society is to adapt all strategies and policies, we have flexibility'.

MNE	Degree of autonomy	Explanation	Explanation quoted from interviews
MNE4	Limited autonomy	The subsidiary cannot easily adapt policies and practices; however, there are exceptions especially if the policy breaks the local labour law.	General manager says: '[f]undamentally we do not really change the policies too much as to what we have in Saudi Arabia so, for example, recruitment and selection. Recruitment is slightly different here than from HQ because you have visa restrictions and other things so it does not change the policy and such [things] too much so still you have to do interviews, still you have to follow certain protocols of recruitment and selection but just the visa part is different in a certain amount, the visa issue and Saudisation'.

Source: developed for this study

Table 6.2 shows clearly the subsidiaries' degree of freedom. It also reflects the degree of control over these subsidiaries by the parent company. It is noteworthy that subsidiary MNE4 could not easily adapt the transferred HR practices and policies due to strong headquarter control. The policies or practices could not be easily adapted by the hotel unless they conflicted with Saudi labour laws. For example, the global policy of annual leave stipulated that all employees had to take their annual leave within a calendar year; they were not allowed to transfer their annual leave to the new calendar year. However, in local Saudi law, employees were allowed to accumulate their leave, although over no more than two years. Subsidiaries MNE1 and MNE2 had some degree of freedom to adapt policies and practices according to local market needs, and the host country culture and laws. Both these subsidiaries had a degree of autonomy in terms of adapting policies and practices, while staying within the parent company's general strategy and framework. Both could then initiate fully adapted or locally developed practices once they had received headquarter approval on the budget form. These HRM practices for (employees, managers, locals and non-locals) will be discussed later in this chapter.

The subsidiary's degree of autonomy or freedom to adapt HR policies and practices varied from one MNE to another. In all four cases, the common theme was that the

HR policies and practices were interpreted from a strategic to a practical level, with different degrees of freedom in modifying or changing these practices in a way that fitted the local host country context. The findings for the four hotels, in relation to establishing a ‘best practice’ approach as part of corporate strategy and policy, are summarised in Table 6.3 below.

**Table 6.3: ‘Best Practices’ Approach of MNEs**

MNE	Best practices approach	Explanation quoted from interviews
MNE1	A well-established best practices system is available through an information system and is communicated to employees through meetings, newsletters and workshops.	HR manager states: ‘[w]e have a website called MGS, a global system, a global website for all the properties of MNE1. It is a huge website, just like Google everything you need and you can find it on the website. This is where we can find everything we need like policies, processes, new updates, best practices, new announcements, stories, everything you need on the website’.
MNE2	A well-established information sharing system to add and share best practices.	HR manager says: ‘MNE2 believes in best practices; therefore, during some conferences and workshops across the hotel, all employees are learning and sharing best practices’.
MNE3	Well-established best practices website system.	HR manager adds: ‘[w]e have a website system called NQ that [provides] updates on what are best practices from different subsidiaries all over the globe’.
MNE4	Best practices established through the general guidelines that came from HQ.	HR manager states: ‘as I said before, we follow guidelines from HQ which are best practices; so, if it’s a best practice, if it is applicable to [the] Saudi Arabian context, we do it’.

Source: developed for this study

Although most of the hotels had a best practice sharing system with hotels within their chain, they differed in the way in which those best practices were shared. For example, MNE1 and MNE3 had a dynamic best practice system, which was well established whereby best practices could be shared and discussed through their information

systems. MNE1 and MNE2 seemed to have considerable discretion in this respect. Hotels could add their own best practices and success stories to the website and this could be shared with all subsidiaries. Further, the hotels could consult these websites to discover more about these practices. They could then determine how they had been applied in other subsidiaries. They could even benchmark the practices. For example, the MNE1 HR manager confirmed that, 'due to the trust of the HQ to our hotel, we are strong and free we participate in decision making, we participate in the conception of such practices through annual meetings'. For MNE2, the HR manager revealed that the hotel was very aware of the region's culture, particularly the host country culture, and therefore they had authority from the HQ to participate in conceiving such practices. For example, training and development programs were considered based on the host culture requirements, despite the regional office not being located in Saudi Arabia. This practice of training and development was dispersed across the country. MNE4 used a communication tool to emphasise the sharing of best practices between employees through raising awareness. For example, the hotel tried to motivate and appreciate its employees by creating events that made them happy, motivated them and increased their sense of commitment to the hotel. These included a 'superstar' event and community events such as a biking day to encourage environmental awareness. As the bike-riding event was not appropriate in the general context of Saudi Arabia, and the GM and employees could not ride bikes outside the hotel, the hall inside the hotel was opened. All the bikes were placed there and were ridden there, as reported by the HR manager with 'tongue in cheek'. The subsidiary MNE2 was learning and sharing best practices during conferences and workshops held across the hotel. In relation to the first research question, the key findings confirmed that strategic decision making about HR policies and practices was undertaken in HQ in all cases. Consequently, the MNEs' HQ assumed that all subsidiaries could translate the policies into functioning practices within the MNEs' general strategy. At the same time, the subsidiaries enjoyed some degree of freedom when implementing and adapting these practices. See Table 6.2 for details on this aspect.

Data and information collected during several of the interviews helped explore the mechanisms of how HR policies were conceived and illustrated how MNEs decided on such policies. In addition, these data revealed to what extent the subsidiaries



enjoyed a degree of freedom or autonomy to modify HR policies and practices. They also clarified whether these subsidiaries were integrated with HQ through setting best practices. The key answers confirmed that in all of the selected cases, HR policies were created in the USA HQ and were then transferred to the subsidiaries in Saudi Arabia, where the policies were then applied. In terms of the subsidiaries' freedom to make decisions, they either applied standard practices, somehow tried make the practices operational in the new context, or adapted the practices to fit the new setting. However, the different application of practices between the examined hotels was based mostly on the local partners of each hotel. As stated in the previous chapter, and revealed in these cases, all of the examined MNEs had entered the Saudi Arabian market and had run businesses within the country with a local partner who was sometimes considered a third party in managing the hotel operations (The Saudi Ministry of Labour, 2013).

MNE1 is a partner with the Ministry of Finance, which is a powerful entity in Saudi Arabia. However, the authority of MNE1's local partner can only be applied locally. For example, MNE1 can follow an exportive approach locally in the sense that policies were created originally at the HQ and transferred to their subsidiaries. This was the case unless some policies and practices were not allowed in the country, such as those related to a liquor bar. MNE1 was considered to have a higher degree of freedom, as it was given the task of making these policies and practices operational. For example, MNE1 had a mixed environment in which men and women worked together. This was not found in the other cases. Therefore, MNE1 was a strong entity in Saudi Arabia, more so than any other organisation within the local market. MNE2 also had a strong partner with robust authority in the country. It had partnered with Saudi Hotels and Resorts Company (SHARACO). MNE2 was also exportive, with little freedom to adapt the transferred policies and practices. However, it appears that female employees of MNE2 could communicate with customers by arranging meetings in the hotel lobby, whereas this practice was not possible in MNE3 and MNE4.

In contrast, MNE3 and MNE4 had less ability through their partnerships to operate outside local laws and customs. In both cases, the partners had no role as a third party so they did not have any capacity to interfere in the hotels' operations or management. MNE2 and MNE3 followed the local laws strictly and adapted the transferred policies

and practices; however, this occurred after they had contacted HQ. However, in all selected cases, MNEs were exportive in strategic practices and more adaptive in certain practices that were not suitable for the local context. Moreover, the power of ownership allowed some subsidiaries to play freely in certain areas.

To some extent, all selected cases had integrated a set of best practices. However, in each selected case, the perceptions of the subsidiary's integration of best practice differed. For example, although all cases were subsidiaries of the USA MNEs that had their systems' efficiency confirmed across the globe, the subsidiaries perceived that they did not need to be integrated with headquarter best practices systems. This may be due to negative perceptions about HRM locally, where it is still considered a secondary function, lacking motivational tools. This is unlike perceptions of western HRM practices, which are seen as effective and functional, especially in USA MNEs.

The literature confirmed that international HRM decisions were made at HQs for their subsidiaries across countries (Adler, 2001; Rugman & Hodgetts, 2000; Schuler et al., 2002). The findings of the data addressing RQ1 confirmed that HR policy decisions were made at HQ: subsidiaries then had to interpret these policies in practical ways that fitted the new host country context. The findings displayed some evidence that contradicted the extant literature in terms of three international HRM approaches: the exportive, adaptive and integrative approaches (Dowling, Welch & Schuler, 1999; Taylor, Beechler & Napier, 1996). The results showed that MNEs may have different types of approaches in applying their HRM policies and practices, according to how significant these policies or practices were to the MNE's strategy. The findings of this research have shown that some HR policies and practices were nominated by HQ with an exportive approach. In some cases, this was done by pursuing modification of these practices in an adaptive way. For example, performance appraisal practice appears to be suggested by MNE HQ as a standard practice, due to the MNEs' need to sustain the policy's strategic significance. As MNE1's regional HR manager in Dubai stated, performance appraisal must be standard and applied strictly to centralise the practice. He explained it was unprofessional to apply different systems of performance appraisal across subsidiaries, as inconsistencies may result, making it difficult to place the right person in the right position.

A more adaptive approach was taken regarding compensation and benefits; MNEs' HQ encouraged subsidiaries to follow an adaptive approach when their practices clashed with the host country's labour laws. Regarding MNE1, which was strict in applying standard practices to its subsidiaries, it was reflected that MNEs should not break the host country's local rules in terms of compensation and benefits. The director of HR stated:

[g]enerally it is accepted like what you read in books, like the rules of HR, such as how to treat your employees and how to compensate them, to communicate [with] them and motivate them with certain restrictions based on the locale. When it comes to compensation in [the] US, there are lots of rules where they restrict the company, how to hire somebody; you should give him this and that etc. but here it is different ... So it is mostly the same [as] in the US with certain small modification to that.

Moreover, the same declaration was made in all four cases.

To some extent, the findings of this research have confirmed the argument of Doz and Prahalad (1991) that appropriate approaches should be undertaken by international companies to handle the dilemma of integration or internal consistency, and differentiation or external consistency (Dowling et al., 1999). Such findings have revealed that MNEs can apply different HRM approaches globally, based on the need for policies and practices to be functional at a strategic level. In the extant literature, Harris and Holden (2001) have reported that MNEs can follow different HRM approaches internationally, as long as these approaches are applicable to some subsidiaries. For instance, MNEs tend to follow an exportive approach when selecting senior managers for higher levels of management. The reason for this is that subsidiaries may face the challenge of being homogeneous across all the MNEs wherever they are situated. Either an exportive approach or integrated approach will be applied to this particular practice. However, their findings also revealed the home country's control over recruitment and selection practices for senior managers, whereas training programs for those at managerial level are standardised. The findings in relation to the current study's RQ1 help when considering the reasons behind what constitutes standard practice, or when considering the adaptation of some HR policies and practices. This then relates to RQ2; that is, what are the cultural, societal, legal

and business-specific issues behind possible adaptations of HR practices (or the 'host country impact')?

In terms of integrating best practice as addressed in the extant literature, MNEs tend to ensure that their subsidiaries are integrated with HR best practice as practiced in HQ. In reality, these best practices are not integrated with the HQ strategy (Adler, 2001; Briscoe & Schuler, 2004; Kostova & Roth, 2002). For the current study, this argument has partly confirmed the reason for this: the hotels selected for this study all had a well-established system that helped the subsidiaries to become integrated. It was not evident from the interviews that any HR best practices had been added by the Saudi subsidiaries. However, the general intention of all subsidiaries towards integration confirmed the process of the MNEs' internationalisation through integration with best practice systems (Fisher & Härtel, 2003; Nankervis et al., 2007).

As a result of the findings for RQ1, it is recommended that MNEs apply an exportive approach at the strategic level and become more adaptive when this is essential to make policies and practices effective. Among the MNEs with an exportive approach, an adaptive approach was used to conform to the local context. MNEs are exportive when their HR policies and practices are strategic to the corporation or to certain employees, such as in the recruitment, selection and training of senior management. However, the findings provided evidence that international HRM was becoming more established as businesses expanded, rather than through MNE design (Milgrom & Roberts, 1994; Napier, 1998). Further, the study found that all of the case study hotels had a certain level of autonomy in relation to some HR functions, such as allowances and benefits. Such functions were left open by the MNEs' HQ for subsidiaries to decide what was appropriate in the Saudi context, with input given by specialists in the hotel. For example, allowances such as school fees, housing allowances and even gym allowances were offered by some hotels. Benefits were given in the form of uniforms, subsidised lunches, health insurance, travel for staff, personal gifts, free mobile phone calls, end-of-year celebrations, the company's family day, sporting activities and annual health checks. However, it appears that in all cases, the types of allowances and benefits resembled those provided by other Saudi companies.

### **6.2.2 RESEARCH QUESTION NUMBER TWO (RQ2)**

RQ2: what are the cultural, societal, legal and business-specific issues behind possible adaptations of HR practices; that is, the ‘host country impact’

This section analyses the effects of the host country on the process of the transfer of HRM policies and practices. The impact of the host country can be considered through cultural, societal, legal and business sources. These factors can possibly be the reason behind the adaptation of certain practices in the hotel subsidiaries in Saudi Arabia. It is important to identify the differences between the local context (Saudi Arabia) and the home country culture of the MNEs (the USA). Table 6.4 below shows the common themes across all cases that reflect the contrast between the national culture in Saudi Arabia and the organisational culture of the USA MNEs.

There were some common themes had arisen from the interview data as listed in the table below. These themes are reflecting key cultural differences between the host country, Saudi Arabia, and the home country, the USA. These themes has supported by previous research in the extant literature.

**Table 6.4: Common Interview Themes Concerning the Cultural Differences  
between Saudi Arabia and the USA**

Cultural differences between Saudi Arabia and the USA	Sources/examples from the data
As in dual workforce, local workers avoid conflict so they prefer to communicate less with others within the hotel.	McFarlin & Sweeney (2014)  ‘The key issue we are really facing in terms of applying new practices such as implementing 360-degree performance appraisal, personally I have noted that local employees are not ready to accept this type of appraisal but they do not like to conflict and make problems’.
Stereotype that working in hotels is below the dignity of Saudi nationals.	Saudi Gazette (2012)  As confirmed by the HR manager in MNE2, ‘one of the most distinguished employees who used to work in the laundry department quit his job because he became engaged to be married and the Saudi community would not accept his job and would look down on him’.
The importance of personal relationships at work is higher in Saudi Arabia compared to the US.	As shown in Table 6.8, personal relationships are used as a reliable source of recruitment and selection among other factors across all the cases.
Team spirit, work pressure and workload are low among local workers.	As confirmed by the general manager in MNG2, ‘non-locals are more productive under pressure and workload more than locals’.
Face saving is important for Saudis.  Locals prefer to not discuss the negative feedbacks on their performance rather than losing face when they discuss it.	McFarlin & Sweeney (2014)  MNE2 General manager: ‘yes, it always hard to evaluate employees negatively and discuss this with them particularly locals’.
Workplace segregation (sex segregation).  Sex segregation in the workplace is a legal requirement by the Saudi labour laws.	The Saudi Ministry of Labour (2013)  HR manager in MNE4 stated that, ‘according to the Saudi labour laws, we cannot allow for a mix environment in workplace between men and women and we cannot violate this rule’.

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Cultural differences between  
Saudi Arabia and the USA

Sources/examples from the data

Nepotism (*wasta*) as a source of recruitment at workplace in Saudi Arabia.

Isakhan, Mansouri & Akbarzadeh (2012); Mellahi (2007)  
As confirmed by HR manager in MNE4, 'if you have (vitamin W) your work life will be easy. By saying vitamin W, I mean Wasta, if you get a good relationships and connection with key people in this hotel all your problems will be solved'.

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Source: developed for this study

As can be seen from table 6.4, key cultural differences exist between the host country (Saudi Arabia) and the home country (the USA). Based on the data collected through interviews with HR managers in each of the cases, some key cultural differences have been developed. The dilemma is that the differences between the national cultures of the host and home country could affect the attainment of competitive advantage by the hotels concerned, both locally and globally, however, not if all hotels are equally affected.

According to the interviews with HR managers across the cases, several features of the local culture were based on the permissiveness/openness or constraining/closed host country environment. Some could be considered as adding value to MNEs and some were considered as obstacles and challenges that may be encountered. Several features of the Saudi culture were mentioned by all those interviewed, such as the constraints of local workers that created obstacles to accepting the new organisational culture. MNE representatives in all cases believed that Saudi workers (male and female) were also slow to adapt and believed stereotypes about working in hotels. This created a lack of awareness about engagement and commitment. Further, there was poor communication in the Arab world, including in Saudi Arabia. The poor communication of local workers definitely caused confusion and job dissatisfaction, as well as resulting in poor service quality in the hospitality industry. Poor communication strategies and practices, and the concepts of saving face and the subordinate never saying 'No' to more senior management, resulted in a number of difficulties for MNEs. Additionally, methods of conflict resolution could be considered an important difference between Americans and Saudis. Americans dealt with conflict openly and tried to work on problems (McFarlin & Sweeney, 2014). In a

country like Saudi Arabia, avoiding conflict by not facing it was the safe way to act. This may cause problems between HQ and local managers and affect the transfer of HRM practices. Employees may not adapt easily to new practices and working procedures. They respond with different types of resistance, as confirmed by the HR manager of MNE1:

[t]he key issue we are really facing in terms of applying new practices such as implementing 360-degree performance appraisal, personally I have noted that local employees are not ready to accept this type of appraisal.

Locals in Saudi Arabia are not exposed to different cultures: generally, people have not used to work or live abroad and the hospitality industry is a new market to the country. Therefore, working in MNEs operating in Saudi Arabia is quite a new phenomenon for locals. Local workers, particularly females, are not open to working in systems that differ from their local working systems. In addition to the Saudi culture, the majority of Saudis are not English language speakers, adding to work difficulties, especially in MNEs where subsidiaries have to deal regularly with HQ and other subsidiaries all over the world.

The cohesion between MNE1, MNE2 and MNE3 is due to the importance of personal relationships at work. In some cases, this feature caused conflict with the organisational culture. This is because interpersonal relationships at work are at times perceived negatively by some employers as affecting the work environment. In terms of respect for Saudi Arabian regulations, all the case study hotels agreed with that there was a clash between the company's highly regulation-oriented culture and the employee's perceptions of the importance of respecting these regulations. Despite, Saudi employees are a minority of employees in these hotels, this cultural feature clashes with USA culture, which considers planning very important, for instance when reacting to any unexpected accident at work. However, MNE1 claimed that there were no cultural conflicts at work. Most local workers were young and had undertaken their studies in western universities, arriving full of energy and new ideas. They had had wider exposure to other cultures, as confirmed by the MNE3 HR manager:

I have a good local staff have done their studies overseas; they are full of energy and have good team spirit in some situation they show a wider exposure.



In terms of the organisational culture considered to represent USA culture, USA management treats all employees fairly based on their competencies, behaviours and productivity. HR managers in MNE1 and MNE2 indicated that employees appreciated their hotels' orientation towards employees' welfare. However, this was not successful in MNE4, due to the influence of nepotism or *wasta*, which is discussed later in this chapter.

Saudi workers tend to be very proud and emotional: they do not have a clear division between their personal life and their professional life, as confirmed by the general manager of MNE3:

Saudi workers are more friendly and sociable; they feel comfortable hanging out with their co-workers. Sometimes they do not separate between their personal life and business due to the hours and hours they spent together during their work.

In addition, negative stereotypes in all cases reflected the view that working in hotels controlled local workers' minds, as confirmed by the HR manager and GM of MNE2. They lost face when they took jobs in hotels: the Saudi community does not accept these types of jobs involving service and menial tasks. In a comment made by the HR manager of MNE2, one of the hardest workers in the laundry department quit his job when he became engaged to be married: this was because the Saudi community would not accept his job and would look down on him. Therefore, losing face and maintaining pride are a part of Saudi culture that may be problematic at work.

The GM of MNE1 is Saudi, and is considered the first local GM in a Saudi luxury hotel. He made an interesting point in terms of Saudi culture. He stated that part of the Saudi mind-set is that relationships among employees have to be the same at work and after work. As an example, this mind-set perceives that when the manager has lunch with his subordinates, this behaviour may indicate a friendship between the manager and his subordinates that could possibly affect his general image and the way that they respected him. However, there were clearly some cultural differences across the four cases, with these differences demonstrated from time to time at work in different situations. The four HR managers were asked how they tried to counterbalance these differences: they all agreed that the main mechanism was a strong organisational

culture that could control the effects of cultural differences at work and build a high level of employee commitment to the organisation's values. However, the major influence of host country cultural, social, legal and business obstacles may explain the various adaptations of transferred HRM policies and practices. Based on the interviews conducted with HR managers, a number of factors were recognised. An across-case-studies analysis was conducted to find general trends among the four examined cases. Table 6.5 below presents the key cultural practices in the MNE workplaces developed to correspond with the host country effect for which these practices were possibly adapted.

**Table 6.5: Key Cultural Practices Corresponding with Host Country Effect, Possibly Adapted across MNEs**

Cultural practices	Host country-affected factor	Key related quotations
Political debates. Political affiliation in Saudi Arabia linked to religion and the government.	Socio-cultural.	MNE1 general manager: ‘political discussions are not allowed at work at all’.
Employment of relatives (Nepotism, tribal spirit, clans, <i>wasta</i> ). Decision making centred on managers.	Socio-cultural.  Power distance (Hofstede, 2010).	Through the interview with the MNE4 HR manager, it was revealed that he has a high school degree and he has strong relationships and networks; therefore, he gained his position through <i>wasta</i> .  In addition, he was always the key decision maker through the conducting of the interviews.
Sexual harassment and sexual jokes at work  Sexual harassment law set by Shura Council (the Consultative Assembly of Saudi Arabia)	Socio-cultural	MNE3 HR manager: ‘[s]exual harassment is a criminal offence whose committer must be punished. In our culture, the people who commit sexual offences are mostly men, but this does not mean that some women do not harass men but this is not common in here and the company has followed this law since 2012’.  MNE1 HR manager: ‘sexual jokes are prohibited here as well as in [the] US system’.
Discrimination (workforce diversity, wages based on nationalities).	Socio-cultural.	MNE2 HR manager: ‘based on the religion of the country there are no race and ethnicity issues.  MNE3 HR manager: ‘[n]ever considered as serious issue due to the awareness of the workers male and female, locals and non-locals with all of their rights before they get the job’.

Source: developed for this study

As seen in the table above, discussing politics at workplace are not allowed in Saudi Arabia workplaces. Across all cases, HR managers reported a strict regard for this issue by confirming that employees had to avoid being involved in any discussion regarding politics and terrorism to avoid workplace conflict. However, despite these differences, the practices were quite standard in both the host and home country. In both the host and home country, sexual harassment and even sexually based jokes were not allowed. Across all cases, discrimination was not raised as a subject and the HR managers said they had never encountered difficulties in this regard. However, every diverse workplace has stereotypes of ethnic groups based on nationality, which are not interpreted as discrimination. Not one serious case of discrimination was recorded across the cases, despite discrimination in terms of female pay and career advancement, and despite the wage disparities between Saudis and non-Saudis and that non-Saudi workers held work permits for a specific occupation and had no right to change career without the consent of their sponsor (*kafeel*) (Mellahi, 2007). In terms of each MNE's recruitment and selection policy, Table 6.6 provides possible adaptations of this policy. Key host country factors have been identified as the factors behind the possible adaptations of recruitment and selection policies. For example, all of the studied hotels used the HRDF and universities as crucial sources for hiring new employees. Correspondingly, the HRDF was also the main source for recruiting local workers, in line with the Saudisation policy. The hotels received the CVs of candidates from the HRDF, based on their vacancies. In addition, Saudi universities in Riyadh were considered to have historical significance in creating professional graduates and preparing them for the local market. Both institutions (HRDF and university) were considered reliable sources for acquiring qualified candidates. The HR managers across the cases confirmed that hospitality in Saudi Arabia was a new market that demanded serious and qualified workers to achieve success, as shown in Table 6.7. This adds a new challenge for hotels in Saudi Arabia, due to labour laws that impose requirements on MNEs to hire local workers: to comply with this condition, at times MNEs recruit less qualified people, particularly in a country where the unions, individual or collective bargaining are not permitted. The labour law in Saudi Arabia permits the establishment of worker councils for only Saudi nationals (The Saudi Ministry of labour 2013).

**Table 6.6: Possible adaptations of MNEs recruitment and selection policies**

Sources of recruitment	Host country-affected factor	Key quotations of HR managers
Sources of recruitment (partnering with HRDF or top universities as a main and reliable recruitment source)	Institutional	<p>MNE1: '[r]ecruiting process here is standard. It follows the same protocol in recruitment that [is] conducted everywhere: in Saudi market, we are targeting key sources such as HRDF and universities'.</p> <p>MNE2: '[a]s any other MNE, we are following a standard procedure of recruitment and selection here in Saudi Arabia with a small amount of change. For example, when we come to recruit locals, we associate with HRDF'.</p> <p>MNE3: 'actually we follow key sources to target and select qualified and right candidates such as HRDF'.</p> <p>MNE4: 'it is standard as everywhere, applying online, interviews and tests. The key sources are HRDF and universities'.</p>
Methods of recruitment (personal relationships—word-of-mouth)	Socio-cultural	<p>MNE1: 'we do not trust word-of-mouth unless the candidates are very qualified and can add value to the company'.</p> <p>MNE2: 'we are rewarding employees if they refer qualified candidates'.</p> <p>MNE3: 'we trust and [have] belief in our employees who can refer a qualified candidate'.</p> <p>MNE4: 'yes, due to the shortage of staff, we use this method to recruit'.</p>

Sources of recruitment	Host country-affected factor	Key quotations of HR managers
Tools for selection (standard interview questions and tests)	Socio-cultural	<p>MNE1: ‘the process of recruitment is the same everywhere so we follow a standard process’.</p> <p>MNE2: ‘regular face-to-face interview including some tests for English language and some general information’.</p> <p>MNE3: ‘we ask for approval from their guardian if the candidate is female’.</p> <p>MNE4: ‘it is [a] standard process and for ladies we ask for approval from their guardian’.</p>
Reference checking (informal, indirect without embarrassing, not losing face)	Socio-cultural	<p>MNE1: ‘for locals we trust HRDF and for foreigners we have our own reliable agencies all over the globe’.</p> <p>MNE2: ‘we can do reference checks and we do not have issues regarding embarrassing candidates’.</p> <p>MNE3: ‘we have a strict reference check’.</p> <p>MNE4: ‘we can ask without getting embarrassed’.</p>

Source: developed for this study

In brief, it is an institutional effect. In this case, the Saudisation policy has forced MNEs in Saudi Arabia to cooperate with the HRDF and universities as key sources of qualified candidates. However, other methods of recruitment, such as personal relationships, or *wasta*, are quite common in Saudi Arabia. In addition, personal relationships can work as networks that attract suitable candidates for open vacancies; these networks can comprise employees, friends or family. Using word-of-mouth to recruit is also a practical method, as revealed in the MNE3 HR manager (see Table 6.7). As discussed earlier, Saudi hotels are encountering problems in hiring local workers for many reasons. However, personal relationships can be an efficient method for hotels to recruit local workers, particularly in Saudi Arabia. In this country, where people have strong relationships with their community members, relatives and friends, this method can attract candidates quickly and at no cost. It may also be effective as it

may recruit reliable employees referred by trustworthy sources. Some hotels encourage their employees by rewarding them whenever they refer qualified candidates. Table 6.8 shows the types of methods used as reliable sources of recruitment and selection across the four hotels.

**Table 6.7: Types of Recruitment and Selection Referral Methods Used Across the Four MNEs**

Source	Method	Advantages	Key quotations
Employees	Word-of-mouth	Trustworthy source, costless	<p>MNE1 HR manager: ‘[s]ometimes we can use our personal relations to recruit people.</p> <p>MNE2 GM: ‘[i]n some cases we are rewarding employees if they refer qualified candidates’.</p> <p>MNE3 HR manager: ‘[w]e trust our employees so we trust who they refer to us.</p> <p>MNE4 HR manager: ‘[s]ometimes we can use this method’.</p>
Friends and family members	Word-of-mouth	Fast, reliable source, costless	<p>MNE1 general manager: ‘due to the sense of belonging of our employees, it is acceptable that they refer their friends or relatives to work in different departments in the hotel.</p> <p>MNE2 HR manager: ‘[o]ne of our successful chefs in the kitchen has referred his best friend to get a job in our hotel.’</p> <p>MNE3 HR manager: ‘as long as this way is going to solve the shortage of local staff, I am happy with it’.</p>

Source: developed for this study

In terms of the selection process, criteria must be adapted to fit Saudi Arabia’s local context. For example, details were added to the selection criteria across the four hotels. In some cases, the subsidiaries—namely, MNE3 and MNE4—added additional tests to limit the pool of candidates. Some adaptations were made to criteria, particularly in relation to female candidates. These included questioning whether a woman was

pregnant. This particular example of an adaptation was made due to staff shortages and the heavy workloads at MNE hotels, which meant they could not cover a long period of leave. Maternity leave in Saudi Arabia covers for one and a half months. In some cases, maternity leave can be for two months. Additionally, working mothers have the right to one hour of paid breast feeding time per day for two years, as prescribed by the Saudi Ministry of Labour. Another example of adapting selection criteria is asking female job seekers for their guardian's approval (this can be their father, brother or husband) before being appointed to a position. Across the four cases, this particular adaptation was applied only at MNE3 and MNE4, as confirmed by the managers (see Table 6.8).

In terms of the host country effects on adapting selection policies, adding more tests for candidates is a local adaptation to control and limit the large number of applicants. These numbers are due to the high rate of unemployment and the amount of new graduates. To ask female job seekers if they are pregnant or for their guardian's approval is not considered discrimination as it would be in the USA. This approach is common in Saudi Arabia and employers have the right to ask female job seekers about both these points. However, unlike the other HR managers in MNE3 and MNE4, managers in MNE 1 and 2 did not add extra tests due to a staff shortage, particularly of local workers. Adaptation or standardisation is based on the role of the subsidiary and the knowledge and resources transferred by the parent company. For example, the HR managers of MNE2 and MNE4 both agreed they had excellent recruitment tools that had been transferred from the parent company; however, they did not know how to use these tools professionally, as confirmed by the comments in Table 6.8.

The regional HR manager of MNE4 agreed there were no clear guidelines for using these tools, as some had not been used previously. He added that this was a historical reason. This implied that MNE4 did not have a professional acquisition plan and that subsidiaries in a small region usually acted more independently. This also revealed that the lack of professional communication between a parent company and its subsidiary forced the subsidiary to improve its own practices. With MNE4, the HR manager at the regional office claimed that the degree of autonomy in adapting specific practices was based on the relationship between the subsidiary and HQ. It also



depended on how significant those practices were to HQ. As such, MNE4 did not have a professional platform for its recruitment and selection policy.

Moreover, the reference checking procedure had also been adapted, due to some socio-cultural factors. For example, across the four cases, the reference checking process was not undertaken formally. The person providing the reference was approached indirectly when asking about the candidate. In Saudi Arabia, people usually avoid criticising others, especially when this can result in that person losing an employment opportunity. As reference checking can influence recruitment decision making negatively, this is done indirectly, informally and in a friendly manner.

Regarding differences in the legal systems between Saudi Arabia and the USA, the common understanding of all hotel subsidiaries and their HQ was that all hotels were obliged to be legally compliant in the host country: USA HQ had to accept that. All respondents indicated they were very aware of the significant differences relevant to HRM in the legal systems of both countries. For example, HR issues that the respondents perceived as international policies that directly affected the legal settings included payroll management, compensation and work time, foreign workforce recruitment and salary reviews.

**Table 6.8: Possible Host Country Impact on Training and Development**

Element adapted	Affected factor	Description of influencing factors	Key quotations of Training Managers (TMs)
Delivery method	Socio-cultural	Age of the trainer, familiarity with the local culture, communication style	<p>MNE1: ‘the material of [the] training course is standard but the trainers put the local touch because the trainer customises the context due to the audience age, seniority and area of interest’.</p> <p>MNE2: ‘prefer the trainer to be local or familiar with the local culture and speaking good English’.</p> <p>MNE3: ‘our trainer is a local one, good at English and professional in training employees from different backgrounds’.</p> <p>MNE4: ‘our trainer is from India: he is professional in training people’</p>
Content	Subsidiary, market structure, professional culture	Individual needs, subsidiary needs, market needs, job needs	<p>MNE1: ‘we have customised selling techniques programs. Because some core business is not standard such as taxation that is not in Saudi Arabia so accounting managers do not have to follow training about taxation’.</p> <p>MNE2: ‘the most important thing is to address the individual’s needs especially English courses’.</p> <p>MNE3: ‘we adapt the content of the training course based on the local culture and regulation’.</p> <p>MNE4: ‘there are some training courses about selling methods and techniques that transferred from the parent company and have been adapted to fit the local context’.</p>

Source: developed for this study

As shown in Table 6.8 above, training and development policies have been adapted based on two aspects: delivery method and content. Hotel HR managers noted the importance of training style. MNE1 had a Saudi TM who was aware of his country's culture so it was easy for him to educate trainees, particularly foreigners. The MNE1 HR manager preferred Saudi trainers to ensure cultural awareness. As he explained:

our training manager has a good character and talent in interacting with [the] audience: he is skilled to training other nationalities. We are very proud that last year the parent company has chosen our hotel to train other nationalities and we are number one in this field at the regional level.

The HR managers in MNE2 and MNE3 believed that the TM should be Arabic, and should know how to speak English so that he/she could train the local workforce easily. Accordingly, the MNE2 TM was from Egypt; the MNE3 TM manager was Lebanese. The MNE3 HR manager had an additional perception: he thought it was significant that their trainer was older than the people he trained, which resulted in him being considered more trustworthy. He added that the most important thing was to be professional; the MNE4 TM was from India. It was clear in all cases that some of the host country's cultural factors had affected the training program's delivery method.

The second level of training and development adaptation was the content of transferred training programs. Across all cases, the training program content was standard, unless some training courses did not align with the host country's regulations. However, the adaptation of local programs was necessary to respond to the country's laws and regulations. This was confirmed by the HR manager of MNE1: '[t]raining is adapted according to the country laws'. The HR manager at MNE2 added to this by stating that 'definitely we develop training programs to fit the local culture'.

All the four hotels were obliged to adapt to Saudi Arabia's regulations and culture. In all cases, MNEs were not allowed to have training courses on casinos, liquor bars, prostitutes and nightclubs. Types of practices are against Islamic rules. The HR manager in MNE1 in Saudi Arabia explained that their training program was standard for the hotel and the same as that delivered in the USA, except for some sections, such as those on casinos and liquor bars. The auditors in the Dubai regional office removed these sections, before being sent to the subsidiary in Saudi Arabia. In addition, as Saudi Arabia is a tax-free country, it was not necessary to conduct training on taxation.

MNEs could also run training courses about the Saudi Arabian business market to help their employees learn more about local selling methods and techniques. For example, the HR manager at MNE4 reported that some training courses about selling methods and techniques that were transferred from HQ had been adapted to fit the local context in Saudi Arabia. When the researcher asked how the standard policies had been adapted, he clarified that because the hospitality industry was considered a new market in Saudi Arabia, it was necessary to understand how to attract new customers and turn them into prospects. They also needed to understand how to manage their time professionally when providing services, to create optimal customer connections. As with the other cases, MNE4 had a degree of freedom when deciding whether to adapt training programs or to keep them as standard. For possible adaptations to the performance appraisal process, Table 6.9 below shows some of the host country effects on adapting the hotels' performance appraisal policy.

**Table 6.9: Possible Host Country Impact on Performance Appraisal within the MNEs**

Element adapted	Affected factor	Description	Key quotations
Performance appraisal interview	Socio-cultural	Less confrontational than the US to avoid losing face	<p>MNE1 HR manager: ‘we discuss feedback freely with employees even through a formal interview’.</p> <p>MNE2 HR manager: ‘after employees get their performance appraisal feedback, they have the right to discuss it with their supervisors if they like’.</p> <p>MNE3 HR manager: ‘it is [a] regular process: after performance appraisal, we have interviews with employees to discuss the feedback together’.</p> <p>MNE4 HR manager: ‘yes, it is like everywhere: [we] discuss performance appraisal feedback in a formal meeting [so] that employees can sound [sic] their opinions’.</p>
Negative performance appraisal	Socio-cultural	Avoid rating people negatively	<p>MNE1 HR manager: ‘at the beginning, it was hard for employees to evaluate their peers and colleagues particularly the local workers. But due to our awareness courses, it becomes easier year after year’.</p> <p>MNE2 GM: ‘yes, it always hard to evaluate employees negatively and discuss this with them particularly locals.’</p> <p>MNE3 HR manager: ‘we prefer to not discuss negative feedback face-to-face’.</p> <p>MNE4 HR manager: ‘it is hard particularly with local employees who find it hard to accept negative appraisal’.</p>

Element adapted	Affected factor	Description	Key quotations
Period given to improve performance	Socio-cultural	Extra period of time given to employees to develop their performance: this period of time is more than is set in contracts and policy	<p>MNE1 HR manager: ‘offer employees [a] number of training courses to develop their weaknesses’.</p> <p>MNE2 HR manager: ‘support employees to develop their negative performance’.</p> <p>MNE3 HR manager: ‘recommend some training courses that fit employees’ needs’.</p> <p>MNE4 HR manager: ‘employees in our company are given chances and opportunities to develop their own weaknesses’.</p>

Source: developed for this study

The HR managers across all cases confirmed that performance appraisal was a standard policy. However, particularly when asked how they dealt with a negative performance appraisal, some attempts at adaptation were revealed. For example, the way in which they dealt with a negative performance appraisal varied from one manager to another. Local managers were accustomed to being more relationship-oriented than task-oriented. Therefore, their managerial behaviour was more emotional and less argumentative. Local managers preferred to have an interview with employees who had received negative feedback on their performance as they tried to avoid both conflict and the employee losing face. This ‘soft’ emotional approach with employees was due to socio-cultural reasons, as a negative attitude towards an employee could have a negative effect on the manager himself and on the organisation in general, as perceived by local managers. The foreign managers had a different perception, as they acted based on their own culture and personality: they were task-oriented and professional in separating their emotions from the task.

Further, local managers found it difficult to appraise someone negatively: the reason for this was that most employees, particularly local workers, could not understand the reasoning behind different appraisals for employees with the same job title and task objectives. This was due to socio-cultural reasons, as detailed previously, as well as the MNE’s history. For example, some companies were not able to separate an individual’s performance from that of the department. As confirmed by the MNE1 HR manager, ‘when [an] employee complains why he/she [is] rated as 3 out of 5, the local

manager justifies that he would like to rate him/her as 4 instead but it is because of the calibration procedure. So it is the culture that makes people try to avoid conflicts'. The final performance appraisal process consisted of giving the employee some time to improve their performance after receiving negative feedback. Most answers from both local and foreign managers confirmed that they had to give employees such a chance to improve their performance. They could not dismiss local employees according to Saudi labour laws; they also had to give foreign workers a chance due to their two-year contracts. Table 6.10 below shows some of the host country effects on the need for hotels to adapt their compensation and benefits policy.

**Table 6.10: Possible Host Country Effects on MNE Compensation and Benefits**

Element adapted	Host country-affected factor	Description	HR manager quotations
Salary level	Labour laws Market competition Cost of living in the host country	Salaries are adapted based on many factors such as labour laws, the competition of other hotels and cost of living Non-local workers get paid by their sponsors either Saudi Arabian national or international company	MNE1: ‘there are rules and laws that control salaries such as labour laws that prevent companies from not paying workers less than the minimum salary’. MNE2: ‘here is like any other company, following labour laws, not breaking regulations regarding paying salaries. Also we consider other hotels as competitors to keep retaining our qualified employees’. MNE3: ‘controlled by labour laws’. MNE4: ‘we follow labour laws and consider other hotels and what they paid for their employees’.
Obligatory benefits	Labour laws	Essential benefits paid based on labour laws for both locals and non-locals who are sponsored by locals sponsor.	MNE1: ‘also for benefits, we are following labour laws and some times more than that’. MNE2: ‘adapted according to the labour laws and cost of living here’. MNE3: ‘we have to follow labour laws and put in consideration how to live in Saudi Arabia is high’. MNE4: ‘yes; even [for] the benefits, we consider labour laws and the cost of living in Saudi Arabia’.
Additional benefits	Institutional	Extra benefits paid for Saudi locals by the company such as schooling and transportation	MNE1: ‘school allowance is important, and we provide them here’. MNE2: ‘we understand the importance of some additional benefits like school and Hajj leaveso that we provide them’. MNE3: ‘not for all employees’. MNE4: ‘no, we do not give extrain all cases, just for some specific positions’.

Source: developed for this study

The policy of compensation and benefits had been adapted, particularly in three specific processes, namely, salaries, compulsory benefits and additional benefits.



Across all cases, HR managers agreed that salaries were adapted legally based on labour laws, such as paying the minimum salary for locals and expatriates male or female (according to labour laws); benchmarking MNEs' salaries (with competitors); and adapting salaries economically, based on the cost of living. For example, the Saudi ministry of labour is considering to set the minimum wages for locals in the private sector at 5300SR (1412\$) and for expatriates at 2500SR (666\$) based on the new wage protection program (The Saudi ministry of labour, 2015).

The benefits were adapted due to labour laws. The Saudi labour law forces MNEs to pay employees some essential allowances, such as transportation and housing allowances, which are a daily amount fixed and are updated regularly by the Saudi government. However, MNEs did not pay a housing allowance to expatriates, as staff accommodation was provided by the company.

In addition, MNEs were obliged to pay employees annual leave of 21 calendar days a year, rising to 30 calendar days a year after five years of service. The minimum for sick leave was 120 calendar days a year with full pay for 30 days, 75 per cent pay for 60 days and nil pay for 30 days. In addition, ten to 15 days of paid leave were provided to perform Hajj. All the examined MNEs were obliged by the Saudi labour laws to provide two types of additional benefits: standard benefits and additional benefits developed locally. The standard benefits were the same as in the home country, such as health insurance, life insurance and gym allowance. The locally developed benefits depended more on the subsidiary's strategy. For example, the examined hotels would decide these benefits were a necessity for a particular country, after discussing this issue with HQ and obtaining approval. USA five star hotels worldwide have gyms within their premises as part of the MNE culture of maintaining a work/life balance for employees. However, in Saudi Arabia, no gym facilities were allowed on the premises due to the country's regulations; instead, hotels such as MNE4, provided an allowance for employees to join private gyms. This could indicate that USA hotels in Saudi Arabia took the initiative to develop practices based on the local context. Further, companies had added extra benefits for employees due to the cultural, institutional, legal and business-specific factors behind the adaptation of practices in USA company Saudi subsidiaries.

As discussed above, several factors—namely socio-cultural and institutional—lay behind the adaptation of HRM policies and practices created by the host country's influence.

#### **6.2.2.1 Socio-Cultural Factors**

Several socio-cultural factors were recognised as being behind the adaptation of HR practices in USA subsidiaries in Saudi Arabia. Consistent with the literature review, HR practices were identified as the practices most exposed to cultural differences and the most difficult to transfer from one culture to another without any adaptation (Rosenzweig & Nohria, 1994). However, several research studies have been conducted on the effect of the host's national culture on HR policies and practices (Beugelsdijk, Slangen, Maseland & Onrust, 2014; Ferner et al., 2012; Hofstede, 2001; Thite, Wilkinson & Shah, 2012; Zhu, Zhu & De Cieri, 2014). It was evident that cultural factors had a significant impact on HRM practices, such as recruitment and selection, performance appraisal, training and development, and compensation and benefits. These findings were therefore consistent with the literature. Certainly, the degree of cultural influence on HRM practices differed from one practice to another (Rosenzweig & Nohria, 1994). This finding indicated that some HRM practices were affected more or were more 'culture-bound' than other practices (Myloni et al., 2004). The current study provided evidence that national culture affected HRM, and confirmed highlight that, even if MNEs had a strong organisational culture, they were still affected by the host country's national culture (Hofstede, Hofstede & Minkov, 1991). This argument was strengthened in this study: the USA hotels studied had a strong organisational culture and yet were still affected by Saudi Arabia's national culture.

#### **6.2.2.2 Significant socio-cultural factors**

##### ***Nepotism or wasta for Saudi employees***

The concept of *wasta* is widespread in Arab countries (Hutchings & Weir, 2006; Whiteoak, Crawford & Mapstone, 2006). Nepotism can be defined as 'the employment of relatives in the same organization' (Laker & Williams, 2003: 191). According to Fershtman, Gneezy and Verboven (2002), the term 'nepotism' refers only to favouring relatives or people from the same region. However, in some studies, nepotism has been

discussed as a corruption tool. For example, Loewe, Blume and Speer (2008) considered that nepotism contributed to a low quality business climate by presenting obstacles in administrative processes and adding to unfairness in administrative decisions. Moreover, nepotism is considered as a key source of corruption in any society, not only at the level of business relationships, but also in terms of personal interactions (Arasli, Bavik & Ekiz, 2006; Hayajneh, Dwairi, & Udeh, 1994; Jones, 2012). Based on the data collected for this research, it was apparent that MNEs in Saudi Arabia had encountered several challenges from nepotism or *wasta*.

According to HR manager in the MNE4, there were some employees believed that the mechanism of (*wasta*) utilised for recruiting new employees: they thought that it was unfair and unjust. He added that some of these employees thought that some of their colleagues have been recruited through nepotism; they cited as proof their low level of qualifications. The HR manager in MNE1 noted the HR employees who were responsible for recruiting and selection had to be strict to apply the process without *wasta*. These findings suggested that individuals in Saudi Arabia were accustomed to making themselves secure through their attachment and commitment to their group, as this kind of attachment was enough to cope with life difficulties (Kabasakal & Bodur, 2002).

According to Dickson (2015), in Saudi Arabia the family is considered the key object of loyalty: individuals always identify themselves within their family. In an Islamic society like Saudi Arabia, the family is the most fundamental social institution (Wahab & Rahman, 2011). Kabasakal and Bodur (2002) argued that the family played a significant role in the development of culture and in strengthening the whole society. They explained the significance of having relatives in high positions. These people were expected to offer job opportunities not only to their own relatives but also to their employees' relatives. They argued that this was considered unethical conduct as many of these jobs were then occupied by unqualified people, resulting in workplace inefficiency. Consequently, managers in such a culture concentrated more on building sustaining personal contact rather than accomplishing job tasks.

However, several studies in the literature like that of Kabasakal and Bodur (2002) highlighted that nepotism was a significant issue that prevented MNEs from

competing effectively (Velez-Calle, Robledo-Ardila & Rodriguez-Rios, 2015). From

this point, it became clear why some HR managers in this study sought stricter application processes or codes in terms of recruiting relatives. It was apparent these managers perceived the negative aspect of family relationships that caused conflicts or favouritism at work. Employees recruited due to their family relationships with hotel employees in managerial positions probably enjoyed more privileges than did their colleagues. As discussed above, this—*wasta*—is quite common in Saudi Arabia.

According to some studies, *wasta* as a form of nepotism is deeply rooted among the Saudi community due to the country's culture (Aldraehim, 2013; Aldraehim, Edwards, Watson & Chan, 2012). This type of mechanism is quite common in companies in Saudi Arabia, including the hotels in this study. Managers were likely to select applicants from circles of trust; these could be based on religion, confession, political views or family. People in Saudi Arabia are raised in a society where, from birth onwards, they are integrated into strong cohesive families and tribes and this has helped to build the strength and widespread practice of *wasta* in the community (Mellahi, 2007)

Conversely, using strong family ties or social relationships at work was not always referred to as *wasta*. According to Tayeb (2005), recruitment practices in Middle Eastern countries were usually conducted through informal networks of relatives, friends and colleagues, and this was not necessarily considered a form of nepotism. In other words, in some MNEs, personal relationships and informal networks could be a source of recruitment and reference checking. The Saudi culture is family oriented with a strong sense of loyalty to the group (Mellahi, 2007); therefore, the preference of companies is to recruit applicants whom they already trust. This was confirmed by the findings of the current study, as shown in Table 6.10.

It is worth mentioning that nepotism was present not only in terms of recruiting employees for MNEs, but also in the inclusion of the third party or local partner of USA hotels in Saudi Arabia. According to labour laws, when MNEs intended to run businesses within Saudi Arabia, they had to obtain a local partner considered as a third party in managing the hotel operations. These partners could obtain the power to create or locate loopholes in the legal structure that may weaken the enforcement of laws (Mellahi, 2007). *Wasta* is defined as a person's ability 'to utilize connections with people, who are both able and prepared to change the course of natural events on that

person's behalf' (Whiteoak et al., 2006: 81). That is, people with strong *wasta* may rely on their connections to bend or ignore some aspects of the law (Mellahi, 2007). This was apparently found in MNE1 that had partnered with the Saudi Ministry of Finance. One example of a labour law violation committed by MNE1 was the lack of segregation between the female and male workforce in some department of the hotel such as human resource, account, and customer service (as general manager (GM) and HR manager of MNE1 confirmed).

### ***Interpersonal relationships in the workplace***

According to Yan Xia and Saeed (2015), the power of interpersonal relationships and strong emotional influence in the workplace had a significant influence upon management practices in the culture of Saudi Arabia. Saudi people attached great significance to interpersonal trust, including in the workplace (Eid, 2011). Despite the new organisational culture, accepting strict codes of conduct and signing contracts, Saudi employees are still placed importance on their interpersonal relationships. This was consistent with the findings of Al-Khatib, Robertson, Stanton and Vitell (2002), who stated that interpersonal trust at work could be found in Arab cultures, including Saudi Arabia. They concluded that these strong interpersonal relationships result from Islamic teaching and rules regarding respect and trust between employees in terms of sharing feelings and perceptions, sharing personal information and experiences, and the level of trust between employees. According to Bjerke and Al-Meer (1993), Saudi Arabia can be classified as high in effective relationships; people are more emotional in their relationships in the work environment. However, expressing emotions at work had also appeared in discussions in the current study in relation to dealing with negative performance appraisal feedback. In this study, the HR managers showed extreme sympathy with employees (locals and non-locals) who received negative feedback through peer appraisal; for instance, the HR manager of MNE2 believed that peer evaluation was neither fair nor applicable in Saudi Arabia.

Managers in Saudi Arabia were more relationship-oriented than task-oriented (Assad, 2006; Carroll & Common, 2013; Idris, 2007). Personal and emotional relationships at work were strong in the context of Saudi Arabia (Mellahi, 2007). Moreover, it was clear that effective relationships at work could relate to the culture of the host country. For example, in a country like Saudi Arabia, it appeared normal if employees asked

personal questions as a way of socialising with each other: this view was confirmed through the interviews in this study. Further, the findings of this study agreed with Halawani, Sabban and Zaki (1991) findings that employees in the Saudi workplace experienced satisfying human relationships with their supervisors. Rahman and Al-Buraey (1992) also found a link with Islamic instructions, which advised on how managers must interact with their subordinates. For example, in appraising an employee's performance, managers should focus on that performance without any consideration of the employee's tribe, power or even their skin colour.

### *Avoiding losing face*

Interviews with managers across the four cases in this study revealed a significant socio-cultural factor: avoiding losing face. Through these interviews, the HR managers, GMs and HR directors were asked how they assessed the performance appraisals of their employees and how they dealt with an employee's negative performance appraisal (see Table 6.9). The answers revealed their anxieties about rating employees negatively, and that they informed and discussed the negative feedback with employees face-to-face. The GM of MNE1 clarified that the attitude towards negative performance appraisal was a cultural issue, with some managers trying to avoid having their employees losing face; the same point was made by the HR manager of MNE2.

Giving or receiving negative feedback is never easy (Aycan, 2005). Trompenaars and Hampden-Turner (1998) considered that in cultures where the distinction between life and work was indistinct, negative feedback on a person's job performance was perceived as an attack on that person's personality. For this reason, Seddon (1987) considered that there was a tendency to avoid giving negative feedback to save the employee from losing face. The perception of performance could vary between cultures. For example, in Middle Eastern countries, loyalty to a superior takes priority over effective performance based on western criteria measurements (Mellahi, 2003).

The harmony of an environment that gathers subordinates and colleagues in the same space affects the process of performance appraisal. During the interviews with training managers (TMs) and HR managers (expatriates) across cases, they agreed there was a Saudi tendency to avoid clashes during discussions of feedback with employees. In

some cases, such as MNE1 and MNE2, diplomatic methods were used when evaluating employees negatively, and when conducting reference checking. These findings were explained by Hall and Hall (1990), who indicated that Arab culture has been classified as a high context culture with communication that prefers implicit messages. According to Adair and Brett (2004), high context cultures are distinguished by social harmony, cooperativeness and flexibility.

According to Dowling et al. (2008), the current issue in international HRM is how to make the implicit dimension explicit, through using 'explicit' forms of performance appraisal. As Festing and Royer argued, '[t]his is [a] particular problem when doing business in cultures that have long-held traditions of familial control, recognize the importance of "face", and practice passive, diffuse values' (2008: 80). Based on the findings of the current study, HR managers across the cases confirmed that a more implicit method was used to deal with the consequences of performance appraisals. However, there was a significant absence of this issue in cross-cultural research (Lindholm, 1999).

### *Collectivist society*

Arab countries have been scored at 38/100 on Hofstede et al.'s (2010) dimension of collectivism-individualism, which explains that these societies are regarded as being collectivist. Conversely, the USA is the most individualist society in the world and has been scored at 91 (De Mooij & Hofstede, 2002). Arab culture values the group more than the individual (Whiteoak et al., 2006): it has a strong sense of loyalty to the group and the individual is part of the group (Kalliny & Ghanem, 2009). Individualist and collectivist cultural dimensions are significant factors that help understand the social differences of different contexts (Frost et al., 2009). In an individualist culture, individuals are more likely to be goal-oriented (Oyserman, Coon & Kemmelmeier, 2002). Conversely, a collectivist culture tends to have interdependency between individuals in the group (Frost, Goode & Hart, 2009) and individuals are likely to sacrifice their goals and benefits for the sake of the group's goals (Kalliny & Ghanem, 2009).

In the interviews with HR managers across the four hotels, the collectivist dimension of Saudi culture was reflected in the recruitment and selection, and performance



appraisal practices for Saudi employees. For recruitment and selection, across the cases, it was revealed that the mechanisms used for recruitment in the collectivist culture were more likely to be internal recruitment, informal recruitment, employee referrals, job fairs and networking events rather than e-recruitment and newspaper advertisements. This is consistent with the extant literature (Aycan, 2005; Stone, Isenhour & Lukaszewski, 2008). Although all hotels had websites and e-recruitment sites, MNEs in these cultures relied more on personal relationships or employee-referral programs over the more formal sources of recruitment. In some cases, such as MNE3 and MNE4, the HR managers claimed that using this kind of recruitment method demonstrated positive outcomes such as increasing trust and loyalty and led to a lower employee turnover (Allen, Ericksen & Collins, 2013; Bian & Ang, 1997; Shinnar, Young & Meana, 2004). Further, as revealed in the current study's findings, MNE3 and MNE4 applied tests as part of their selection criteria, while the other two hotels (MNE1 and MNE2) did not use tests in their selection practices. Many studies have noted that, in collectivist cultures, selection based on test scores is rare (Ramamoorthy & Carroll, 1998). However, selection based on recommendations by in-group members (Hofstede, 2011; Wasti & Can, 2008), and selection based on socially constructed techniques, such as unstructured interviews, meetings or dinners are more common (Stone et al., 2008). In addition, across the cases, the HR managers stated that they really considered recommendations for candidates that were provided by their employees who were trustworthy and recommended people who could fit into the organisational culture. In collectivist cultures, MNEs commonly trust employees' recommendations in selecting candidates (Triandis, 2000).

For performance appraisal, giving or receiving negative feedback is never easy in a collectivist society (Aycan, 2005). Negative feedback on a person's job performance was perceived as an attack on that person's personality and it can create a strong sense of shame of losing face of employees (Seddon, 1987). In collectivist countries, positive feedback is also not well taken, as it may ruin group harmony and may induce jealousy (Aycan, 2005). However, in collectivist cultures, positive feedback is expected to come from outside, because it may be seen as self-serving if it comes from the manager to their employees (Triandis, 2000). Some times in collectivist cultures, loyalty to the in-group is perceived as more valuable than productivity. According to Kovach

(1995), high-performing employees within a group might be not accepted by the group, because it might be seen as attacking the group harmony.

### **6.2.2.3 Institutional factors**

The host country's institutional environment was one of the strategic external factors encountered by MNEs in transferring HR policies and practices (Collings et al., 2014). North described institutions as the 'rules of the game' that constrain and facilitate interactions between home and host countries (1990: 3). From an institutional perspective, MNEs could transfer their country of origin practices with fewer constraints to a host country that had few formal institutions. Conversely, a host country with cohesive and integrated institutions and a distinctive business system would be less permissive and MNEs would have to adapt to local practices (Gooderham et al., 1999). The section below summarises institutional factors—namely, labour laws—the national business system of Saudi Arabia, and resistance and compliance.

#### ***Labour laws***

Strong environmental pressure on subsidiaries came from the host country's legal regulations (Schuler, Dowling & Cieri, 1993; Taylor et al., 1996). Host country legal regulations were usually considered an obstacle for transferring HR practices from the home country to a host country subsidiary (Beechler & Yang, 1994). As noted by Edelman and Suchman (1997: 480), 'modern organisations are immersed in a sea of law'. Most regulations governing HRM in the private sector in Saudi Arabia were based on labour laws dating back to 1969 (Mellahi, 2007). The Saudi government had more recently provided local employees with adequate protection and support such as through its policy of Saudisation (Mellahi, 2007). In the early 2000s, the government introduced a legal framework to regulate HRM in the private sector. This framework was introduced for many reasons, including rising unemployment that forced the Saudi government to introduce the Saudisation policy (Mellahi, 2007). Another reason was the increase in external pressure from the International Labour Organization (ILO) and the WTO to reform labour laws regarding the social protection of workers, labour rights and work standards in the private sector. Even though Saudi Arabia had a quite permissive institutional environment, MNEs comply with the labour laws of the host

country. As revealed in the findings, MNEs that operated in Saudi Arabia followed the labour laws when employing locals and expatriates paying them above the minimum salary and providing employees with obligatory benefits as set by the Saudi labour laws. For example, hotels in Saudi Arabia were forced to deploy local workers in reception and security. In regards to recruiting women (for both locals and non-local females) to work in hotels, MNEs had to provide a gender-segregated environment.

For the recruitment of the foreign workforce, they were obliged to have an employment contract for the length of time they were in the country and an *iqama* (a residency permit issued to them, valid for two years), due to visa rules. Based on the quality of the foreign workforce, the skilled or professional expatriate usually occupied a significant majority of managerial positions in international hotels in Saudi Arabia, working as GMs, HR managers, training managers (TMs) and, in the kitchen, executive chefs. These chefs mostly came from western European countries (as confirmed by the HR managers of the four hotels). They were paid well and had exceptional living conditions and housing allowance. Expatriates were usually recruited through applying online within the property or staff recommendations. Unskilled foreign workers usually occupied sub-management jobs and worked in departments that did not need many skills or qualifications. They were usually recruited through agencies located in countries like Dubai or the Philippines. However, foreign workers for both categories (skilled and unskilled) had to enter the sponsorship *kafala* system to gain a visa to access the country. This was unlike other countries that recognised the Universal Declaration of Human Rights (which declared that everyone has the right to go out of any country, including one's own) (The Saudi Ministry of Labour 2013). Sponsors usually held the passports of all foreign workers and their family members.

In this regard, the findings of this study are consistent with those of Dowling et al. (2008), who argued that the regulations on minimum wages for workers had an influence on MNEs' choices of compensation. According to Richey and Wally (1998), the challenge for MNEs was to balance standardisation and localisation in their compensation policy, for which they needed to consider the influence of the local context. MNEs could obtain this balance through meeting the strategic essentials and through their organisational culture. Across the hotels, MNEs had totally adapted their

payroll practices based on the local context of labour laws, within the framework of the compensation and benefits guidelines set by their parent company. In other words, MNEs adapted their compensation and benefits practice based on the local laws of the host country, while sustaining a certain level of uniformity across subsidiaries. Across the hotels, the HR managers conceived benefits as Saudi subsidiaries in the form of incentives; therefore, in addition to tax-free salaries, benefits comprised accommodation, health insurance, transport allowance, and annual air tickets home for expatriates (in the top management level). According to Sparrow et al. (2004), MNEs offered benefits for their employees for legitimacy reasons, even if these benefits were expensive. The HR managers across the hotels clarified that they usually discussed benefits such as accommodation, and transportation allowances with HQ. It appeared from the findings that MNEs in Saudi Arabia were affected by the host country's labour laws or by local markets in terms of adapting their HRM practices to motivate employees, and to remain competitive among other players in the local market (Rosenzweig & Nohria, 1994).

### ***Saudi Arabia's national business system***

The education system was considered a factor of the institutional environment with a possible influence on HRM practices (Sparrow et al., 2004). According to Briscoe and Schuler (2004), the quality of the education system, particularly that of business education, affected HRM practices. With Saudi Arabia, the government believed that changes to the quality of education were a necessary cornerstone of economic progress. Therefore, the education system witnessed significant development. Currently, Saudi Arabia's education system comprises 25 public and 27 private universities. The system is open and free to all people. The Saudi government aims to ensure that students are prepared for business life and work in the global world, through meeting the country's religious, social and economic needs (The Saudi Ministry of Education, 2015). However, Saudi Arabia suffers from a scarcity in skilled labour that has resulted in dependence on foreign labour (Achoui, 2009). The government is working hard to develop adequate educational systems. Therefore, instead of producing more graduates in humanities and religious studies, they have started to open new kind of studies that support the demands of HR and businesses, followed by vocational training (Achoui, 2009).

In the 1990s, the Saudi Arabian government delivered fundamental reforms to liberalise foreign trade and reform investment systems to encourage private investment. These reforms opened the door to foreign MNEs, including USA MNEs that had a significant presence in different activities in Saudi Arabia. To enter the Saudi Arabian market and operate a business in Saudi Arabia, foreign investors had to have a local partner to manage the business operations (The Saudi Ministry of Labour, 2013). In 2007, the government declared the opening of new sectors for foreign investment, such as insurance services, wholesale/retail trade, communications services and air/rail transport services (The Saudi Ministry of Labour, 2013). The evolution of the country to become a market economy has been challenging for the Saudi government, compounded by the additional challenge of creating sustainable employment for the increasing number of young Saudis joining the labour market. As the public sector is unlikely to expand and provide additional jobs, the private sector has become the main focus for job creation (Mellahi, 2007). Realising this job is challenged by factors such as matching people to jobs where there is a skills gap, vocational training system problems and a lack of focus on management and people-related skills training.

All these factors have affected HR practices in the hotels in this study. As previously mentioned, HR managers across the four cases agreed that the hospitality industry was a new market in Saudi Arabia and the necessity for well-educated employees had increased. They added that local people were not motivated to study hospitality and tourism as their major subjects during their education. This was due to cultural stereotyping that made them distrustful of hotels. They perceived working in a hotel as shameful and a hotel job as disrespected in their community. However, the HR managers added that they would have a competitive advantage over other MNEs in the region once they could access the talent of local people.

The HR managers considered that young people at universities needed to be aware that their country was going to witness a new era of comprehensive development and modernisation in the hospitality sector. This progress would need local people who were well prepared for professional life. Unfortunately, the education system also builds up national cultural conditions that encourage a strict hierarchical order, moral behaviour in relationships and social harmony (Vo, 2009). For example, there was no

hospitality management course or college for women in Saudi Arabia, and relevant accreditation required for employment in hotels could be obtained only through the School of Administration Management (The Saudi Ministry of Education, 2014). Further, belief systems within Saudi Arabia had negative stereotypes regarding hotels and hotel (service) employment (Al Surf et al., 2013). Although, there are qualifications and accreditation provided in house, the lack of qualified local experts in hospitality and services was the reason behind subsidiaries using expatriates to develop or adapt training programs that could develop local workers in this field. Moreover, as part of the institutional context, the education system primarily affected HR practices such as recruitment and selection, and training and development (Dowling et al., 2008).

### ***Resistance and compliance***

The level of resistance and compliance by local subsidiaries within the process of the transnational transfer of HR practices was a crucial issue generated by the cultural and institutional environment. The four HR managers across the hotels in this study confirmed that they did modify the transfer of HR practices from the USA parent company. For example, the MNE2 HR manager considered that applying 360-degree feedback was an unfair mechanism that damaged the harmony of the workplace and limited employees' willingness to share honest feedback, but it was modified. In the extant literature, some research has reflected that the larger the cultural distance between home and host countries, the more resistance was created to the transferred HR practices (Adler, 2001; Baker & Nofsinger, 2010; Herkenhoff, 2006; Hofstede, 1983).

With Saudi Arabia, although the cultural distance was large between Saudi Arabia and the home country of the studied subsidiaries (USA), the transfer of HR practices was effective despite the need for some practices to be adapted. Saudi Arabia is unique in its social structure. Its people are powerfully committed to their families and obligations (Baker & Nofsinger, 2010). Saudi Arabia has been affected by the Islamic values that have shaped all systems in the country, such as the political, legal and education systems (Mellahi, 2007). In the globalisation era, Saudi Arabia has become modernised and has developed without negating its traditional Saudi and Islamic values (Christiansen, 2013). This means that Saudi Arabia is moving towards

modernisation and development with the understanding that religion is the main source of life and that all systems (the social, legal, education and business systems) are oriented towards Islam (Christiansen, 2013). Generally, across all cases, the subsidiaries did not seem to reach any stage of serious resistance; there was no disagreement from HR managers regarding organisational HRM practices. The reason behind this result is effective relationship between MNEs and their subsidiaries, subsidiaries usually negotiated all problems related to the process of transferring HR practices with their HQ at the MNE parent company, through their regional offices.

### **6.2.3 RESEARCH QUESTION NUMBER THREE (RQ3)**

RQ3: what are the similarities and differences across the four case studies and the reasons behind these variations?

This section analyses the data collected for the third research question that examined what HRM practices were adapted in the four USA hotels operating in Saudi Arabia. To answer RQ3, the four HR practices (recruitment and selection, training and development, performance appraisal, and compensation and benefits) have already been identified in Chapter 5. In this chapter, these practices are analysed.

#### ***Recruitment and selection***

The first HR practice studied was recruitment and selection. The key objective was to identify the main sources and methods used to recruit and select the right candidate for the right position. The HR managers were asked to explicate their recruitment and selection policies and procedures thoroughly. However, the reason behind collecting more data about how hotels recruited and selected employees was to discover whether these subsidiaries followed a standardised recruitment and selection process transferred from the parent company, whether there were some adaptations or if they had initiated some innovations. The answers varied across the hotels. Some HR managers considered that the process was standard across all hotels. Others mentioned that some applied partial adaptations and others considered recruitment was adapted by the regional office to fit the context of Saudi Arabia.

This section focuses on whether these subsidiaries followed standard policies and practices related to recruitment and selection transferred from the parent company, and if they used the same sources and methods as those transferred from the home

country or if they had a certain way of adapting to the local context. However, the adaptation process varied in significance and type from one MNE to another. For example, some subsidiaries may follow the same policies and practices transferred from the home country, or even from the regional office, exactly. Some may have standardised processes of recruitment and selection when it comes to methods but with adaptations to the sources. Some subsidiaries may have a high degree of freedom in making decisions about recruitment and selection practices with very low interference from the home country.

The level of adaptation/standardisation in the recruitment and selection process varied across the four hotels. Recruitment and selection depended on the key sources of staffing and on the methods of selection used to hire the right candidate. The most common method used across the cases as the key source of recruitment was the partnerships with the HRDF and key universities in Saudi Arabia. The universities included all public and private universities. These partnerships included job fair participation, initiating internships and graduate development programs. However, these companies overwhelmingly used personal relationships as a source of recruitment. A number of MNEs used their employees as a source of recruitment (Ayca, 2005). For example, employees referred their friends or relatives (Lee, 2010). In some cases, such as MNE3 and MNE4, companies created additional benefits to reward employees who referred qualified candidates to fill vacancies. These companies believed this kind of recruitment method to be effective for several reasons. Employees who used their personal relationships had a good knowledge of their company's culture, choosing the right candidate to fill the right position in their company. Moreover, employees were trustworthy, usually had good intentions when referring a candidate and would do their best to ensure that this candidate was a good so that they did not 'lose face with the company' (MNE4). Unexpectedly, the researcher of this study was asked by the HR manager of MNE4 to refer candidates to be employed in MNE4's HR department, as the researcher was undertaking studies overseas for a PhD in this topic. The HR managers who supported this kind of recruitment method believed that, in a country like Saudi Arabia, people were closely related and valued personal relationships. Therefore, hiring people in this way was more efficient, with minimum costs and was hassle-free (Ayca, 2005). Further, personal relationships and social networks helped as a mechanism for checking the backgrounds of candidates,



such as their personal, educational and professional backgrounds. This was the case for both Saudi and non-Saudi candidates.

On the other hand, some MNEs perceived that this kind of method could create conflict and candidates were instructed to use the formal path of recruitment, which usually involved applying online through the hotel's website. The HR manager of MNE3 explained some methods that were used for checking references without embarrassing individuals. He added that people in Saudi Arabia usually avoided criticising others, especially when this could cause someone to lose a job opportunity, as reference checking could influence decision making about that person's recruitment negatively. Therefore, due to socio-cultural factors, reference checking was done indirectly, informally and in a friendly manner. In Islam, causing someone to lose a job is like committing a sin. In addition, Saudi people do not like to lose face and to be criticised or to criticise others (Seddon, 1987). The HR manager of MNE3 explained that the informal network of friends could be a good source for collecting information about candidates, and sources could also be any companies in that field of business. The formal reference checking process was the common method used by MNE1 and MNE2 in which the names and addresses of references were sent to their HR departments to be checked through emails, questioning or phone calls. In MNE4, the process of checking references was centralised.

The most common method used across the cases as a source of recruitment (in addition to using personal relationships) was the partnerships and networks with HRDF and key universities. Some MNEs used their employees as a reliable source of recruitment owing to their awareness of the organisational culture and the trust between them and their companies. In addition, some MNEs rewarded their employees for providing qualified candidates in local branches.

### ***Training and development***

Training managers (TMs) and HR managers were asked to explain the process of training and development by describing the training methods, training budget decisions and the role of the regional office or head office in the home country. They were also asked to explain, most significantly, whether such methods and programs were transferred as the standard process without modification. For this particular point,

they were asked the extent to which they had the authority to modify training and development methods and course content. The answers were quite similar across the cases. Strategically, hotels had a mix of both standardisation and modification, with MNEs having to apply standard programs and courses that were shared internationally, such as the core vision and mission of their companies, and allowing for delivery of methods that were adapted locally to avoid clashing with the local context. All HR managers and TMs across the cases agreed that some courses and content were standard and never modified, while others needed modifications. Therefore, the combination of standard training programs and locally adapted training programs was clear across cases.

Table 6.11 below summarises the possible adaptation of the training and development programs.

**Table 6.11: Possible Adaptation of the Training and Development Programs**

MNE	Description of process	Degree of process standardisation	TM quotations	Adaptation to context theme	Type of adaptation
MNE1	Local, global, online training programs. Budget allocated by headquarter after request from subsidiary. Special programs for managers.	Global standard with some adaptation	‘Standard training for the core services. There are some topics in the training programs that have been cancelled or deleted at the regional office before it comes to Saudi Arabia such as tax policy, casino, liquor bars and prostitutes’.	Adaptation of topics covered such as tax policy, casino, liquor bars, and prostitutes.	Adaptation of content of programs, also adaptation of delivery method and trainer style with standard content. Local trainer speaks English and Arabic languages and is familiar with the local culture
MNE2	Training programs for new employees (orientation, rotation) to educate them about country’s regulations  Regional seminars held once a year, local training for agency people (modules/year)  Managerial training programs (a few selected every year).	Global standard with some adaptation	‘Orientation is a significant technique that helps new employees. It is the first step for employers to understand the basic rules and policies of the country and the hotel as well.  There some topics that have been changed or deleted such as tax casino, liquor bars, prostitutes while the core contents of training programs are not changed and remain standard’.	Adaptation of topics covered such as tax policy, casino, liquor bars, and prostitutes.	Adaptation of content of programs according to specificity of the country and delivery method

MNE	Description of process	Degree of process standardisation	TM quotations	Adaptation to context theme	Type of adaptation
MNE3	Many types of training; within hotel properties, regional seminars, online training.	Global standard with some adaptation	‘As [with] any international company, we are trying to make [a] balance between the core services and policies of the hotel as a global brand and between the local context regulation and requirements’.	Adaptation of topics covered such as tax policy, casino, liquor bars, and prostitutes.	Adaptation of content of programs
MNE4	Online training courses, classroom, on-the-job, self-study, each employee has a training track (core and specialised courses, obligation for each employee/20 training hours/year) Managerial training conducted	Global standard with some adaptation	‘Training is standard everywhere. The hotel has an obligations towards its employees; they should have required training courses through the year’.	Adaptation of topics covered such as tax policy, casino, liquor bars, and prostitutes.	Adaptation of content of programs based on the country’s regulations. The core programs remain the same

Source: TMs across all hotels

As shown in Table 6.11, it is possible to adapt the training program content if it is necessary to fit local needs. For example, if there were gaps where the content did not cover local needs, it was possible to develop these courses to meet those local needs. One example was provided by the HR manager of MNE1. Some employees asked for training courses to develop personal skills, such as negotiation skills to deal with clients. He clarified that such courses were easily conducted locally. In addition, across the cases, some training course content was not applicable in Saudi hotels such as having casinos, liquor bars and prostitutes. These were totally rejected by the religion and government of Saudi Arabia did not need to be included in the training programs. Across the cases, specific training programs were recommended after performance appraisal feedback. Individual training tracks were developed to cover any differences identified in the performance appraisal interviews, with courses suggested to the employee either from the list of global courses offered or from locally developed courses. Locally developed courses in all MNEs had to be approved from a budget perspective.

In terms of adaptation across cases, this included some kinds of training programs, and the delivery of training programs that targeted a specific audience (Von Glinow, Drost & Teagarden, 2002). Further, as Saudi Arabia is a tax-free country, it was not necessary to conduct training on taxation.

Trainers needed to be aware of the local culture, the country's regulations and the type of audience, and to communicate professionally and successfully with that audience. Moreover, the trainer must have good English and Arabic language skills in addition to excellent educational qualifications (Wright et al., 2002). For their training and development programs, most MNEs followed a combination of global and locally developed modules to form coherent programs that retained the global nature of the training programs, as required by MNEs, while responding to the local needs of employees and the local specificities of the host country.

### *Performance appraisal*

The HR managers were asked to explain the methods and techniques used for performance appraisal. Across the cases, the many types of performance appraisal included regular performance appraisal, self-evaluation, PDR, online PMP, peer

appraisal, Star-Voice and 360-degree feedback. The HR managers were also asked to explain standardisation/adaptation in terms of performance appraisal. They were asked whether the performance appraisal practice was transferred as a standard practice from the home country or if there was some adaptation of the process. Table 6.12 summarises the findings of the performance appraisal adaptation.

**Table 6.12: Findings of Performance Appraisal Adaptation**

MNE	Description of process	Degree of standardisation	HR manager quotations	Themes of adaptations	Type of adaptation
MNE1	360-degree evaluation process, self-evaluation, regular performance appraisal	Standard	‘Performance appraisal is standard. We agree that it is in [a] somehow new technique to the locals but we make sure that all employees understand the process and how they are evaluated and why’.	None	None
MNE2	360-degree evaluation process, regular performance appraisal	Standard	‘The system is standard’.	None	None
MNE3	360-degree evaluation process, regular performance appraisal	Standard	‘In terms of performance appraisal, it is [a] standard scheme; we are following the same process as in [the] USA’.	None	None
MNE4	360-degree evaluation process and <u>online PMP</u>	Standard	‘The system is standard everywhere’.	None	None

Source: developed for this study

In terms of adaptation and implementation, all HR managers were asked how they dealt with negative performance appraisals. This question appeared significant, as it might have garnered insights about adapting the implementation of performance appraisals. This question allowed the researcher to discover whether there was adaptation to the practice, even at an informal level, after having received similar data from the four HR managers stating that the process was standard for all employees' locals and expatriates.

Across the cases, the HR managers confirmed that most employees were able to address their performance weaknesses successfully after the monitoring period. However, the HR managers clarified that during a negative performance appraisal discussion, they discussed with the employee that the organisation was not satisfied with their performance very thoroughly (Aycan, 2005). Saudi managers tended to be less argumentative during the performance appraisal interview. This finding aligned with that of Fletcher (2001), who noted that the multinational dynamic nature of performance was captured by the evolution of the emotional intelligence concept. The HR managers sought to not hurt employees' feelings and to avoid making them feel disappointed; therefore, they attempted to give negative feedback in a diplomatic way. Across the cases, it was confirmed that a clear performance appraisal policy was available from the parent company, but implementation in the subsidiary was different. For example, negative feedback never led to the termination of a Saudi employee. For the employees who felt that negative feedback on their performance appraisal was unfair or unsubstantiated by the managers, they had the right to appeal and challenge the result with a neutral party (HR department). As highlighted in table 6.2 in this chapter, the level of freedom and discretion of subsidiaries is vary across the four cases.

### ***Compensation and benefits***

For compensation and benefits practices, the HR managers were asked to explain the system that the subsidiaries followed in terms of transfer of HR policies and practices. The reason for this request was to learn what was offered by MNEs, and to discover whether the compensation and benefits practice had been adapted to the local market in Saudi Arabia. Across the cases, the HR managers confirmed that compensation



and benefits were fully adapted to the Saudi Arabian context. The findings of the compensation and benefits adaptation are summarised below in Table 6.13.

**Table 6.13: Across-Case Analysis of Compensation and Benefits Adaptation**

MNE	Description of process	Degree of standardisation	HR director quotations	Themes of adaptations	Type of adaptation
MNE1	Compensation and benefits	Fully adapted	‘We comply with the labour law in terms of compensation and benefits but we give better’.	Salaries linked to cost of living in Saudi Arabia, benefits linked to labour law	Compensation and benefits offered
MNE2	Compensation and benefits	Fully adapted salaries	‘Compensation and benefits [are] usually adapted based on the country[‘s] laws’.	Salaries linked to cost of living in Saudi Arabia, benefits linked to labour law	Compensation and benefits offered
MNE3	Compensation and benefits	Fully adapted to local market	‘They are adapted to the local law of the country’.	Salaries linked to cost of living in Saudi Arabia, benefits linked to labour law	Compensation and benefits offered
MNE4	Compensation and benefits	Fully adapted salaries	‘We definitely have to follow the local law that we will never pay anything below the minimum salary that is mandated by the local government; the payroll structure in every country depends on the salary	Salaries linked to cost of living in Saudi Arabia, benefits linked to labour law	Compensation and benefits offered

Source: developed for this study

The transfer of compensation and benefits practice was governed by factors such as the cost of living, the local market, the MNE's competition and the local labour laws (Festing & Royer, 2008). Payroll was affected by the labour laws and the cost of living (Aycan, 2005). Based on the labour laws, the compensation system classified diverse ways of compensation calculation and compensation payment in the payroll of an employee (The Saudi Ministry of Labour 2013). For example, the compensation system was defined by different categories and was specified. These included an applicable employee group such as by age or degree of injury, a payment method such as a lump sum, monthly benefits or a daily allowance and how such compensation was calculated. Further, the settings for a compensation model were defined by adaptation to occupational hazards. Table 6.14 presents the key factors that aid calculation of compensation and benefits for employees (The Saudi Ministry of Labour 2013).

**Table 6.14: Key Factors Influencing Employees' Compensation and Benefit Calculations**

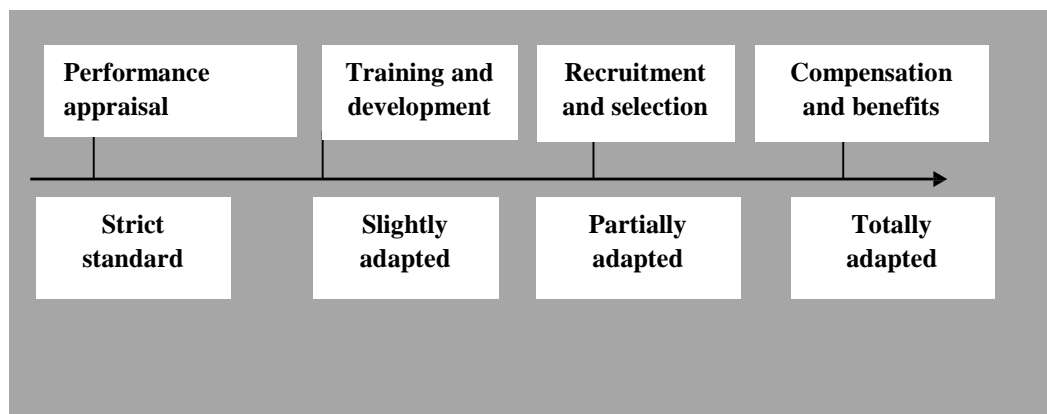
Key factors	Explanation
Level of injury	Identifies whether the compensation system applies to a temporary injury, permanent injury or death resulting from the injury
Nationality of employee	Identifies to whom the compensation system applies (Saudi and/or non-Saudi nationals)
Payment method	Defines how the compensation is paid to the employee (as a lump sum payment, monthly benefits or daily allowances)
Employee's legal rights to compensation	Specifies the age group and the disability group of the applicable employees
Compensation amount	How the lump sum, monthly or daily compensation is calculated Maximum and minimum limits Wage type that the system uses to derive the monthly or daily payment of an employee Additional allowances to be included in compensation Wage type that stores the calculated compensation amount Currency in which the compensation is paid

Source: The Saudi Ministry of Labour (2013)

Moreover, the labour laws established minimum wage rates below which the MNEs could not pay. For example, the minimum monthly wage for Saudi workers was US\$ 1412. Across the cases, the HR managers confirmed that their hotels followed the terms of the labour laws with regard to minimum wage rates: they always paid higher than the minimum wages established by the labour laws. The HR managers of MNE1 and MNE2 confirmed that their companies sought to be close to the local market rates of the host countries in deciding their employees' salaries. The reason for this was that MNEs sought to benchmark against competing companies in the same market, to attract qualified people and to stop employees leaving, thus retaining them and reducing turnover. Benefits were also linked to the labour laws and the local market. The MNEs in Saudi Arabia were required to follow the labour laws in offering

allowances for transportation, housing and, at times, meals. According to the HR managers across the cases, benefits were not obligatory according to the guidelines from the parent company: these practices were decided based upon the labour laws and local market of the host country. For instance, MNE1 and MNE2 both offered school allowances for their managerial employees, as the costs of private schooling in Saudi Arabia were very high in the absence of a reliable public education.

The HR managers at the four hotels were asked to explain the HRM practices that were implemented at their subsidiaries and whether these practices resembled the practices that were transferred from the parent company. This was designed to explore whether these practices were adapted to the subsidiaries and to indicate the degree of local discretion that was exercised. The findings revealed that the four practices considered in this research—recruitment and selection, training and development, performance appraisal, and compensation and benefits—were adapted at different levels (as strict standard, slightly adapted, partially adapted and totally adapted) across the cases as it is clear in figure 6.1.



**Figure 6.1: Adaptation Level of HR Practices**

***Performance appraisal***

During the interviews of the HR managers across the cases, the data confirmed that to have a consistent and reliable international practice across cultures, performance appraisal must be a standard HR practice. Therefore, based on the across-case analysis of the RQ3 data, performance appraisal has been placed between the strict standard level and the slightly adapted level, but is closer to the strict standard level. In this

case, the power of the parent company appeared strongly, indicating that the balance between the power of the home country and the host country was affected by the level of standardisation (Bartlett & Ghoshal, 2002). The data collected across the cases indicated that all subsidiaries standardised performance appraisal strategically to develop their organisational performance. As argued by Brodbeck, Frese and Javidan (2002), MNEs tend to standardise performance appraisal practices to achieve global leadership capabilities and organisational behaviour effectiveness. This finding regarding standardised performance appraisal practice aligns with the literature (Geary & Roche, 2001; Muller, 1998; Schuler et al., 2002; Schuler et al., 1993).

It was clear that the negative feedback of performance appraisal was slightly adapted, due to the different attitudes of local managers towards this process. Many research studies have discussed the dilemma of standardising/localising performance management across subsidiaries. Some researchers have argued that MNEs could effectively manage their subsidiaries if they localised their activities (Brewster, 2004; Cogin & Williamson, 2014; Fan, Cui, Li & Zhu, 2015; Festing & Royer, 2008). However, the dilemma of standardisation or localisation is dependent on the role that MNEs play across the globe. For example, the strategic drivers of some MNEs led to choosing a multi-domestic strategy that emphasised local adaptation, while other MNEs chose a global strategy that emphasised the integration or standardisation of global practices (Lertxundi & Landeta, 2012).

### ***Training and development***

As seen in Figure 6.1 above, the training and development practice has been placed between slightly adapted and partially adapted. As revealed by the data, the implementation of training and development varied across the cases. The HR managers across cases confirmed that some training programs were deemed standard and were transferred in that format from the parent company, such as English common law that helped to develop the hospitality industry in Saudi Arabia. This law is applying to the hospitality industry, the law covers innkeepers and others concerned with travellers.

Others had been adapted to meet the local cultural requirements, while some were locally developed to meet the audience and organisation essentials, such as the Saudi

Voyager program. This suggested that Saudi employees received management training within all hotel departments for two years, then placed themselves into the most appropriate department. This program was created to fit the local market and cannot be found globally. Some training programs had mixed content that combined both standard and locally developed segments. For example, HR managers across cases explained that there were standard training programs in which HR managers had to remove any culturally inappropriate content. They could also manage the length of the training program. The researcher of this study had asked the HR managers to provide some examples for this point, but they said that they did not have any examples. However, the standard training programs were considered as fundamental programs strategically linked to the corporate vision, values, conduct, knowledge and proficiency of the parent company. According to Bartlett and Ghoshal (2002), a strong corporate culture can be structured through building a unified corporate vision and employee commitment. Similarly, Nohria and Ghoshal (1994) confirmed that MNEs can be 'integrated normatively' through building organic solidarity and shared values. This indicates that the knowledge sharing and learning of MNEs with their subsidiaries can be a type of global culture that is more solid than the national identity of the host country, and can overcome cultural obstacles created by the host country's institutional context. Across the cases, training programs that remained as standard were found to be core programs that enhanced the organisational culture through building shared values and conduct. Subsidiaries adapted the kinds of programs that related to the local market, such as selling the hotel brand or marketing techniques and hospitality. These programs were adapted to meet the requirements of the local market and culture. Locally developed programs were those that enhanced employees' performance and responded to any emerging requirements within the subsidiaries. As confirmed by interviews with training managers (TMs) across the cases, these hotels had partnerships with local training agencies or a local trainer to provide employees with applicable training programs. As confirmed by Geppert, Matten and Walgenbach (2006) and Geppert and Williams (2006), it is important to consider seriously the power of national institutional influence on the work system design of subsidiaries, including their HRM practices. National institutions affect the competence practices of MNEs and the specific challenges that are encountered by MNEs in establishing operations and local linkages (van Tulder & da Rosa, 2014).

In terms of training and development, it is important to distinguish between managerial training programs and employee training programs. Based on the international HRM approach, managerial training might take an exportive approach that needs more standardisation, while less standardisation and an adaptive approach would be used for training employees and supervisors. However, during the interviews with HR managers, differentiation was apparent between managerial training programs and employee training programs. The first were usually standard programs and took place in the regional office or HQ such as management development segments and cross property exposure; the second were usually locally adapted and took place in the subsidiaries, such as English language training course that helped hotel staff dealing with guests. In brief, the level of adaptation and standardisation between training and development practices varied; variation also occurring within the same practice in support of the MNE's general strategy.

### ***Recruitment and selection***

As shown in Figure 6.1, recruitment and selection practices were placed as being partially adapted. Some details of the recruitment and selection process were found to be adapted, such as the methods of recruitment and selection, recruitment sources and reference checking. Institutional settings that may include the legal and education systems of the host country had a significant impact on staffing and recruitment from the labour market (Whitley, 2000). Cultural similarity between home and host country was a moderator in the relationship between the MNEs' strategy and the staffing of subsidiaries (Tarique et al., 2015). However, there was a gap in the extant literature on recruitment and selection adaptation in subsidiaries. Studies focused on the different orientations of international HRM, such as ethnocentric, polycentric, region-centric and global, and the impact on staffing decisions of whether to choose home or host country nationals (Adler, 2001; Pingle, Verma & Bhattacharjee, 2015). In terms of the recruitment and selection of senior managers, this was more standardised, following particular protocols and standard tools in interview guidelines (Harris & Holden, 2001). For the recruitment and selection of middle and senior management, these positions must undergo psychometric testing designed and conducted by an independent consultant. However, these positions were usually filled through an internal or external recruitment process and selection test. Recruiting supervisors was



normally conducted based on the candidate's attitude, demonstrated previous skill and experience. This recruitment was usually done through an internal recruitment process (as confirmed by the data collected across cases).

### ***Compensation and benefits***

As shown in Figure 6.1, the compensation and benefits practice was placed between partially adapted and totally adapted. As explained previously, the compensation and benefits practice was adapted to fit the requirements of the local context, such as the labour laws, local market and cost of living. In addition, organisations needed to make some changes in compensation and benefits to retain and motivate their employees, to compete effectively and to avoid breaking any host country laws and requirements. To support the global consistency of MNEs, it is important to change the pattern of compensation and benefits, as this is the HRM practice most exposed to adaptation (McGraw 2015; Brewster 2004). For compensation and benefits, the isomorphism phenomenon can be seen clearly as subsidiaries sharing similar institutional settings become isomorphic (DiMaggio & Powell, 1983). Further, by subsidiaries adapting practices to create legitimacy in the local institutional environment of the host country, this can help to build internal consistency for subsidiaries (Blumentritt & Nigh, 2002; Forsgren, 2013; Rosenzweig & Nohria, 1994). In relation to this study, the hotels had experienced pressure to adopt local practices and become isomorphic with the local institutional context for the benefits offered to gain legitimacy. The HR manager at MNE1 mentioned that the company provided some benefits that were transferred from the parent company for specific expatriates, such as life insurance and travel insurance; however, life insurance was not a common benefit among hotels in Saudi Arabia.

It is important to have a good conceptualisation of how MNEs can achieve a balance between global standardisation and local responsiveness in implementing international compensation and rewards systems (Fan, Zhu & Nyland, 2012; Festing & Royer, 2008). In terms of global consistency in planning compensation and benefits practices, Evans and Barsoux (2002) also reflected on the importance of integrating the compensation system to achieve effective practice, roles and career development processes for different workforces in different cultures. Across the cases, the HR managers agreed that their hotels had totally adapted the practice of compensation and benefits, aligning it with MNE guidelines to ensure global consistency, together with equal treatment of

employees across all subsidiaries. Therefore, the key challenge encountered by MNEs worldwide was how to develop a system that was globally consistent but could operate efficiently across cultures while addressing local differences. The study's findings are confirmed by the literature. This is evidence of the significance of the adaptation process used for compensation and benefits in the host country to ensure the subsidiaries' legitimacy and to realise competitive advantage (Graham & Trevor, 2000; Rogovsky, 2000). According to Gomez-Mejia and Welbourne (1991) and aligned with the literature, the inconsistency between the organisation's environment and a globally consistent compensation system may create problems, such as difficulties in retaining and attracting employees and unproductive employee performance.

### **6.3 Chapter Summary**

This chapter has analysed the four cases using an across-case analysis technique. Analysis was conducted in line with the three research questions: 1) what is the degree of autonomy and discretion that USA MNEs give to their subsidiaries in Saudi Arabia in approaching HRM; that is, the 'home country impact'?; 2) what are the cultural, societal, legal and business-specific issues behind possible adaptations of HR practices; that is, the 'host country impact' and; 3) what are the similarities and differences across the four case studies and the reasons behind these variations?. This analysis was undertaken to answer the central research question of this study. The case analyses have been linked to the literature to identify consistency or non-conformity with the existing literature. The study has also contributed to the existing literature.

The above discussion in this chapter has identified a number of key findings based on the three research questions. Regarding RQ1, there was some clear level of autonomy among the MNEs for some HR functions, as discussed earlier in this chapter. MNEs can apply more than one strategic approach and become more adaptive when essential, to make policies and practices effective internationally. Among the MNEs with an exportive approach, an adaptive approach was used to conform to the local context. MNEs are exportive when their HR policies and practices are strategic to the corporation or to certain employees, such as in the recruitment, selection and training of senior management. Regarding RQ2, a number of factors had a key impact on the

adaptation of HRM policies and practices created by the host country's influence, such as socio-cultural factors and institutional factors. The socio-cultural aspect is represented by nepotism or *wasta* for Saudi employees, interpersonal relationships in the workplace, avoidance of losing face, collectivism. The institutional factors are labour laws, national business system of Saudi Arabia, resistance and compliance. Regarding the findings for RQ3, some differences in adapting HR practices have been revealed. Implementing performance appraisal across the cases was standardised; training and development varied across the cases between standard and localised practice; recruitment and selection was partially adapted based on some details of the process, such as the methods of recruitment and selection, recruitment sources and reference checking; and compensation and benefits were adapted based on the requirements of the local context. Next chapter is highlighted the key findings and contributions of this study.

# **Chapter 7: Conclusion**

## **7.1 Introduction**

This chapter will outline the key contributions and conclusions from this study that seeks to answer the central research question: ‘to what extent do USA-owned MNEs (in the hotel sector) transfer their HRM policies and practices to their subsidiaries based in Saudi Arabia?’ It will do this by addressing the three RQs. First, what is the degree of autonomy and discretion that USA MNEs give to their subsidiaries in Saudi Arabia in applying HRM programs and developing HRM policies? This question examines the interactions between home and host country. This question also investigates whether USA MNEs give a degree of freedom and autonomy in applying or adapting HRM policies and practices that are transferred from the home country to the host country. Second, what are the cultural, social, legal and business-specific issues behind possible adaptations of HRM practices? This question will help to answer the ‘why?’ in the research question by understanding the impact of the host country. Third, what are the similarities and differences across the four case studies and the reasons behind these variations? This question will help to answer the ‘how’ in the research question and proposes to identify whether there were differences among HRM practices. However, the three research questions have presented and analysed data using within-case analysis (Chapter 5) and cross-case analysis (Chapter 6). This chapter will build on the previous chapters and outline the contributions and conclusions of the study.

## **7.2 The Importance of this study**

This study is significant. It is one of the first studies to examine the HRM practices of USA-based MNEs in Saudi Arabia as the host country. It is one of the first studies to examine HRM practices in the hospitality sector in Saudi Arabia using the case study approach; specifically in one host country with four case studies that are subsidiaries of companies from the same home country (Ali 1990; Budhwar & Debrah 2001; Al-Gahtani, YanXia, Al-Shahrani 2015.). This study considers one of the first studies to explain thoroughly the cultural and institutional influence of Saudi Arabia on the transfer of USA HRM practices. Further, it examines the macro level (national

business systems), the meso level (industry) and the micro level (company) that, as a single or combined force, present constraints and opportunities in the transfer of HRM policies and practices in a Saudi Arabian context. It is valuable as it is able to explore the forces and barriers related to the transfer and adaptation of HRM policies and practices, thus contributing to the broader literature on HRM convergence and divergence (Morrell 2012).

A key finding of this study is that USA-based MNEs, at the strategic level, are encouraged to apply an exportive approach towards their subsidiaries in Saudi Arabia, becoming more adaptive when this is essential to make policies and practices effective. Further, the study has found that all of the case study hotels enjoyed some level of autonomy in relation to some HR functions, such as allowances and benefits. Each MNEs HQ could choose such functions. In turn, this allowed the subsidiaries to decide what was appropriate in the Saudi context, with input provided by specialists in the respective hotels. Among the MNEs with an exportive approach, an adaptive approach was used to conform to the local context. MNEs are exportive when their HR policies and practices are considered strategic by the corporation or are strategic to certain employees with regard to the recruitment, selection and training of senior management.

Further, there are key findings in related to the socio-cultural and institutional factors that can have a significant effect on the adaptation of HRM policies and practices, due to the host country's influence. The socio-cultural factors for Saudi employees largely comprises factors concerning nepotism or *wasta*, interpersonal relationships in the workplace, avoiding losing face and the influence of a collectivist society on employees. The institutional factors comprise labour laws, Saudi Arabian national business systems and employee resistance and compliance. The study recommends that MNEs identify where it is necessary to adapt HR practices. For example, performance appraisal implementation across the four case studies was found to be standard. Training and development varied between standard and localised practices, recruitment and selection were partially adapted and based on process details such as recruitment and selection methods, recruitment sources and reference checking, and compensation and benefits were adapted based on the requirements of the local context.

### 7.3 Contributions of this study

The key contributions of this study are the focus on the transfer of HRM policies and practices from American MNEs to their subsidiaries in Saudi Arabia. Table 7.1 summaries the key findings based on the research questions identified throughout this study.

**Table 7.1: Summary Findings of IHRM Approaches undertaken by the 4 MNEs**

	MNE1	MNE2	MNE3	MNE4
International HRM approaches	Integrative approach	Integrative and adaptive	Exportive and adaptive	Exportive and adaptive
Best practices	A well-established best practices system	A well-established information sharing system to add and share best practices	Well-established best practices website system	Established through the general guidelines from HQ
Key legal, societal, cultural factors				
Entry mode	Strong partner	Work as third party	Weak partner	Weak partner
WASTA	Yes	Yes	Yes	Yes
Sex segregation	Mixed workplace	Sex segregation	Sex segregation	Sex segregation
Bad stereotype about working at hotels	Yes	Yes	Yes	Yes
HR practices adaptation				
Recruitment and selection	Adapted	Partly adapted	Partly adapted	slightly adapted
Training and development	Global standard with some adaptation	Global standard with some adaptation	Global standard with some adaptation	Global standard with some adaptation

	MNE1	MNE2	MNE3	MNE4
Performance appraisal	Standard	Standard	Standard	Standard and slightly adapted
Compensation and benefits	Totally adapted	Totally adapted	Totally adapted	Totally adapted

Source: developed for this study

The findings from the RQ1 extend the current knowledge concerning USA MNEs following an exportive approach in managing and controlling their subsidiaries across borders, through this study conducted on Saudi Arabia as the host country (Fey, Björkman & Pavlovskaya, 2000; Rowley & Benson, 2002). In all four case studies, the central HR policies and practices were derived from the USA-based HQ or their regional offices. The decisions regarding implementation were made by their subsidiaries in Saudi Arabia. MNEs in this study were in the early stages of internationalisation. MNE1 and MNE2 were advanced in the process and had well-structured HR, while MNE3 and MNE4 had limited experience in structuring and internationalising HR strategies. It was clear that the key role of the parent company was to set the guidelines and directions of the MNEs' general strategy through conceiving the global policies and practices and building the information systems for subsidiaries. The control mechanisms across subsidiaries varied from one company to another. Auditors from the USA HQ were the key control mechanism for MNE1 and MNE2 and this consisted of reporting to HQ. MNE4's control involved checking the implementation of policies and practices on a regular basis. This might be due to MNE1 and MNE2 being the most advanced in internationalising their HR strategies, while the newly established subsidiaries of MNE3 and MNE4 still needed to be fully controlled by the parent company due to limited experience. They required more guidance from HQ regarding transferring HRM policies and practices.

The findings of the data addressing the RQ1 confirmed that HR policy decisions were made at HQ: subsidiaries then had to interpret these policies in practical ways that fitted the new host country context. The findings displayed some evidence that contradicted the extant literature in terms of the three IHRM approaches: the exportive, adaptive and integrative approaches (Briscoe & Schuler, 2004; Dowling et al., 1999; Taylor et al., 1996). The results showed that MNEs may have different types of approaches in applying their HRM policies and practices, according to how

significant these policies or practices were to the MNE's strategy. The findings of this research have shown that some HR policies and practices were nominated by HQ with an exportive approach or by pursuing modification of these practices in an adaptive way. For example, performance appraisal practice appeared to be nominated by MNE HQ for operation as a standard practice, due to the MNEs' need to sustain the policy's strategic significance. To some extent, the findings of this research have confirmed the argument of Doz and Prahalad (1991) that appropriate approaches should be undertaken by international companies to handle the dilemma of integration or interior consistency, and differentiation or external consistency (Dowling et al., 1999). Such findings have revealed that MNEs can apply different HRM approaches globally, based on the need for the policies and practices to be functional at a strategic level. For instance, MNEs tended to follow an exportive approach when selecting senior managers for higher levels of management. The reason for this was that subsidiaries might need to be homogeneous across all their MNEs wherever they were situated, either by following an exportive approach or by using an integrated approach to apply this particular practice.

Further, this study revealed the significance of best practices in terms of international transfer activities, within the local cultural and institutional contexts. With continuous internationalisation, MNEs have diverse workforces. The extant literature confirmed that the exchange of best practices, requires employee willingness to create a platform to exchange and expand knowledge (Bartlett & Ghoshal, 1998). The findings of this study confirmed this argument through interactions between subsidiaries; HR managers knew each other through frequent regional meetings in different parts of Saudi Arabia and in different GCC countries. These meetings were usually organised by regional offices that operated as a platform for knowledge sharing. However, the key contribution of this study is that best practices within subsidiaries were essential for a more integrative IHRM approach in MNEs (Kostova et al., 2008; Poedenphant, 2002). In this case, MNEs need to recognise the necessity of cultural awareness and associate it with organisational culture. It is vital that MNEs recognise the differences between employees through cultural learning and adopt diversity management to create global standardised practices.



In general, the findings of RQ1 suggest that the USA MNE case study staff need to understand what constitutes appropriate international approaches for their subsidiaries in Saudi Arabia. They could follow an exportive approach on a strategic level and an adaptive approach in transferring HRM policies into practice. However, a more integrative approach was desired by the MNEs HQs and so the necessary regional meetings or platforms were essential to achieve more integration.

The institutional interactions, entry modes and cultural differences had a strong impact on the transfer of HRM practices. The findings from the RQ2 confirmed that. These differences were reflected in some themes that emerged through data collection: communication styles, the stereotype that working in hotels was below the dignity of locals, personal relationships at work were more acceptable in Saudi Arabia, lower team spirit, work pressure and workloads among local workers, workplace segregation (sex segregation) and the role of the nepotism as a source of recruitment (*wasta*) in the workplace in Saudi Arabia Isakhan, Mansouri & Akbarzadeh (2012); Mellahi (2007), these were discussed in Chapter 6. The findings confirmed that there were recognised differences between the USA and Saudi Arabia. Using the study of Hofstede's culture dimensions (Hofstede, Hofstede & Minkov, 2010) helped understand the behaviours of the studied organisations. For example, a low power distance and developed country like the USA led to a regional communication platform designed by HQ. USA MNEs were high on individualism and encouraged subsidiaries to contribute to best practice, to share individual stories and achievements. In contrast, Saudi Arabia is a developing country with high power distance, required more social networking and preferred collective practice achievements.

It appears that the big challenge is how to recruit more locals, particularly females in the hotel industry in SA. As discussed in Chapter 6, female workforce participation in Saudi Arabia is limited. As discussed, this is due to Saudi social traditions and expectations. Further, the findings revealed that locals believed in the negative stereotype about working in hotels for both genders, but mainly for females. In addition, it is not legal to recruit women to work as receptionists (The Saudi Ministry of Labour, 2013). When recruiting females, the organisation was obliged by the labour laws to prepare a specific workplace environment that included a place of employment segregated from the males' workplace. Women are also obliged to wear the *abaya* and

not the uniform that represents the hotel's brand. Women in senior managerial positions in all hotels had little power and authority and this included local and expatriate females. They could perform roles such as the director of operations. Women could also work in event management and public relations. Besides the position of receptionist, other kinds of jobs that women could not perform included catering and working in the hotel kitchen. In addition, Saudi and non-Saudi women must comply with the country's laws: they had to be aware that they must wear the *abaya* as part of the country's religion and culture. In this case, MNEs needed to recognise the local culture and religion legislation. Through mapping the cultural differences, MNEs could become aware of cultural differences.

However, three of the studied MNEs shared responsibility between locals and expatriates in management, where the GMs were Americans and the HR managers were locals. Only one MNE had local management staff, including the general manager. They worked under the USA HRM strategy. This organisation performed as experts in mapping cultural differences systematically. The findings revealed that local HR manager was preferred over the expatriate by HQ and subsidiaries due to cultural awareness. Yet locals lacked international experience, and avoided conflict, so they preferred to communicate less with employees from different nationalities. Face saving was also important for Saudis; they preferred to not discuss negative feedback on their performance. However, the findings also explored that MNEs were working to solve the issue of minimal cultural awareness by exchanging expatriate managers within MNEs and deploying those employees with international experience or those who had graduated from USA universities. However, this may affect the superiority of the HR strategy, due to the lack of international experience of local HR managers. The findings related to RQ2 confirmed the findings of the literature that cultural differences were at the forefront of IHRM (Nankervis et al., 2007). Both the HQ and subsidiaries of USA MNEs had considerable awareness or in-depth knowledge of cultural differences between the USA and Saudi Arabia. This was due to the relationship between HQ and subsidiaries, which assumed that local HR departments were able to apply USA HR functions with the support of HQ. The findings revealed the significant role played by the local HR manager and supported the extant literature on IHRM strategies (Nankervis, Compton & Baird, 2002). The future expectations for GMs in the examined cases included localising the

management line of USA hotels in Saudi Arabia. This is part of the strong belief that a local HR manager could better adapt policies and practices transferred from the HQ. Additionally, there was a belief that the local HR manager could contribute to the regional knowledge sharing and report feedback to HQ. The task of transferring HRM policies and practices was conducted through the local HR departments. The responsibility of this department was to receive these policies and practices and translate them into practices that fitted the host culture. The significance of the role of the local HR managers indicated the reliance on intercultural sensitivity that influenced the success and quality of IHRM strategies. For example, MNE4 still needed significant support from HQ to compete globally and successfully, yet with minority of the USA workforce in MNE4 therefore; such subsidiaries still depend on their HQs in making decisions in terms of the international strategies of HRM (Chew & Horwitz, 2004; Nankervis et al., 2002).

Differences between the USA and Saudi cultures are reflected in some themes that emerged through data collection including stereotypes that concern working in hotels as below the dignity of locals. Further, belief systems within Saudi Arabia encourage negative stereotypes regarding hotels and hotel (services) employment (Al Surf, Susilawati & Trigunaryah, 2013). MNE representatives in all cases believed that Saudi workers (male and female) were also slow to adapt and believed stereotypes about working in hotels. This created a lack of awareness about engagement and commitment. In addition, the Saudi community does not accept these types of jobs involving service and menial tasks. Losing face and maintaining pride are a part of Saudi culture that may be problematic at work.

Relating to convergence versus divergence the findings aligned with the literature. Macro level policies, global strategies and principles seemed to converge (Budhwar & Sparrow, 2002). These included the code of conduct or the principles of MNEs. HRM practices shaped by the local environment and national circumstances diverged (Chew & Horwitz, 2004; Rowley & Benson, 2002). The role of the local HR manager was as an interface between converging policies and diverging practices. MNE1 established regional platforms and an exchange of practices between the local subsidiaries. It helped other subsidiaries inside Saudi Arabia and within the region; MNE1 could integrate line management with HR reporting. MNEs could share

resources and practices in the region successfully and take an intermediate step towards transnational organisation (Adler, 2001).

Further, this study revealed the significant role of the local HR manager in transferring USA HRM policies and practices to the Saudi context. MNEs planned to invest and promote Saudi HR managers for higher positions within subsidiaries. This is because MNE management could see that local HR managers had the necessary talent through facilitating organisational learning and adaptation. Basically, local HR managers can understand Saudi legal, cultural and religious requirements, speak the same language and can map the mismatches between transferred and local practices. This is because local HR managers are more familiar with the local market place. They may have the expertise to ease the transfer process if trained well by HQ. As revealed by some of the findings here, MNE1 and MNE2 placed a high value on international tasks, both short- and long-term. Therefore, USA MNEs had to pay more attention to training locals to manage HRM in Saudi subsidiaries. This is part of playing global and acting local. As such, investing and training the HRM departments in subsidiaries through regular visits to USA HQ is significant for MNEs: this can facilitate integration between the subsidiaries in the host and home country.

Moreover, this study revealed the significant role of expatriate staff when transferring HRM policies and practices from USA HQ to the Saudi subsidiaries. In the MNEs of this study, HQ employed a number of expatriates who were involved in international tasks. As the market in Saudi Arabia was significant for USA MNEs, the findings revealed that in three cases of the studied MNEs, HQ selected USA expatriates for GM positions to ensure control and coordination. Expatriates were expected to ensure that local operations worked in line with the general strategy of MNEs. However, this study revealed that it is significant for expatriates to visit subsidiaries in the host country regularly to organise HR practice transfers. MNEs can use expatriates to supervise the transfer process through establishing effective networks between HQ and local subsidiaries. These networks will allow HQ to support the local subsidiaries effectively.

Relating to RQ3, the findings revealed that the adaptation process varied across MNEs, despite MNEs all originating from the same country. As discussed earlier in Chapter 6, the four HRM practices studied (recruitment and selection, training and

development, performance appraisal, and compensation and benefits) were not adapted at the same level across the four MNEs. Variations occurred according to the HRM practice's strategic significance. MNEs tended to conform to the local environment and were locally responsive, although MNEs often attempted to transfer standard practices to their subsidiaries (Brewster et al., 2015; DiMaggio & Powell, 1983). For selection and recruitment, the findings revealed that HQ were responsible for deciding the annual budget for the subsidiaries in the four cases. The three cases had standardised processes of selection and recruitment for methods but adapted the sources; only one subsidiary had a high degree of freedom in making decisions about recruitment and selection practices, with very low interference from the home country. For example, among the four cases, top managerial staff (such as the CEO and GM) and expatriates were mainly recruited by HQ (except MNE1). Such employees were treated the same as those in HQ, including for compensation and benefits. Further, subsidiaries were authorised to recruit employees and other functional managers, while HQ provided the recruitment framework. The most common method used across the studied MNEs as the key sources of recruitment were partnerships with the HRDF and key universities in Saudi Arabia. The universities included all public and private universities. These partnerships included job fair participation, initiating internships and also graduate development programs. However, among all cases these companies used personal relationships and nepotism (*wasta*) as a source of recruitment. Such recruitment mechanisms contributed to employee loyalty building. Some MNEs used their employees as a reliable source of recruitment, owing to their awareness of the organisational culture and the trust between them and their companies (such as in MNEs1 and MNE2). Some MNEs rewarded their employees for providing qualified candidates in local branches (such as in MNE3). Subsidiaries had to explain to HQ how they recruited the candidates and document the procedures. One major difference identified across MNEs regarding workplace segregation (sex segregation), was that MNE1 had a mixed environment (male and female). This was due to MNE1's strong local partner (The Saudi Ministry of Finance). This partner addresses some obstacles, such as those related to work visas for the non-Saudi workforce and to the mixed environment. Therefore, MNE1 is projected as a strong entity in the country, more than any other organisation in the same sector within the local market. Obviously, entry modes affect the transfer of HRM policies and practices. Overall, recruitment practices in the three studied MNEs followed their HQ

frameworks strictly, but some adaptation was necessary due to the different institutional contexts and entry modes (see table 7.1).

Training and development practices were considered by the MNE participants as significant practices in building one community for employees through knowledge sharing. Local employees valued training highly, particularly the international training programs such as cultural awareness courses. Training and development practices were slightly adapted and partially adapted, as analysed in Chapter 6. As revealed by the data, the implementation of training and development varied across the cases. HR managers across cases confirmed that some training programs were deemed standard and were transferred in the original format from the parent company, such as the English common law that helped develop the hospitality industry in Saudi Arabia. The common training tools used by the eight companies included documents, job training (videos and internal magazines), training abroad and international assignments (except for MNE3). Other programs had been adapted to meet the local cultural requirements; for example, liquor bars in the lobby and casinos are prohibited in Saudi Arabia, according to Islam. Some programs were locally developed to meet the audience and organisation essentials, such as the Saudi Voyager program. This suggested that Saudi employees received management training within all hotel departments for two years, then placed themselves into the most appropriate department. This program was created to fit the local market and cannot be found globally. Some training programs had mixed content that combined both standard and locally developed segments to make the transfer of practices a cultural attitude among employees.

The standard training programs were considered as fundamental programs that were strategically linked to the corporate vision, values, conduct, knowledge and proficiency of the parent company. According to Bartlett and Ghoshal (2015) a strong corporate culture can be structured through unifying the corporate vision and employee commitment. Similarly, Nohria and Ghoshal (1997) confirmed that MNEs can be 'integrated normatively' through building organic solidarity and shared values. This indicates that knowledge sharing and learning between MNEs and their subsidiaries can be a type of global culture that is more solid than the national identity of the host country. This can overcome cultural obstacles created by the host country's institutional context. Across the cases, training programs that remained standard were

core programs that enhanced the organisational culture through building shared values and conduct. Subsidiaries adapted the kinds of programs that related to the local market, such as selling the hotel brand or marketing techniques and hospitality. These programs were adapted to meet the requirements of the local market and culture. Locally developed programs were those that enhanced employee performance and responded to any emerging requirements within the subsidiaries. As confirmed by the interviews with TMs across the cases, these hotels were partnering with local training agencies or a local trainer to provide employees with appropriate training programs. As confirmed by Geppert et al. (2006) it is important to consider the power of the national institutional effect on the work system design of subsidiaries, including their HRM practices. The findings are integrated with the literature, as considered that the national institutions affect the competence practices of MNEs and the specific challenges that are encountered by MNEs in establishing operations and local linkages (Verbeke, van Tulder & Voinea, 2012).

Based on the international HRM approach, managerial training might be an exportive approach that needs more standardisation. Less standardisation and an adaptive approach would be used for training employees and supervisors. However, during the interviews with the HR managers, differentiation was found between managerial training programs and employee training programs. Managerial programs were usually standard programs and took place in the regional office or HQ, such as management development segments and cross property exposure. Employee programs that were usually locally adapted and took place in the subsidiaries, such as English language training course that help hotel staff dealing with guests.

Performance appraisal was standard and sometimes slightly adapted, based on the across-case analysis of the data of RQ3 in Chapter 6. During the interviews with HR managers across the cases, the data confirmed that to have a consistent and reliable international practice across cultures, performance appraisal must be a standard HR practice.

When introducing the practice of a 360 performance review to Saudi subsidiaries, employees showed strong resistance and hesitation. They were not happy to be evaluated by many reviewers or to receive negative feedbacks. This is because negative feedback could be seen as losing face. In this case, MNEs had to introduce

this practice progressively through meetings to emphasise the significance of this practice. HRM departments in subsidiaries can plan career development for each employee to help them express their willingness and expectations about their jobs. Further, MNEs can make increase the trust in this practice by introducing some real examples.

Compensation and benefits practice was either partially adapted or totally adapted. It was found that a more adaptive approach was applied to compensation and benefits, and that HQ encouraged subsidiaries to follow an adaptive approach when the practice clashed with the labour laws, local market and cost of living in the host country. MNEs needed to make some changes to compensation and benefits to retain and motivate their employees, compete effectively and avoid breaking any host country laws and requirements. As in MNE1 and MNE2, subsidiaries took care of their employees and their families.

To support the global consistency of MNEs (Brewster et al., 2015; McGraw, 2015), it is important to change the pattern of compensation and benefits, as this was the HRM practice most exposed to adaptation. For compensation and benefits, the isomorphism phenomenon could be seen clearly as subsidiaries that shared similar institutional settings become isomorphic (DiMaggio & Powell, 1983). Further, it has been argued that by subsidiaries adapting practices to create legitimacy in the local institutional environment of the host country, this builds internal consistency for subsidiaries (Blumentritt & Nigh, 2002; Forsgren, 2013; Rosenzweig & Nohria, 1994). For example, MNE1 provided some benefits that were transferred from the parent company for specific expatriates, such as life insurance and travel insurance; however, life insurance was not a common benefit among hotels in Saudi Arabia.

Across the cases, the HR managers agreed that their hotels had totally adapted the practice of compensation and benefits, aligning it with MNE guidelines to ensure global consistency, together with equal treatment of employees across all subsidiaries. Therefore, a key challenge encountered by MNEs worldwide is how to develop a system that is globally consistent, yet can operate efficiently across cultures while addressing local differences. The study's findings are confirmed by the literature, providing evidence that the adaptation process used for compensation and benefits in the host country to ensure the subsidiaries' legitimacy and to realise competitive advantage is



significant (Graham & Trevor, 2000; Rogovsky, 2000). According to Gomez-Mejia and Welbourne (1991), and aligned with the literature, the inconsistency between an organisation's environment and a globally consistent compensation system may create problems such as difficulties in retaining and attracting employees and unproductive employee performance.

Based on the above discussion, the research findings revealed number of factors (institutional, cultural, laws and regulations) that impact the HRM policies and practices transfer from the USA MNEs to their subsidiaries in Saudi Arabia, with varied levels of transfer. For example, it was possible to transfer the selection and recruitment practices, yet subsidiaries in Saudi Arabia were under institutional pressure to localise their labour force through adopting Saudisation. Performance appraisals could be successfully transferred to the subsidiaries if they are introduced progressively to the local context. Training and development practices in some degree clashed with the local rules and regulations implemented in the context of Saudi Arabia. While compensation and benefits had to be localised, payroll and salary packages had to be adapted according to the labour laws and local market.

#### **7.4 Limitations**

The methodology is the first limitation of this study. The sample size was limited to four cases comprising four USA hotels selected from one industry and located within one region. Therefore, the findings cannot be generalised beyond the context of this study, although they may have relevance for similar studies. It would be interesting to evaluate the generalisability by selecting samples from other industries and from different regions. As an exploratory study, the aim of this study was to seek a better understanding of the issues to create a basis for broader future research and also for the hotel chains with HQs outside USA.

Despite the fact that the qualitative case study is considered an appropriate approach for this study (as it is not necessary to provide a statistical sample of a population but rather a generalisation in respect to theory [Yin, 2013]), this can be viewed as a limitation due to the issue of generalisability. It would be interesting to use a combined methodology in future research (qualitative and quantitative), as the case study

involved a smaller number of participants than could be included if using survey questionnaires.

Another limitation is related to data from the HQ or regional offices. The study only used data generated from the host country. In future studies, including other respondents from the country of origin could help to validate the findings of the subsidiaries' interviewees. Interviewing more respondents in HQ or regional offices was not possible for the reasons explained earlier. Further, it was very difficult and, at times, impossible for the researcher to obtain hard or soft copies of some documents, records and links to websites, due to the companies' confidentiality policies.

There is no extensive data generated from employees (locals and non-locals). The willingness of respondents to provide reliable information was another limitation. Some of the supervisors were afraid of providing information they thought might be used against them, or they feared that their manager might be behind the interview. Further, this study was conducted in one place at one point in time and this may have created difficulties in assessing the general applicability of results. Future studies would be strengthened by follow up research (i.e., a longitudinal study) occurring over time and needing several observations over an extended period rather than a 'snapshot'. Additionally, this study is a cross-sectional study that is not appropriate for the study of social changes. Therefore, longitudinal research is essential if the research objective is to measure social change, as this can better assess these changes through time. With time and resources the research could include respondents from regional and head offices in order to obtain a complete understanding of the organisational processes and policies around HRM development, implementation and evaluation.

## **7.5 Future Research**

This study could be expanded to include more MNEs from different countries to generate more findings that would generalise the results. This study could also be extended to include other GCC countries as host countries, such as Bahrain, Oman and Qatar where (to my knowledge) no research related to the transfer of HRM policies

and practices has been conducted. This will be beneficial when conducting comparative studies among the GCC countries. Further study will also increase the credibility of qualitative findings through testing the findings from this research with quantitative questionnaires. Future research could also extend the suite of HR practices. For example, this study examined four HRM practices (recruitment and selection, training and development, performance appraisal, compensation and benefits), so a future study could include more and different HRM practices, such as embedding ethical codes of conduct and employee voice and participation mechanisms. Future research could exclude all of these practices to concentrate on only one HRM practice, gaining a better understanding of the effects of the practice related to the host country. As this study has focused on an area in IHRM that is under researched (the transfer of HRM practices from USA MNEs to their subsidiaries in Saudi Arabia) it can be used as a basis for further research about IHRM in the GCC countries. This study has provided an understanding of the transfer of HR policies and practices by USA MNEs to their subsidiaries in Saudi Arabia. It is expected that the findings of this study will assist future research.

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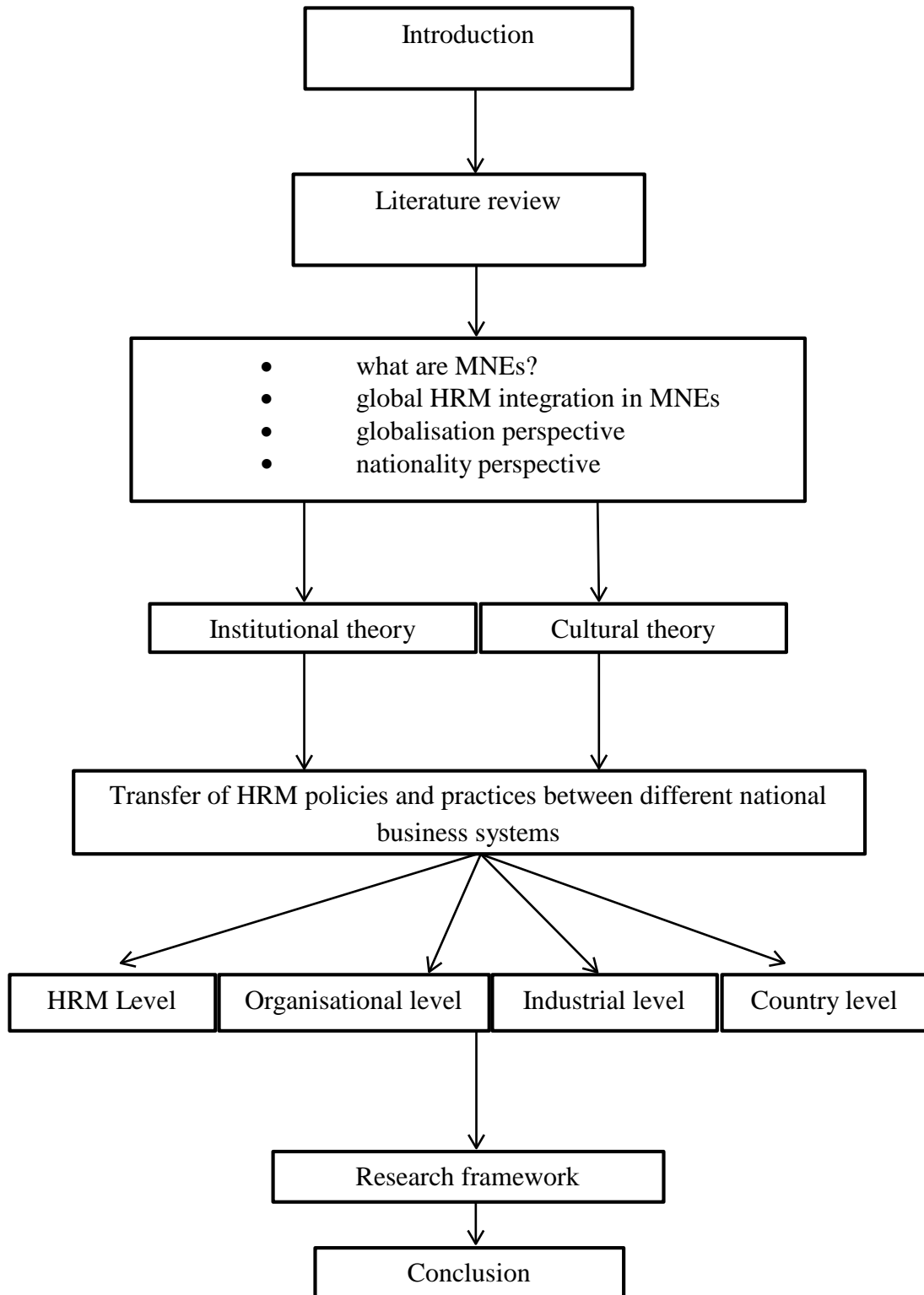
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# Appendixes

## Appendix 1 Organisation of Chapter 2



**Appendix 2**  
context

Summary of institutional theory applications in the MNE

Topic descriptions	Relevant references	Main institutional ideas
<p>Institutional profile/institutional distance.</p> <p>Country institutional profile is conceptualised as a three-dimensional construct, including regularity, cognitive, and normative dimensions.</p> <p>Country institutional dimensions are practice or issue specific (e.g., quality management, entrepreneurial activity).</p> <p>Institutional distance is defined as the difference or similarity between the institutional profiles (i.e., regularity, cognitive, normative) of two countries on a particular issue.</p>	<p>Busentiz, Gomez &amp; Spencer (2000)</p> <p>Eden &amp; Miller (2004)</p> <p>Kostova (1997, 1999), Kostova &amp; Roth (2002), Kostova &amp; Zaheer (1999)</p> <p>Xu &amp; Shenkar (2002)</p>	<p>Institutional arrangements are mostly country specific since they evolve within the boundaries of the socio-economic environment and become established as a result of social interactions</p> <p>Institutions and institutional environments are composed of three “pillars”: regulatory, cognitive, and normative</p> <p>Institutional arrangements define the social context of organisations and shape organisational actions</p>
<p>Institutional change/transition economies</p> <p>Large-scale institutional transformation defines transition economies</p> <p>Transitional institutional environments are characterised by</p> <p>Institutional upheaval</p> <p>Institutional baggage</p> <p>Institutional imperfection</p> <p>Corruption and “state capture”</p> <p>Different stages in the transition process</p> <p>Transitional Institutional environments require certain types of strategies and lead to particular firm behaviours (e.g., bribes)</p>	<p>Hoskisson, Eden, Lau &amp; Wright (2000), Newman (2000), Peng (2000, 2002, 2003), Roth &amp; Kostova (2003b), Whitley &amp; Czaban (1998), Wright, Filatotchev, Hoskisson, &amp; Peng (2005)</p>	<p>Change and transformation of institutional systems is a process following distinct stages characterised by a different degree of maturity and stability of the new institutional arrangements</p> <p>Economic action of individuals and organisations is institutionally determined:</p> <p>Institutional patterns from the previous system continue to be observed owing to persistence and inertia of institutions</p> <p>When the new institutions are not fully developed, proliferation of organisational patterns may be observed</p>

Topic descriptions	Relevant references	Main institutional ideas
<p>National institutional systems</p> <p>Comparative capitalism and economic action</p> <p>National (and institutional) origin of business systems</p> <p>Institutional features of difference types of business systems and comparative firm characteristics (e.g., ownership patterns, state coordination, trust in formal institutions, dominant firm type, growth patterns).</p> <p>Comparative capitalism approach to the issue of MNE corporate governance</p> <p>Extent of MNE embeddedness/disengagement with national institutional systems</p>	<p>Casper &amp; Whitley (2004).</p> <p>Hill (1995), Morgan, (2003)</p> <p>Morgan &amp; Whitley (2003)</p> <p>Orru, Biggart, &amp; Hamilton (1991), Quack, Morgan &amp; Whitley (2000).</p> <p>Quack, O'Reilly, &amp; Hildebrandt (1995), Whitley (2000, 2003)</p>	<p>Determinism of (national) institutional environments in shaping business systems within institutional environment (country) similarity (i. e., isomorphism) of business systems and organisational characteristics</p>
<p>Institutional constraints on MNEs</p> <p>Institutional environments determine the most effective MNE strategies and structures:</p> <p>Entry mode decisions in international expansion</p> <p>Partner selection in international alliances</p> <p>Country's propensity for entrepreneurial activity</p> <p>Firm strategic choices (e.g., diversification)</p>	<p>Child &amp; Tsai (2005), Dacin, Oliver, &amp; Roy (in press),</p> <p>Davis, Desai, &amp; Francis (2000), Flier, Van den Bosch &amp; Volberda (2003), Henisz &amp; Delios (2001)</p> <p>Hitt, Ahlstrom, Dacin, Levitas, &amp; Svobodina (2004), Kogut, Walker &amp; Anand (2002), Lu (2002),</p> <p>Yiu &amp; Makino (2002)</p>	<p>Determinism of (national) institutional environments in shaping organisations' practices and structures through institutional pressures for isomorphism (national) institutional environments can be more or less supportive of particular types of economic activity (e.g., entrepreneurship), depending on the established regulatory, cognitive, and normative institutional arrangements</p>



Topic descriptions	Relevant references	Main institutional ideas
Diffusion, adoption, and institutionalisation of organisational practices and structures across units within the MNE and across national borders	Eden, Dacin & Wan (2001),	Determinism of national institutional environments in shaping organisations practices and structures by enforcing isomorphism through coercive, mimetic, and normative mechanisms
Institutional explanation of cross-country differences in MNE practices and structures	Gooderham, Nordhaug & Ringdal (1999), Guler, Guillenn, & Macpherson (2002), Kogut (1991),	National institutional environments can be more or less supportive of particular types of certain organisational practices
Institutional explanation of cross-border diffusion, dissemination, convergence/divergence of organisational practices		As a particular practice becomes fully institutionalised, it assumes a “taken-for-granted” status; developed institutional environments (eternal as well as internal) are characterised by clear expectations for firms` actions
Institutional constraints on transferring organisational practices across national borders; “permeability” of borders	Kostova (1999), Kostova & Roth (2002)	New emerging practices are brought in by outsiders or “peripheral/marginal” organisations that are successful; others start mimicking them, motivated by their increasing legitimacy; as a result, new patterns of organisational action become shared and gradually institutionalised
Multiple and complex institutional environments from which MNE subunits “draw” their practices and structures		
Handling of conflicting institutional pressures on MNEs and MNE subunits from the internal organisational environment and their multiple external environments; the role of managers (limited active agency)		
Relational context within MNEs and context`s role in the institutional process of transfer and diffusion organisational practices within the firm		

Topic descriptions	Relevant references	Main institutional ideas
MNEs, MNE subunits, and host country institutional environments liability of foreignness of MNEs in host countries: Sources and determinants of liability of foreignness Dynamics of liability of foreignness over time Strategies for overcoming liability of foreignness MNE legitimacy: Nature and distinctiveness of MNE legitimacy Factors of legitimacy of MNEs and MN subunits Multiplicity and complexity of legitimacy institutional environments/actors for MNEs External/internal legitimacy of MNE subunits Dependence and dynamics between host countries and MNEs	Kostova & Zaheer (1999), Lawrence, Hardy, & Phillips (2002), Levy & Egan (2003), Mezias (2002), Zaheer (1995), Zaheer & Mosakowski (1997)	(National) institutional environments grants legitimacy of organisational based on organisational compliance with institutional requirements Institutional requirements are established within the boundaries of an organisational field (class); organisations can be part of multiple organisational fields legitimacy is necessary and critical for organisational survival Legitimacy is achieved through becoming isomorphic as a result of adopting practices and structures that are institutionalised in a particular environment (field)

Source: Kostova, Roth & Dacin 2008

### Appendix 3 National business systems typologies summary

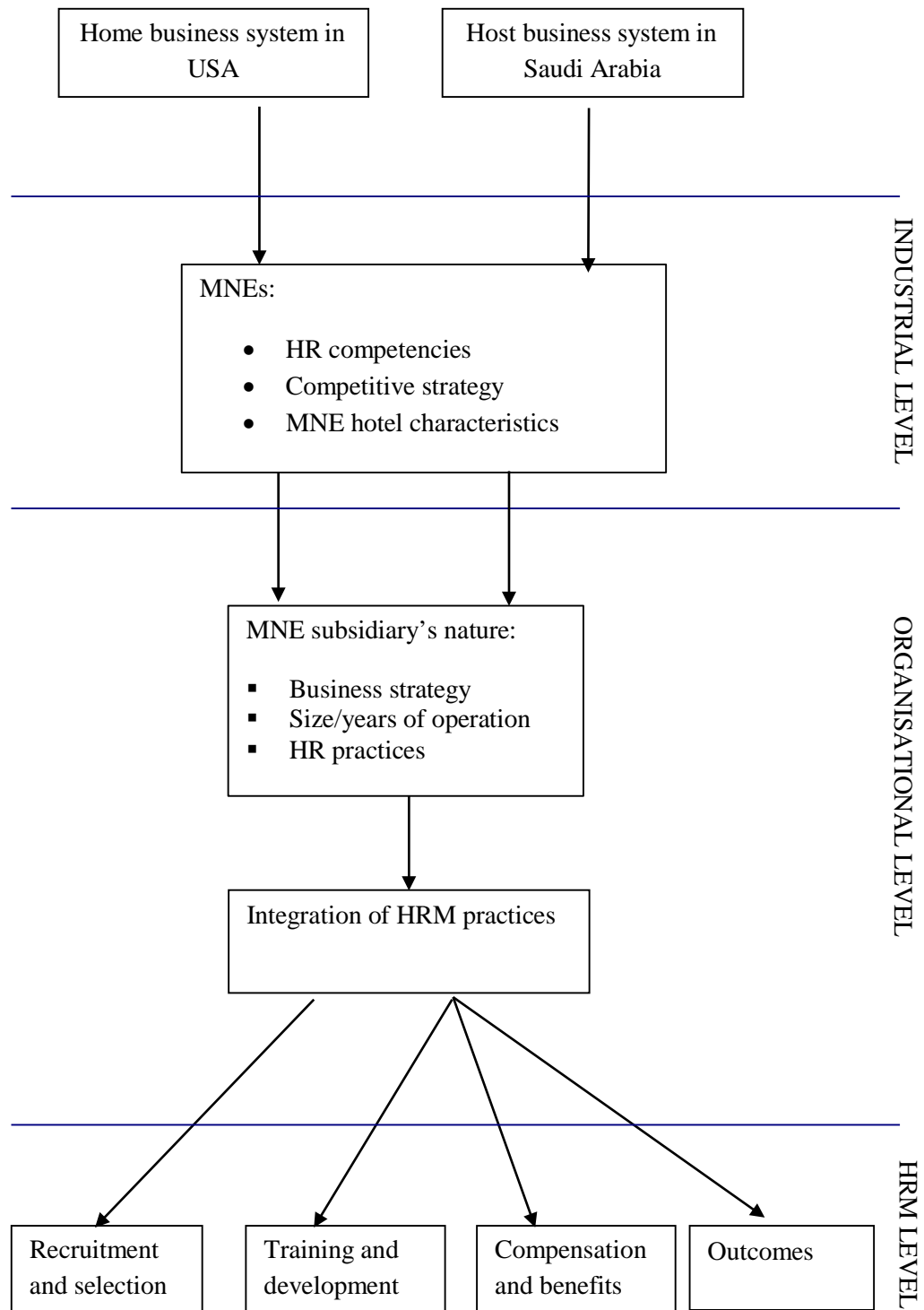
Typology of national business system	Description	Created by
Financier dominated capitalism (e.g. Great Britain)	Where the state is centralised and there is a high degree of fragmentation and diversity of local powers. Firms in system of Britain are isolated institutionally and more reliant on internal resources.	Lane (1992)
Production oriented capitalism (e.g. Germany)	Due to the intensive production tasks and skills development for industrial needs, this system resulted on the presence of early development of large managerial	

Typology of national business system	Description	Created by
	firms that distinguish with closer integration of management.	
Competitive managerial capitalism (e.g. America)	Based on the historical analysis of the domestic market, industrialisation process, the role of the state, political and legal environment, financial institutions, and educational institutions.	Chandler (1996)
Personal capitalism (e.g. Great Britain)		
Cooperative managerial (e.g. Germany)		
Alliance capitalism	Emphasis on vertical efficiency that increased by many factors such as the state bureaucracies role, large networked corporations, integrated small firm networks, strong local communities, cultural homogeneity and collective decision making.	Orrù (1997)
Dirigiste capitalism	Emphasis on vertical integration of business organisation. Strong leadership of the state centralised industrial planning, privileged economic role of large corporations, and weak presence of small and medium sized firms.	
Familial capitalism	Characterised by weak state role, family based work relations and paternalistic authority systems.	
Particularistic (e.g. China)	Weak state role, mainly paternalist authority relationships. Hardly develop stable organisational capabilities; direct and personal owner, mainly family business firm.	Whitley (1999)
Collaborative (e.g. Germany and Japan)	Significant institutions inter-locked; encourage cooperative behaviour by restricting exit opportunities. For firms, managers share authority with employees skilled manual workers are typically integrated into the organisation	
Arm's length (e.g. America)	Regular state role, highly flexible entry, competitive capital markets; training is more a matter for individual investment than for coordinated collaboration between state agencies. <u>Independence</u>	

Typology of national business system	Description	Created by
	between collective actors is low; owners tend to be remote from managers; organisational competences and competitive capabilities are highly firm specific.	
Liberal market (e.g. Great Britain)	Manage activities by market arrangements.	Hall and Soskice (2001)
Coordinated market (e.g. Germany)	It depends on networks and collaboration to build competences and strategic interaction among firms and other actors.	

Source: developed for this study

**Appendix 4** Four-Level Research Analysis Framework



## Appendix 5      The interview guide

**Title of the research:** Title of the research: The transfer of HRM policies and practices in American multinational hotels in Saudi Arabia

**Research Question:** “How do US owned MNCs (in the hotel sector) integrate their HRM policies and practices to their subsidiaries based in Saudi Arabia?”

### **Regional Manager and General Manager**

**Research Issue 1:** The transfer of HRM policies and practices:

- 1.1 Do you consider that there is a Saudi HRM model?
- 1.2 How are HR strategies and policies created in your organisation? From the parent headquarters or elsewhere? Please expand.
- 1.3 If the HR strategies and policies are developed from the parent headquarters are the subsidiaries (such as here in Saudi) able to adapt such strategies and policies to suit local contexts?
- 1.4 How are Saudi cultural values and norms taken into account with regard to the interpretation of HR strategies into HR practices? Could you provide some examples?
- 1.5 How do the HR policies and practices of your hotel resemble those of the parent firm?
- 1.6 What changes were made to the parent firm HR policies for Saudi subsidiaries in term of recruiting, training and development, and compensation and benefits?

### **General Manager, HR Manager and Line Manager**

**Research Issue 2:** Constraints and opportunities concerning the transfer of HRM policies and practices:

- 2.1 How does the transfer of HRM policies and practices work from the parent to the subsidiary organisation-please describe.
- 2.2 Did you face any problems with regard to the transfer and internalisation process of HR policies and practices within the subsidiary?
- 2.3 If so, how did you overcome these problems?

2.4 What facilitators assist the transfer of the parent firm HR policies and practices within the Saudi subsidiary?

### **HR Manager and Line Manager**

- **Research Issue 3:** What are the key forces influencing the shape and implementation of MNCs' HRM policies and practices with regard to their subsidiaries?

3.1 What do you consider are the main differences in the national/cultural/societal/legal systems between Saudi Arabia and the US that are relevant for HR?

3.2 How do you believe they affect HRM in your organisation?

3.3 Do you have a mix of expatriate (representing the parent company) and local staff employed here? Do you see this is an 'ideal mix'? Why or why not?

3.4 To what extent are your HR staff in the parent HQ and subsidiary aware of cultural differences between their countries and how do they manage them?

### **General Manager and HR Manager**

- **Research Issue 4:** Is there a climate of co-operation between the parent headquarters and subsidiary in general that facilitates effective operations?

4.1 How does your subsidiary cooperate with the parent headquarters in the HR area? Please give examples.

4.2 Can you describe the communication channels between the parent company headquarters and your organisation?

4.3 Are there any general parent headquarters HR initiatives and programs designed to help your organisation? Do they help in your view? Why or why not?

4.4 In your view is there sufficient job rotation of staff between the parent headquarters and the subsidiary? If this operates, please explain how it works in practice and the benefits accrued.

### **HR Manager and Line Manager**

- **Research Issue 5:** What do you believe are the HRM policies and practices that parent headquarters can or cannot transfer to your subsidiary and why?

5.1 Are there specific HR policies and practices that you believe can be effectively transferred from parent headquarters to your organisation? Please give examples?

- 5.2 Are there specific HR policies and practices that you believe cannot be effectively transferred from parent headquarters to your organisation? Please give examples?
- 5.3 Which transferred HR practices are standardized?
- 5.4 Which transferred practices were adapted?
- 5.5 Which practices were imported (HR practices include: recruitment and selection, training and development, compensation)?
- 5.6 How do you believe specific policies and practices such as recruitment and selection, training and development and compensation, need to change—given the parent headquarters approach and the established country differences?

Thank you for your time



## Appendix 6 The Ethical clearance

Office of Research and Development Human Research Ethics Committee

To	Amal Hatem Alkhalidi, Management
From	Professor Stephan Millett, Chair Human Research Ethics Committee
Subject	Protocol Approval RD-37-13
Date	24 October 2013
Copy	Professor John Burgess, Management

Thank you for your "Form C Application for Approval of Research with Low Risk (Ethical Requirements)" for the project titled "*The Transfer of HRM Policies and Practices in American Multinational Hotels in Saudi Arabia*". On behalf of the Human Research Ethics Committee I am authorised to inform you that the project is approved.

***Approval of this project is for a period of four years 25-10-2013 to 25-10-2017.***

The approval number for your project is RD-37-13. *Please quote this number in any future correspondence.*

***Your approval has the following conditions:***

- i) Annual progress reports on the project must be submitted to the Ethics Office.
- ii) **It is your responsibility**, as the researcher, to meet the conditions outlined above and to retain the necessary records demonstrating that these have been completed.

Applicants should note the following:

It is the policy of the HREC to conduct random audits on a percentage of approved projects. These audits may be conducted at any time after the project starts. In cases where the HREC considers that there may be a risk of adverse events, or where participants may be especially vulnerable, the HREC may request the chief investigator to provide an outcomes report, including information on follow-up of participants.

The attached Progress Report should be completed and returned to the Secretary, HREC, C/- Office of Research & Development annually .

Our website [https://research.curtin.edu.au/guides/ethics/low\\_risk\\_hrec\\_forms.cfm](https://research.curtin.edu.au/guides/ethics/low_risk_hrec_forms.cfm) contains all other relevant forms including:

- Completion Report (to be completed when a project has ceased)
- Amendment Request (to be completed at any time changes/amendments occur)
- Adverse Event Notification Form (If a serious or unexpected adverse event occurs)

Yours sincerely



/Professor Stephan Millett

Chair Human Research Ethics Committee

Please Note: The following standard statement must be included in the information sheet to participants:

This study has been approved under Curtin University's process for low-risk Studies (Approval Number RD-37-13). This process complies with the National Statement on Ethical Conduct in Human Research (paragraph 5.1.7 and paragraphs 5.1.18-5.1.21).

For further information on this study contact the researchers named above or the Curtin University Human Research Ethics Committee. c/- Office of Research and Development, Curtin University, GPO Box U1987, Perth 6845 or by telephoning 9266 9223 or by emailing [hrec@curtin.edu.au](mailto:hrec@curtin.edu.au).

**School of Management**



**Curtin Business School  
Curtin University, Perth, W.A.**

**Participant Information Sheet**

The transfer of HRM policies and practices in American multinational hotels in Saudi Arabia

**Background to the Project:** The study will examine the integration of human resource management (HRM) policies and practices of US multinational Enterprises (MNEs) in Saudi Arabia. The aim of the study is to determine how USA MNEs integrate HRM policies and practices from their Headquarters to their subsidiaries based in Saudi Arabia. The study will investigate how factors originating from two frameworks developed within the host country, such as cultural and comparative institutional may affect the process and outcomes of integration of HRM policies and practices. In order to undertake this study, data will be collected from four hotels of USA origin that are located in Jeddah city, Saudi Arabia. The methodology utilized will mainly concern case studies, focus groups and interviews.

**Aim of the Project:** To determine how USA MNEs integrate HRM policies and practices from their Headquarters to their subsidiaries based in Saudi Arabia. And to investigate how factors originating from two frameworks developed within the host country, such as cultural and comparative institutional may affect the process and outcomes of integration of HRM policies and practices. HR managers, employees, line managers will be interviewed in order to inform this project. It is intended that the results will be useful for other MNE to put under consideration the important factors that may influence the process of transfer. The results will be shared with interviewees in the form of a report.

What is required of interviewees: **You have been contacted as your position indicates that you may be able to provide information regarding transfer HRM policies and practices. An interview will take approximately 30 minutes of your time. We would like to record the interviews and subsequently will send you a copy of the interview and/or the transcript if you wish. Please note that your participation is completely voluntary and you are free to withdraw from involvement in the study at any time. If you choose to participate, please be assured that you and your organisation will not be identified in any report or publication ensuing from this study and note that all results will be reported in aggregate only.**

**If you have any questions about the research project, please feel free to contact the principal researcher listed below.**

Principal Researcher:  
**Amal Alkhalidi**  
**14106837@student.curtin.edu.au**  
**Tel: 0432232803**

**Appendix 8**      The consent form



INFORMED CONSENT

**The Transfer of HRM policies and practices in American multinational hotels in Saudi Arabia**

**October 2013**

I greatly appreciate your assistance in providing information. Your information is central to my project, which, in brief, is to determine how USA MNEs integrate HRM policies and practices from their Headquarters to their subsidiaries based in Saudi Arabia.

By signing, or responding by email to this document, you will be agreeing to provide information for this project, and that you have been informed and understand the purposes of the study and have been given an opportunity to ask questions. You may withdraw and rescind this consent at any time without prejudice or providing a reason.

All material collected from you is covered by the NHMRC National Statement on Ethical Conduct in Human Research, to which Curtin University adheres. This statement is designed to ensure that your interests are fully protected:

- No information can be used unless you provide consent;
- Any information collected must be presented in a form that retains your anonymity unless expressly permitted by you;
- The information will be held securely;
- The information will be disposed of after completion of the research project;

You can see a full description of this at the following location:

<http://www.nhmrc.gov.au/publications/synopses/e72syn.htm>

Only the below mentioned researchers and research students under their supervision will have access to the collected information. Note that all collected data will be destroyed 18 months after finalising the project.

If you have any enquires, do not hesitate to contact me by email at [14106837@student.curtin.edu.au] or by phone on [+61 0432232803].

Name of participant: \_\_\_\_\_

Date: \_\_\_\_\_

Your signature: \_\_\_\_\_

Or respond by email to a member of the project team with a scanned copy of this statement of consent to:

PHD student/ Amal Alkhalidi

[14106837@student.curtin.edu.au]