CULTURAL INFLUENCES ON HUMAN RESOURCE MANAGEMENT PRACTICES; IMPLICATIONS FOR ARAB SUBSIDIARIES OF MULTINATIONAL ENTERPRISES

BY

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THESIS

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Abstract

The process of adapting organizational practices to different institutional environments is critical for multinational enterprises (MNEs) as managers seek to transfer those practices across borders. This qualitative study and literature review examined how managers of Arab subsidiaries adapted human resource practices to the Arab environment, and how the influence of the culture affected adaptation. Culture was defined as the values that guide members’ behaviors in society and that translate into work-related behaviors and attitudes.

To understand how subsidiaries adapted their human resource practices, I synthesized the existing research into an integrative literature review. The case studies and examples presented in the literature served to increase understanding of potential ways managers can adapt practices in subsidiaries. In addition, I conducted semi-structured interviews with two human resource managers working in two Arab subsidiaries of two U.S. MNEs. Through those interviews, the participants described the pressures facing their subsidiaries in the Arab world, how those pressures affected their human resource practices, and how they responded to them. After generating important themes from the data collected one of the major findings was that, contrary to the literature review, neither participant found the Arab culture or work-related attitudes to be influencing factors on HR practices.

While many studies emphasize the influence of culture on organizations as it affects work-related values and behaviors, the findings of this study emphasize the influence of culture on the qualities of the talent pool available to organizations. It was suggested that the real challenge for MNEs in the Arab world was imposed by values
attached to language, education, and women that affect the number and skill level of bilingual people, experts, and women available in the workforce. Therefore, this study highlighted the importance of adapting human resource practices to the cultural influences on the talent pool rather than to the cultural influences on employees’ workplace practices.
To my parents and sisters, my favorite people in the world.
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# Table of Contents

Chapter 1 Introduction .............................................................................................. 1  
Chapter 2 Literature Review ................................................................................... 6  
Chapter 3 Research Methods .................................................................................. 38  
Chapter 4 Findings ................................................................................................. 47  
Chapter 5 Discussion and Conclusions .................................................................. 65  
References ............................................................................................................... 74  
Appendix A Interview Guide for Interviews With Participants ............................... 78  
Appendix B Recruiting Letters ............................................................................... 79  
Appendix C Consent Form for Participants ............................................................. 82
Chapter 1

Introduction

Managers of multinational enterprises (MNEs) often attempt to export their organizational practices to their subsidiaries worldwide. However, they soon realize that some practices do not always lead to the desired outcomes in some subsidiaries. Therefore, they find themselves struggling to figure out how to manage the practices of their subsidiaries.

Statement of the Problem

MNEs have units across the world but they are still one organization (Rosenzweig & Singh, 1991). On the one hand, managers of MNEs need to capitalize on the capabilities of their organizations by integrating organizational practices globally (Kostova & Roth, 2002; Rosenzweig & Singh, 1991; Tayeb, 1998). On the other hand, they need to adapt organizational practices to the many different institutional contexts in which their subsidiaries operate in order to gain legitimacy within those markets (Kostova & Roth, 2002; Poutsma et al., 2006; Rosenzweig & Singh, 1991). One of the factors that organizational practices need to be adapted to is the local culture in the different host countries. Human resource management (HRM) is one of the functions most affected by this need for adaptation (Rosenzweig & Nohria, 1994). While several studies have examined the ways in which subsidiaries adapted their human resource (HR) practices to different cultures, almost none have focused specifically on Arab subsidiaries. This study addresses specifically the problem of adapting HR practices to the Arab culture.
Purpose of the Study

The purpose of this study was to identify and understand, from the research available, the ways in which managers of subsidiaries adapted their HR practices to the Arab culture. In order to realize that purpose, this study investigated the pressures facing Arab subsidiaries from an HR perspective and the ways in which HR responded to them.

Research Questions

The overall goal of this study is to provide some understanding of the ways that managers of Arab subsidiaries adapt their HR practices to the Arab culture. A review of the literature on the adaptation of HR practices led to the following questions:

- What are the pressures facing Arab subsidiaries of U.S. MNEs?
- In what way does the Arab culture impose a pressure on those subsidiaries for adapting organizational practices?
- How do the managers of subsidiaries respond to that pressure?
- How does the Arab culture influence the choice of HR practices in those subsidiaries?
- How do Arab subsidiaries adapt global HR practices to the Arab culture?

Significance of the Study

This study holds significance for both research and practice. In terms of research, it contributes to the limited amount of studies done on organizations in the Arab world. It also identifies gaps in the literature and discrepancies between research and practice, and calls for future studies to address such areas. Regarding practice, this study brings new insights about HR practices for Arab subsidiaries to consider.

Definitions of Terms

Several terms are used in this study to describe the process of modifying practices to fit with local cultures. Following are some of those terms and their brief definitions.
Multinational Enterprise (MNE): an organization that has a flow of resources across borders, has control over its internal operations across borders (Rosenzweig & Singh, 1991; Sundaram & Black, 1992), and is subject to influence by environmental factors across borders (Sundaram & Black, 1992).

Home country: the country in which the MNE’s headquarters is located.

Subsidiary: a business unit owned by a MNE that may operate in the home country or another country.

Host country: the country in which a subsidiary is located.

Integration: the process of coordinating and aligning the practices of subsidiaries with each other and with headquarters to maintain consistency.

Adaptation: the process of modifying practices to address needs, pressures, challenges, and requirements imposed by local environments.

Human Resource (HR) Practices: the specific guidelines on how employees are to be managed, including activities such as recruiting, training, career development, performance assessment, and compensation.

Culture: the values that guide members’ behaviors in society and that translate into work-related behaviors and attitudes.

Assumptions and Limitations of the Study

This study is subject to some limitations. One of the assumptions I made that both guided and limited this study concerned the characteristics of the Arab culture. Although I acknowledged that the culture is in a continuous state of change, I adopted the more static descriptions of culture as bases for hypothesizing about practice adaptation in subsidiaries of MNEs. These descriptions are mostly dated due to the lack of current
research. Identifying and having access to theoretical or empirical studies on the Arab world was difficult because that body of research is still limited. This posed a limitation on this study because I sometimes had to rely on limited data sources in the literature review.

Another assumption was that Arab countries share a similar culture. I deemphasized their differences and built on their similarities and common identity. Therefore, although the data was collected from participants working in subsidiaries in Lebanon, the findings and conclusions sought to increase understanding about adaptation of human resource practices in the Arab world in general. This clustering of Arab culture is another limitation of the study.

The sample size consisted of only two participants. Furthermore, the two participants agreed to only one interview and so this limited the amount of data I collected to 30 minutes worth of interview time with each of the two participants. The fact that those were my only sources of data from MNEs posed a limitation on this study.

Despite those limitations, this preliminary study established a foundation for future research. It constitutes the first phase of a more comprehensive future study.

**Overview of the Study**

This thesis is organized in the following manner:

Chapter One: Introduction, states the research problem and questions, the purpose and significance of the study, and the assumptions and limitations of the study.

Chapter Two: Literature Review, discusses the research on institutional duality, national culture, HRM, and Arab culture. Furthermore, it examines the process of adapting HR practices to local cultures.
Chapter Three: Research Methods, describes the research methods and frame of reference that were used in collecting and analyzing the data.

Chapter Four: Findings, presents and integrates the themes that emerged from analyzing the data.

Chapter Five: Conclusions, discusses possible interpretations of the findings and makes suggestions for future research.
Chapter 2

Literature Review

This chapter starts off with a literature review on multinational enterprises (MNEs) then narrows down to a review on subsidiaries. The main issue at both levels of analysis is institutional duality. The discussion then focuses on one factor contributing to institutional duality—culture—and elaborates about its influence on organizations. That is followed by a discussion of one particular organizational function within subsidiaries—human resource management (HRM)—and its adaptation to different cultures. Finally, the discussion is shifted from general cultural contexts and is then framed within a specific context—the Arab world. The chapter ends with a description of the Arab culture followed by a summary.

**Multinational Enterprises (MNEs)**

An integrative definition of a multinational enterprise (MNE) was provided by Sundaram and Black (1992) and adopted by Schuler, Budhwar, and Florkowski (2002). Sundaram and Black used the term enterprise instead of the more common term ‘corporation’ because the latter pertains to the American legal structure, which may not be applicable in other countries (Briscoe et al., 2009). Their definition of a multinational enterprise was

> An MNE is 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. (Sundara & Black, 1992, p. 733)

In simple terms, a MNE is an organization that has a flow of resources across borders, has control over its internal operations across borders (Rosenzweig & Singh, 1991; Sundaram & Black, 1992), and is subject to influence by environmental factors
across borders (Sundaram & Black, 1992). It includes headquarters (i.e., also referred to as parent) and domestic and foreign units (i.e., also referred to as subsidiaries or affiliates) (Hannon et al., 1995).

Perlmutter (1969) tried to define the MNE based on the attitudes held by top management towards developing a MNE. Those attitudes can be ethnocentric, polycentric, or geocentric (Perlmutter, 1969). Although all three attitudes exist to varying degrees in each company, Perlmutter (1969) argues that one of them is likely to be predominant.

Management with an *ethnocentric* attitude believes that what works in the parent company will work in its subsidiaries (Perlmutter, 1969). It also believes that it is better to assign home country managers to lead the subsidiaries because they understand the practices at headquarters and are able to transfer them to the subsidiaries (Perlmutter, 1969). This attitude was common in the 1950s and 1960s when management principles were thought to be universal (Hofstede, 1983). Although this approach is conducive to the transfer of the parent’s knowledge and capabilities (Bartlett & Ghoshal, 1989), Hofstede, in the early 1980s, began to question the extent to which theories developed from a certain culture are applicable in another culture (Hofstede, 1980). His famous empirical study indicated that the cultural differences in work-related values between countries render the ethnocentric approach unsustainable (Hofstede, 1983).

Management with a *polycentric* attitude believes that each subsidiary should figure out what works in the particular context in which it is located (Perlmutter, 1969). It also believes that it is better to hire local managers to lead the subsidiaries because they are the most knowledgeable about the local needs and practices (Perlmutter, 1969). Although this approach allows for sensing and taking advantage of local opportunities, it
also lacks efficiency because it fails to integrate the activities of different subsidiaries; their innovations are likely to be “reinventions of the wheel” due to lack of communication among them (Bartlett & Ghoshal, 1989).

Management with a \textit{geocentric} (or global) attitude believes that each subsidiary should work towards both local and global objectives, hire the best manager from anywhere in the world, and collaborate with subsidiaries across the world (Adler, 1997; Perlmutter, 1969; Rosenzweig & Nohria, 1994; Tayeb, 1998). In terms of subsidiary objectives, they are not expected to be merely global objectives nor independent local objectives but rather a combination of both. Subsidiaries are best viewed as parts of a whole, each contributing its unique competencies to serve local and global objectives of the whole MNE (Perlmutter, 1969).

While the view that an MNE is a web of relationships between subsidiaries and headquarters has been supported by other studies (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1993; Rosenzweig & Nohria, 1994; Schuler, Budhwar, and Florkowski (2002), any of the three attitudes alone fails to capture the complexity of how MNEs manage their subsidiaries (Rosenzweig and Nohria, 1994; Tayeb, 1998).

Instead, Bartlett and Ghoshal (1989) advocated a \textit{transnational} mentality in which all three attitudes apply to varying degrees with regards to different aspects of the organization. For example, managers of a MNE may adopt an ethnocentric approach towards some of the subsidiaries and a polycentric approach towards others (Ghoshal & Bartlett, 1993; Tayeb, 1998). They may centralize certain resources, decentralize others, or centralize others at a subsidiary rather than at headquarters (Bartlett & Ghoshal, 1989). They may also transfer certain parent functions and practices to subsidiaries and allow
others to resemble local practices (Ghoshal & Bartlett, 1993; Rosenzweig & Nohria, 1994; Schuler et al., 2002; Tayeb, 1998).

MNEs have units across the world but they are still one organization (Rosenzweig & Singh, 1991). Several authors pointed out the importance of recognizing that those units are not independent in the sense that they are expected to comply with practices mandated by the parent company (Kostova & Roth, 2002; Poutsma et al., 2006). The MNE’s structure is a web of relationships that links the subsidiaries to each other and to the parent (Ghoshal & Bartlett, 1993).

Managers of MNEs have to manage their operations globally as if the world were one big market and at the same time locally as if the world were made up of many different separate markets (Schuler et al., 2002). On the one hand, they need to capitalize on their capabilities by integrating their practices globally (Kostova & Roth, 2002; Rosenzweig & Singh, 1991; Tayeb, 1998). On the other hand, they need to adapt to the many different institutional contexts in which their subsidiaries operate by adopting similar practices as other companies in the corresponding environments (Kostova & Roth, 2002; Poutsma et al., 2006; Rosenzweig & Singh, 1991).

According to institutional theory, which has often been used to examine transfer of practices in MNEs (Kostova & Roth, 2002; Poutsma et al., 2006), the tendency to adopt similar practices as other organizations is called isomorphism. Subsidiaries are under pressure to become isomorphic both with organizations in the host country environments and with the other subsidiaries of the same MNE (Kostova & Roth, 2002; Poutsma et al., 2006).
Kostova and Roth (2002) coined the term “institutional duality” to refer to these competing pressures for integration and adaptation. Managers of MNEs need to balance the need for their subsidiaries to be locally responsive and the need to coordinate the internal operations of those units in order to achieve global strategies (Bartlett & Ghoshal, 1989; Schuler et al., 2002; Tayeb, 1998). MNEs that are able to achieve an appropriate balance of standardization and adaptation will reap better organizational performance because this balance will allow them to both capitalize on organizational capabilities and gain legitimacy in the different environments (Friedman, 2007; Kostova & Roth, 2002).

Not all MNEs face equally strong pressures for both integration and adaptation. They may face varying levels of pressure depending on the kind of environment they operate in (Ghoshal & Bartlett, 1993). Some MNEs experience a high need for integration and a low need for adaptation; for example, this is true for companies that manufacture airplane engines because they require economies of scale and their product is standardized (Ghoshal & Bartlett, 1993). Other MNEs, such as those in the legal services business, experience a low need for integration and high need for adaptation (Ghoshal & Bartlett, 1993). Some MNEs, like those that produce cement, face a low need for both mechanisms because the product is standardized and too infeasible to transport (Ghoshal & Bartlett, 1993). Finally, some MNEs face a strong need for both mechanisms; this applies to companies in the computer business because they need both economies of scale and the ability to cater to different customer preferences (Ghoshal & Bartlett, 1993).

However, environmental demands are changing over time and are increasingly demanding that all companies develop both integration and adaptation capabilities in
order to remain competitive; focusing on one capability is no longer enough to succeed (Bartlett & Ghoshal, 1989; Ghoshal & Bartlett, 1993).

Subsidiaries of MNEs

While studies in the previous section focused on pressures faced by MNEs, this section presents studies done at the level of the subsidiary. For example, Poutsma et al. (2006) studied the subsidiaries of U.S. and European multinationals and found support for the institutional duality thesis; management in those subsidiaries face pressure from the host institutional environment, as well as from within the MNE. Similarly, Rosenzweig and Singh (1991) argued that subsidiaries experienced pressures to be congruent with the local organizations and to be consistent with the rest of the subsidiaries of their MNE.

Different subsidiaries experience different pressures towards conformity or adaptation because they operate under different contextual variables (Rosenzweig & Nohria, 1994; Rosenzweig & Singh, 1991). Those variables include: institutional environment, organizational factors, relational context, and home country factors. Following is a discussion of each variable and its influence on the subsidiary’s response to institutional duality.

Institutional environment. By virtue of being foreign, a subsidiary may be “buffered” against some of the conforming pressures in the environment especially when the MNE is powerful (Kostova & Roth, 2002; Poutsma et al., 2006). Nevertheless, there are several aspects of the institutional environment that influence the response of subsidiary managers to institutional duality (Kostova & Roth, 2002). This includes the regulatory system, the shared social knowledge, and the culture in the host country
(Kostova & Roth, 2002). The regulatory system includes the laws and regulations that the subsidiary is obliged to abide by (Kostova & Roth, 2002). These may impose or constrain the use of certain practices within subsidiaries. An example would be laws against employment discrimination. The shared social knowledge refers to how knowledgeable employees are about a practice imposed by the MNE (Kostova & Roth, 2002). Employees’ ability to understand a new practice influences their willingness to adopt a new practice (Kostova & Roth, 2002). Finally, culture pertains to the norms, values, and beliefs held by employees. Culture influences the social process that employees go through in interpreting a new practice. As a result of this process employees form a perception about the efficiency and value of a practice and, in turn, this perception influences their willingness to adopt it. Therefore, the degree to which a new practice is consistent with the culture of employees influences the level of its adoption (Kostova & Roth, 2002). The focus of this research is on this last factor – national culture in the host country – and will be elaborated on in a later section.

**Organizational factors.** One of the organizational factors that influences the response of subsidiary managers to institutional duality is *method of founding*. When a subsidiary is founded as a joint venture between the parent MNE and a host country partner, the latter is able to provide knowledge about how to conduct business in the local environment (Gomez, 2004). A subsidiary founded through acquisition may retain the characteristics of a local firm and therefore its HR practices tend to resemble local practices (Rosenzweig & Nohria, 1994). On the other hand, a greenfield subsidiary – one which was founded as a new entity and did not previously exist – is likely to have been
shaped after its parent and may therefore maintain its parent-resembling practices (Rosenzweig & Nohria, 1994).

Another organizational factor is *local dependence* (Rosenzweig & Nohria, 1994). This is the extent to which a subsidiary draws on sources from the local environment to attain inputs of production (Rosenzweig & Nohria, 1994). The more dependent it is, the more likely it is that practices will resemble local practices (Rosenzweig & Nohria, 1994).

A third organizational factor is *presence of expatriates* (Rosenzweig & Nohria, 1994). This is the percentage of expatriates out of the total number of employees in a subsidiary. Since expatriates tend to transfer the practices of the parent to the subsidiary, the higher the percentage of expatriates the more likely it is that practices will resemble the parent’s (Rosenzweig & Nohria, 1994).

Another organizational factor is *communication flows* (Rosenzweig & Nohria, 1994). This is the frequency of communication between subsidiary managers and parent managers (Rosenzweig & Nohria, 1994). As the frequency of communication increases, so does the likelihood that practices will resemble those of the parent (Rosenzweig & Nohria, 1994).

**Relational context.** Another factor that influences the response of subsidiary managers to institutional duality is the relational context; this is the extent to which a subsidiary managers and employees trust in, identify with, and communicate with the parent company (Kostova & Roth, 2002; Ghoshal & Bartlett, 1988). *Trust* refers to the belief of subsidiary managers and employees that the MNE acts on its commitments, is honest, and does not exploit the subsidiary. A new practice imported from the parent may be accompanied by doubt within the subsidiary as to how efficient it is because it was
developed under the institutional environment of the parent, which is different than the subsidiary’s (Kostova & Roth, 2002). Employees may also doubt its value if they are not able to understand it (Kostova & Roth, 2002). In such cases of uncertainty, having trust in the parent increases the chances of its adoption (Kostova & Roth, 2002). Identification (a similar concept is normative integration) is the extent to which a subsidiary managers and employees share the parent company’s strategy, goals, and values (Ghoshal & Bartlett, 1988; Kostova & Roth, 2002). A high sense of identification means that subsidiary managers and employees are able to understand and share the values underlying a new practice, and therefore more likely to adopt it (Kostova & Roth, 2002). Finally, communication refers to the density of internal communication between the managers of the subsidiary and the parent (Ghoshal & Bartlett, 1988). Density of communication is positively related to the likelihood of adoption of a new practice (Ghoshal & Bartlett, 1988).

**Home country factors.** The competitive position of the home country in global markets facilitates the ability of MNE managers to transfer its management practices overseas (Zhang, 2003). For example, since the U.S. has established a superior position in the technology industry, subsidiary managers of U.S. MNEs in this industry are inclined to adopt the parents’ practices to gain a competitive advantage (Zhang, 2003). Also, in cases where the home culture of the subsidiary is characterized as having high tolerance of ambiguity, the subsidiary practices are more likely to be allowed to resemble the host country practices (Rosenzweig & Singh, 1991).
Culture

As mentioned earlier, culture is one of the elements of the institutional environment that influences the response of subsidiary managers to institutional duality. The focus of this study is on this particular construct. Therefore, this section provides an overview of the construct of culture and then explains the relationship between culture and organizations using Hofstede’s dimensions of national cultural differences. Furthermore, the construct of culture that will be utilized for the purposes of this study will be defined.

Overview of culture. The definition of culture has been a subject of academic debate for more than two decades (Schein, 2004). Hofstede (1991) defined culture as the shared mental patterns of feeling, thinking, and behaving that sets a group apart from the rest (Hofstede, 1991). Schein (2002) provided a similar description of culture as the shared learning of emotional, cognitive, and behavioral patterns that a group uses in solving problems and that they teach to new members. Adler (1997) also adopted a similar definition in which culture is shared, passed on to younger generations, and shapes people’s behavior and perception.

An important point in these definitions is that culture is shared. In fact, both Martin (2002) and Schein (2004) found that this point underlies many definitions of culture. However, researchers also recognized that not every member of a group shares all the cultural characteristics of that group (Hofstede, 1983; Martin, 2002; Schein, 2004). They recognized that ambiguity and inconsistency surround many of the ideas and values of a culture (Barakat, 1993; Martin, 2002; Schein, 2004; Trice & Beyer, 1993) and therefore challenge the idea that all aspects of culture are shared (Barakat, 1993; Martin,
2002; Schien, 2004). Despite these contradictions, culture always strives to integrate the different aspects of life into one consistent whole; this is another characteristic of culture (Schein, 2002; Trice & Beyer, 1993).

Culture is also stable and difficult to change (Hofstede, 1983; Schein, 2002) but at the same time it is dynamic and continually changing with the introduction of new members, even in the most traditional societies (Barakat, 1993; Trice & Beyer, 1993). It is deep and parts of it lie within the less visible unconscious of the group (Schein, 2002). It is pervasive and has bearing on every aspect of group functioning (Schein, 2002).

By virtue of its characteristics, culture serves several purposes. It reduces uncertainty by providing a predictable perspective for viewing the world and a core ideology for dealing with unexpected problems (Schein, 2002; Trice & Beyer, 1993). It creates social order by laying out expectations of how people should behave (e.g., norms) and punishing violators (Trice & Beyer, 1993). It is in this way that culture controls and guides the behaviors of its members (Barakat, 1993; Schein, 2002; Trice & Beyer, 1993). Culture provides continuity of beliefs and practices by socializing new members into accepting and conforming to the norms of the group (Trice & Beyer, 1993). It breeds a collective identity as members see themselves as part of a group, sharing an understanding of the world, and looking to each other for support and approval (Trice & Beyer, 1993). However, it may also breed ethnocentrism and intolerance of people who hold ideas different than the group (Trice and Beyer, 1993).

Researchers have different ways of dissecting the construct of culture into levels or manifestations. Hofstede (1991) gave the analogy of the onion to describe the different layers. The most superficial layer consists of symbols, such as gestures, words, or pictures
that only people within that culture can understand (Hofstede, 1991). The second layer consists of heroes—the figures, whether real, dead, or alive—that the members look up to (Hofstede, 1991). The third layer is made up of rituals—or visible practices—that are considered socially essential, such as the way to greet (Hofstede, 1991). The fourth and deepest layer consists of values, which are “broad tendencies to prefer certain states over others” (p.8) that people implicitly learn very early on in their childhood (Hofstede, 1991).

Martin (2002) distinguished between four cultural manifestations. Cultural forms are things like physical arrangements, décor, dress code, stories, scripts, rituals, language, jargon (technical and emotionally laden), and humor. Formal and informal practices are the practices governed by formal rules and social norms. Content themes are the beliefs and values that can be either espoused or inferred. Espoused themes are the beliefs that members claim to abide by but may not reflect their real beliefs. Inferred themes are the beliefs that are deduced from the actual behavior of members, which is likely to offer a more in-depth understanding of a culture than the espoused themes.

Schein (2004) identified three major levels of culture that differ in terms of how visible they are to an observer. Artifacts are the things people can see, hear, and feel when they enter a group or society. They are at the most visible level of culture and therefore easy to identify but are nevertheless difficult to interpret. Espoused beliefs are the shared beliefs that have guided members’ behavior in the past and have been reinforced as they proved to be successful. However, these are called espoused because they represent what people say they will do and not what they will actually do. Underlying assumptions are at the essence of culture. They are the values that are
undebatable and shared and that guide members’ actual behavior. The power of culture derives from the fact that members use the underlying assumptions as a guide to know what to listen to and what to pay attention to. It follows that to maintain stability, members start to see the things that are consistent with these assumptions and distort that which does not fit.

The common themes that emerge from this discussion can be portrayed in Table 1 below. The table presents the common themes among the different definitions of culture and links them to the typologies of Schein (2004), Martin (2002), and Hofstede (1991).

Table 1

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Schein (2004) and Martin (2002) agree that each level offers a thread that can be followed with deeper levels of interpretation. Observers cannot accurately identify the essence of a culture by looking at its artifacts alone because they will most likely project their own values onto them (Schein, 2004). To gain a fuller understanding, they should dig deeper to uncover the beliefs behind the artifacts (Schein, 2004). However, beliefs may only be espoused, which means that they too cannot provide a full understanding of
a culture (Schein, 2004). To be able to really understand a culture, one must examine its basic assumptions (Martin, 2002; Schein, 2004).

**National cultures and organizations.** Differences between national cultures pose a significant challenge for MNEs because some management practices are culturally bound (Gomez, 2004; Hofstede, 1983). This is because the theories that those practices are built on are a reflection of the cultural environment in which they were developed (Hofstede, 1980). For example, leadership theories developed in the U.S., which ranks low on power distance, have the common characteristic of emphasizing participation (Hofstede, 1980). On the other hand, leadership theories developed in France, which scores high on power distance, emphasize who holds the power (Hofstede, 1980).

In addition, culture influences managers’ values and beliefs, which in turn influences their behaviors (Adler, 1997). Managers’ behaviors then shape the behaviors of their employees, organizations, structures, and processes (Adler, 1997; Bartlett and Ghoshal, 1989). According to McGregor’s discussion about “Theory X” and “Theory Y” managerial styles, culture affects organizational behavior through a self-fulfilling prophecy (Adler, 1997). A manager’s values, beliefs, and attitudes shape his/her behavior, which in turn solicits a certain behavior from employees (Adler, 1997). The employees’ behaviors then reinforce the manager’s values, beliefs, and attitudes that he/she was right (Adler, 1997). For example, a manager who believes that employees cannot be trusted establishes strong control systems, to which employees respond by trying to find loopholes in it (Adler, 1997). This reinforces the manager’s belief that employees cannot be trusted (Adler, 1997).
Adler (1997) argues that local cultures not only infiltrate domestic companies but that even employees in MNEs retain their culturally conditioned work attitudes and behaviors. This means that for a subsidiary’s management practices to be effective, they should be compatible with the culture in which they are implemented (Gomez, 2004). Practice corroborates this theory as effective organizations operating in different cultural contexts have adapted their management ideas to the local culture (Hofstede, 1983).

However, Gomez (2004) warned against using cultural stereotypes to make the assumption that certain practices cannot work. Instead, she suggested that there are ways for a subsidiary to facilitate the implementation of imported organizational practices even when they seem to be incompatible with the local culture (Gomez, 2004). For example, she found that a Mexican subsidiary was able to effectively become a learning organization even though the practices associated with such an organization, like teamwork and autonomy, were usually uncharacteristic of the Mexican culture (Gomez, 2004). This is an example of a subsidiary being able to balance the needs for adaptation and integration. Of particular importance was the role of HR practices in facilitating such a balance. In a later section, I elaborate on HR management in the face of institutional duality.

One of the most popular studies that linked the factor of culture to organizations was Hofstede’s (1980, 1991) study of employee work attitudes in a MNE. It has been utilized by a huge number of researchers who find it to be one of the few empirical studies that successfully ties cultural characteristics to organizational differences (Wasti, 1998). Therefore, it will also be utilized in this study and described below. In a later
section, Hofstede’s (1991) dimensions will be used to support the description of the Arab culture.

**Hofstede’s (1991) dimensions of national cultural differences.** Based on survey data about values collected from IBM employees in 40 different countries, Hofstede (1991) identified four dimensions of culture: power distance, individualism versus collectivism, masculinity versus femininity, and uncertainty avoidance (Hofstede, 1991). A fifth dimension was later on added to the 4-dimensional model of national cultural differences; that dimension is short-term orientation versus long-term orientation (Hofstede, 1991). Each dimension corresponds to a set of criteria that he used to describe and compare the cultures of different countries (Hofstede, 1983; Hofstede, 1991).

**Power distance.** Power distance is defined as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, 1991, p. 28). In countries with high power distances, less powerful members (such as children, students, and subordinates) are expected to be obedient and dependent on more powerful members (such as parents, teachers, and bosses). They are to refrain from contradicting or criticizing more powerful members and to avoid experimentation (Hofstede, 1991). On the other hand, countries with low power distances treat the less powerful members as equals, give them independence, and allow them to experiment and contradict more powerful members (Hofstede, 1991).

**Individualism vs collectivism.** The most important difference between individualism and collectivism concerns the nature of relationships between members of a society. While individualism characterizes societies in which people are connected
through loose social networks, collectivism characterizes societies in which people hold strong ties with members of their in-groups (Hofstede, 1991). The main distinction between the two concerns whether individual or group interests take precedence in society (Hofstede, 1991). Also, in individualistic societies people’s identity is derived from their individual self, and they are expected to take care of themselves and their immediate family (Hofstede, 1991). In collectivist societies people derive their personal identity from their sense of belonging to a group, and the group provides them with protection in return for unquestioning loyalty (Hofstede, 1991).

*Masculinity versus femininity.* This dimension concerns gender roles in society. Masculinity characterizes societies where male and female roles are clearly distinct from each other; men are expected to be assertive, tough, and oriented toward material success and women are expected to be tender, caring, and oriented toward building relationships. On the other hand, femininity characterizes societies where gender roles overlap, with both men and women exhibiting tenderness, modesty, and concern for the quality of life (Hofstede, 1991).

*Uncertainty avoidance.* Uncertainty avoidance is defined as the extent to which people feel uncomfortable in the face of uncertainty (Hofstede, 1991). Uncertainty avoiding cultures seek structure and rules in order to reduce ambiguity and increase predictability (Hofstede, 1991). On the other end of the spectrum, cultures that score low on uncertainty avoidance are more comfortable with ambiguity and they prefer limiting the use of formal rules for critical issues only.

Uncertainty avoidance should not be confused with risk avoidance; while the former is concerned with reducing ambiguity the latter is concerned with reducing risk.
Risk can be familiar and thus unambiguous. Therefore, ironically, uncertainty avoidant cultures are more likely to take familiar risk to avoid sitting around and waiting, which entails a lot of ambiguity (Hofstede, 1991).

*Short versus long term orientation.* Societies with a short-term orientation tend to exhibit high respect for traditions, expectations for quick results, and a concern for saving face (Hofstede, 1991). On the other hand, societies with a long-term orientation are more likely to adopt modern variations of traditions, persevere towards slow results, and respecting the order of status relationships (Hofstede, 1991).

**Construct of culture.** Based on the overview of culture and the discussion of Hofstede’s (1991) dimensions, the construct of culture to be utilized in this study can be defined as follows: the values (or as Schein calls them, basic assumptions) that guide members’ behaviors in society and that translate into work-related behaviors and attitudes.

**Human Resource Management (HRM) Within Subsidiaries**

So far, the discussion has been about organizational practices in general. At this point it is useful to hone in on one particular organizational function. Of all the different functions, research tends to show that HRM is the one that is most affected by local pressures since there are a lot of local regulations, norms, and political issues involved in this function (Rosenzweig & Nohria, 1994).

Managers of MNEs find themselves asking the question, should we make our HR practices consistent across subsidiaries or adapt those practices in each subsidiary according to the local situation (Rosenzweig & Nohria, 1994)? The need to abide by the host country’s employment law and culture means that subsidiary managers should be given a certain level of autonomy to adapt HR practices to the local context (Schuler et
al., 2002). At the same time, those practices need to be integrated with the rest of the MNE to achieve equity and capitalize on resources (Rosenzweig & Nohria, 1994; Schuler et al., 2002); therefore they need to adhere to some common HR policy (Schuler et al., 2002). Therefore, this section discusses, at the level of the subsidiary, the factors of institutional duality that influence HR practices and the ways that those practices can be adapted to local cultures.

**Factors that influence HRM’s response to institutional duality.** A previous section discussed the factors that influence the response of subsidiary managers to institutional duality regarding organizational practices in general. Since HR practices are a subset of organizational practices, they are thus influenced by those same factors – institutional environment, organizational factors, relational context, and home country factors. The main focus of this study is on the element of culture within the institutional environment.

HRM is not confined within organizational boundaries but is rather influenced by outside factors like culture (Friedman, 2007; Hofstede, 1993; Rosenzweig & Nohria, 1994; Rosenzweig & Singh, 1991; Tayeb, 1998; Zhang, 2003). The same HR policies may lead to different outcomes in different cultures (Hofstede, 1980) and may therefore be ineffective or problematic if transferred abroad (Friedman, 2007; Tayeb, 1998). For example, in different countries employees are motivated and retained by different elements of compensation, and therefore compensation policies vary (Friedman, 2007). In general, the practices that have specific local norms tend to resemble host country practices while the practices that concern executives and their decision-making tend to resemble parent company practices (Rosenzweig & Nohria, 1994). An example of the
former is the amount of paid time off granted to affiliate employees while an example of the latter is the use of bonuses in executive compensation (Rosenzweig & Nohria, 1994).

Contrary to the common proposition that culture imposes limitations on the transfer of HR practices overseas, Dedoussis (1995) argued that economic considerations were a stronger factor in determining such a transfer. His study on Japanese MNEs found that low-cost Japanese practices, like job rotation and internal training and promotion, were commonly transferred to overseas subsidiaries, while more expensive Japanese practices, like extensive welfare benefits and tenured employment, were not (Dedoussis, 1995). The former were utilized because they offered immediate, unique, and relatively inexpensive advantages to the subsidiaries, thereby serving the ultimate goals of efficiency and effectiveness (Dedoussis, 1995). He claimed that it is such benefits, rather than cultural fit factors, that inform the decisions of Japanese MNE managers regarding the transfer of HR practices overseas (Dedoussis, 1995). Beechler and Yang (1994) also studied the transfer of Japanese HR practices. While they acknowledged the rationality of propositions like Dedoussis’, they argued that it failed to recognize the importance of host country cultural conditions (Beechler & Yang, 1994).

Instead, their model of Japanese HRM transfer highlighted two factors that are consistent with the discussion above. Namely, Beechler and Yang (1994) attested to the influence of the local culture and the MNEs administrative heritage – their ways of doing things, which relates to the organizational factors discussed previously.

**HRM’s response to institutional duality.** One way to facilitate the strategic fit and local responsiveness of a subsidiary’s HR practices is by “matching and adapting HR practices” (Schuler et al., 2002, p. 53). This commonly involves hiring an HR manager
from the host country to make sure that HR practices will be consistent with the local requirements (Schuler et al., 2002). Just as importantly, it involves informing the HR manager about the MNEs competitive strategy so that the latter can align the HR practices with the company’s business needs (Schuler et al., 2002).

Another way to facilitate the strategic fit and local responsiveness of a subsidiary’s HR practices is by differentiating between practices that can be standardized and those that need to be modified. This has been suggested by the studies of Schuler et al. (1993), Tayeb (1998), and Gomez (2004). They all agreed that there might be certain policies that all subsidiaries are obliged to abide by without any change from country to country, such as a policy of hiring freeze. Other policies may not be transferrable or may need modification to be applicable in local contexts, such as a policy for bonus plans (Tayeb, 1998).

For the policies that need to be modified, Schuler et al. (1993) proposed developing what they called global HR policies (Schuler et al., 2002, p. 54). This requires differentiating between policies and practices, the former being general guidelines on how to manage people and the latter being the specific HR activities that have a direct impact on employees (Schuler et al., 1993; Tayeb, 1998). Managers of MNE can develop HR policies that are broad enough to encompass all subsidiaries and flexible enough to allow subsidiaries to adapt the specific practices within them to the local needs (Schuler et al., 2002). For example, a policy of education may state in general terms that a MNE will support employees who want to pursue work-relevant education (Tayeb, 1998). It is then up to subsidiary managers to identify training needs and to manage the process of
developing programs with educational institutions or trainers, in the context of their local cultures (Tayeb, 1998).

While Schuler et al. (1993) differentiated between policies and practices as a way to adapt HR practices to local cultures, Gomez (2004) differentiated between standard, culture specific, and translated HR practices. Both typologies are basically saying the same thing; that some practices need to be modified. Gomez (2004) developed a model (see Figure 1) to describe the different practices.

![Figure 1](image.png)

*Figure 1*. An integrated model of the relationship between organizational, environmental, and HR practices on employee behaviors (Gomez, 2004, p. 9).

This model depicts environmental and organizational factors that influence MNE managers’ choice of HR practices. Some of these, such as the method of founding and national values, have been discussed earlier. Of particular importance at this point are the HR practices as they are shaped by such factors.
The standard HR practices are those that managers of a MNE implement in all its subsidiaries regardless of location (Gomez, 2004; Tayeb, 1998). Tayeb (1998) found in the subsidiary he studied that management bonus plans and managerial salaries followed the policy of the parent (Tayeb, 1998). This is consistent with what was mentioned in the previous section, that bonuses in executive compensation tend to resemble the practices of the parent (Rosenzweig & Nohria, 1994).

The culture-specific practices are practices that are not prevalent within a MNE but are rather developed and implemented within a subsidiary to address specific cultural needs unique to its host country (Gomez, 2004). For example, in a society where education levels are low, subsidiary managers might choose to administer classes on subjects such as math and philosophy to address the needs of its workforce for such education (Gomez, 2004). This is a culture-specific practice because other subsidiaries that are not operating in societies where education levels are low have no need to implement it (Gomez, 2004).

The translated practices are practices that subsidiary managers modify from the original form, which was developed and imposed on all subsidiaries by the managers of the MNE (Gomez, 2004). For example, in order to translate a practice of teamwork, managers of a Mexican subsidiary may organize events whereby families of employees are invited to participate (Gomez, 2004). For a family-oriented society like Mexico, this can help employees to see their teammates as part of their in-group and therefore improve their sense of loyalty to the teams (Gomez, 2004).

Another example of modifying a practice concerns pensions given at a U.S. subsidiary in the U.K. (Tayeb, 1998). The common practice in U.S. businesses, including
the parent company, is that pensions are frozen in time (Tayeb, 1998). On the contrary, local practices in the U.K. involve annual increases in pensions (Tayeb, 1998). The subsidiary managers then modified parent practice such that they would not guarantee increases in pensions every year but they would retain the right to increase them when and if they chose to do so (Tayeb, 1998).

Therefore, by differentiating between standard, culture-specific, and translated HR practices, managers of MNEs are able to address cultural differences while maintaining a certain level of integration among the various subsidiaries (Gomez, 2004). In other words, these are ways for HR to respond to institutional duality by finding a balance between adaptation and integration.

Besides translating or adapting practices, some subsidiary managers find it necessary to utilize host country practices. For example, managers of American subsidiaries of Japanese MNEs decided to use more American HR practices and de-emphasize Japanese practices (Beechler & Yang, 1994). The result was that they began adopting merit-based compensation systems rather than the typical Japanese seniority-based compensation systems; establishing formal rather than implicit performance appraisal systems; and hiring more specialists rather than fresh graduates (Beechler & Yang, 1994).

Another approach for addressing cultural characteristics within the subsidiary while seeking MNE goals involves tailoring human resource management (HRM) efforts to the host country’s position on Hofstede’s cultural dimensions. When power distances are high, HRM should realize that advocating the rights of employees in lower levels might meet resistance by people higher up in the organization (Friedman, 2007). Also,
top management may refuse to participate in HRM’s initiatives for new technologies because they see it as a low status task (Friedman, 2007). Therefore, HRM needs to direct its partnering efforts towards top management to gain their support because power is centralized (Friedman, 2007). On the other hand when power distances are low, HRM should partner with many levels of the organization because power is decentralized (Friedman, 2007).

When masculinity is high, HRM needs to be aware that management may resist promotional systems that promote women into managerial positions and initiatives that empower employees with leadership responsibilities (Friedman, 2007). Therefore, HRM needs to plan ahead of time for any resistance (Friedman, 2007). Also, the HR manager’s leadership style when developing strategic proposals or change initiatives should emphasize independence and achievement (Friedman, 2007). On the other hand, in high femininity cultures, the HR manager’s style should emphasize collaboration (Friedman, 2007).

In organizations that have high uncertainty avoidance, HRM needs to be aware that employees may resist developmental opportunities that involve learning new skills or being relocated because these things cause them anxiety (Friedman, 2007). Therefore, HRM needs to reduce ambiguity and anxiety by preparing detailed plans and schedules, providing structure for change, providing management with detailed returns on investment, and reassuring employees that they will be equipped with the skills they need to adjust to the changes (Friedman, 2007).

Individualistic organizations require that HRM’s initiatives emphasize individual achievement and incentives while collectivistic organizations may require team-based
programs and group incentives (Friedman, 2007; Hofstede, 1991). “Organizations with a long-term orientation may more readily accept complex change” (Friedman, 2007, p. 162). But for those organizations, HRM may find it necessary to present schedules of up to five-year returns on investments. On the other hand, it may have to present annual ROI for organizations with a short-term orientation (Friedman, 2007).

The important point is that HR practices are not a single package but are rather differentiated between those that resemble parent and those that resemble host country practices (Rosenzweig & Nohria, 1994; Tayeb, 1998). This differentiation is a function of many factors, one of which is culture (Rosenzweig & Nohria, 1994; Tayeb, 1998).

The Arab World

The previous section discussed general ways to adapt HR practices to varying local contexts. At this point, it may be useful to focus on one particular context and examine the adaptation of HR practices to its culture. For the purpose of this study, the specific context will be the Arab world.

Arab countries are listed under different categories in different governmental institutions and specialized agencies. For example, The World Bank listed the Arab countries under the region “Middle East and North Africa”. Included in that list are: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen. The United Nations’ Human Development Report (2009) presented country classifications that included “Arab States” which consisted of Algeria, Bahrain, Yemen, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Morocco, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syrian Arab Republic,
Tunisia, United Arab Emirates, and Yemen. For the purposes of this research, I will consider the countries that are common between the two lists to be the Arab countries. This includes: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates (UAE), and Yemen.

One might ask why can we speak of all those countries collectively as the Arab world. The answer lies in Arab identity. The Latin origin of the word identity is *idem*, which means the same or identical (Lawler, 2008). In other words, identity is made of things that people share that help them define themselves and give them a sense of belonging to a group (Barakat, 1993; De Vos, 1995; Lawler, 2008). Those often include common history, language, cause, religion, values and beliefs, needs, interests, and kinship (Barakat, 1993; De Vos, 1995). However, this is not to say that differences are excluded from identity (Barakat, 1993; Lawler, 2008). Paradoxically, identity combines both notions of sameness and difference (Lawler, 2008). Heterogeneity and plurality can best be perceived as another layer within identity (Barakat, 1993). This means that Arabs can share a common identity despite their differences and even their antagonistic relations (Barakat, 1993). According to Barakat (1993), the things that bring about Arab’s common identity are rooted in “a shared culture and its variations…, a shared place in history and common experiences…, social formations and shared economic interests…, shared external challenges and conflicts” (p.33), a shared language, and a common overlap with Islamic identity. Several authors cite similar elements of Arab identity (Ali, 1990; Dirani, 2006; Dirani, 2009; Kabasakal & Bodur, 2002).
**Arab culture.** Second to language, shared culture is perceived as the most important tenant of Arab identity (Barakat, 1993). Barakat (1993) criticized the commonly held static view of the Arab culture that emphasizes its “oneness” and he argued that it is oversimplified and over-generalized. Instead he viewed it – as did Kabasakal and Bodur (2002) – as a constantly changing culture that is ripe with plurality and contradictions and he therefore advocated a dynamic rather than static view of culture. Arab society is characterized by a transitional nature due to industrialization, oil-related economic issues, and political instability (Ali, 1990). As a result, new social problems developed and created a continuous struggle to achieve a new social order (Ali, 1990; Barakat, 1993). The struggle and transition – in Arab culture and all other cultures for that matter – is largely influenced by the interactions between the dominant culture, subcultures, and counter cultures. While the dominant Arab culture pushes for traditional value orientations such as “fatalism, conformity, shame, obedience, charity, collectivity, form, vertical values, and so forth”, the counterculture advocates “free will, creativity, guilt, open-mindedness, rebellion, justice, and horizontal values” (Barakat, 1993, p. 205). This struggle has influenced current Arab managerial practices and has led to the fragmentation of management thought (Ali, 1990). One the one hand, managers of Arab organizations competing globally are finding it necessary to adopt western practices in order to remain competitive and profitable (Kabasakal & Bodur, 2002). On the other hand, they are trying to stay loyal to the traditional practices that are unique to their culture (Kabasakal and Bodur, 2002). Although the traditional values continue to prevail – and they will be discussed below – one must keep in mind that the struggle is ongoing and that other trends may prevail in the future (Barakat, 1993).
The basic social and economic unit in the Arab world is the family (Barakat, 1993; Dirani, 2006). The family is based on a patriarchal and hierarchical structure in which the father holds all the power while the children obey his rules and instructions unquestioningly (Barakat, 1993; Kabasakal & Bodur, 2002). This fact is significant in understanding organizational behavior in the workplace because the structure of family has been replicated in other social institutions such as business organizations (Barakat, 1993; Dirani, 2006; Kabasakal & Bodur, 2002). The decision-making process in organizations also reflects familial and paternalistic patterns (Al-Faleh, 1987). Power in organizations is centralized and rarely delegated (Al-Faleh, 1987). Bosses act like fathers (Ali, 1990; Barakat, 1993). They are caring and protective (Ali, 1990) but at the same time they hold all the authority, expect full compliance from employees, and do not tolerate dissent (Barakat, 1993). This suggests an authoritarian management style (Ali, 1990; Al-Faleh, 1987). In turn, employees project similar attitudes towards bosses as they do towards fathers (Hofstede, 1991). They do not question or challenge their managers and do not take initiative but rather wait for directions from their managers (Barakat, 1993). They shy away from making decisions because that task belongs to people with authority (Barakat, 1993; Al-Faleh, 1987). Also, emphasis is on status, position, and seniority rather than performance (Al-Faleh, 1987). These characteristics most closely resemble Hofstede’s (1991) description of a high power distance society. In fact, Hofstede’s (1991) famous study on national cultures ranked Arab countries high on the power distance dimension. Kabasakal and Bodur’s (2002) study on the societal practices in a number of Arab countries also found that they ranked high on power distance.
The socialization process of kids in the Arab world involves teaching them to take on specific social roles and to follow the social norms of obedience and respect (Ali, 1993). The family relationships that develop are characterized by interdependency in which both the parents and the kids exhibit self-denial and utmost commitment to the family above the individual or society (Barakat, 1993; Kabasakal & Bodur, 2002). Kids sacrifice their sense of individuality and independence and succumb to the wishes and demands of the father (Dirani, 2006; Kabasakal & Bodur, 2002). The organizational characteristic that stems from these family traditions is conformism (Ali, 1990).

Managers and employees are not encouraged to be innovative or creative (Al-Faleh, 1987; Ali, 1990). Their ideas are expected to adhere to the group values and norms (Ali, 1990), they avoid debates and confrontations (Al-Faleh, 1987; Ali, 1990; Barakat, 1993), and a lot of emphasis is placed on respecting social customs (Al-Faleh, 1987). Another organizational characteristic that stems from familial interdependency is the subordination of performance to relationships. It is very common for managers to place more weight on maintaining social relationships than on efficiency or procedures, and to use these relationships to accomplish organizational tasks (Al-Faleh, 1987; Ali, 1990; Kabasakal & Bodur, 2002). Hofstede (1991) categorizes these as characteristics of a collective society. This is further corroborated with the findings of his study, which identify Arab countries as collectivists (Hofstede, 1991). Kabasakal and Bodur’s (2002) study also found that they ranked high on group and family collectivism.

However, Arabs’ sense of loyalty seems to be directed towards certain groups, such as their extended family, tribe, and religious group (Ali, 1993; Kabasakal and Bodur, 2002), but is lacking towards entities or people beyond those groups (Ali, 1993).
Therefore despite being collectivists, Arabs may appear to have individualistic tendencies when dealing with people in their out-group, such as the people at work (Al-Faleh, 1987; Ali, 1993). As a result, it is difficult to achieve organizational goals through teamwork (Ali, 1990).

Not only does the Arab family have a hierarchical structure based on age but also based on gender, as women hold a subordinate status with respect to the men (Barakat, 1993). There is a clear division of roles in the family, with the father being the provider and the mother being the homemaker (Barakat, 1993; Kabasakal and Bodur, 2002). Despite the fact that women are starting to participate in the work world, their choices of professional careers are still limited and they continue to be evaluated in societal terms of their roles as mothers, sisters, and daughters (Barakat, 1993). This is reflected in the terminology used by Ali (1990) when he describes the Arab manager as a “father” (p. 14). These are characteristic of masculine societies and are consistent with Hofstede’s finding that Arab countries are moderately masculine (Hofstede, 1991) as well as with Kabasakal and Bodur’s (2002) finding that they ranked low on gender egalitarianism – the belief that men and women should be equal. Those were some of the characteristics of the Arab culture that deserve attention when a MNE and its Arab subsidiary make decisions about HR practices in that region.

**Summary of Literature Review**

This literature review indicates that managers in MNEs and their subsidiaries face competing pressures for integrating practices across subsidiaries on the one hand, and adapting practices to the local contexts of each subsidiary on the other hand. It has also been shown that managers in MNEs are increasingly finding it necessary to find
balance between both demands in order to capitalize on their capabilities and to obtain legitimacy and fit in the different markets. Among the factors found to induce institutional duality pressures on subsidiaries were some related to the local environment – such as laws and culture – and others related to the organization – such as trust and level of communication with the parent. Of all the different factors, culture was one of the most common and salient across the literature. Culture was defined as the values that guide members’ behaviors in society and that translate into work-related behaviors and attitudes. HRM appeared to be one of the organizational functions most influenced by local cultural pressures. In response to such pressures, subsidiary managers adapted HR practices by differentiating between the ones that tend to resemble the parent practices and ones that are modified to resemble host country practices. Finally, the overview of the Arab culture described characteristics including high collectivism, individuality at work, large power distances, and high masculinity.
Chapter 3

Research Methods

This chapter describes the research methods used and why, the researcher frame of reference, the preparations for conducting the interviews. It then describes the process of conducting the interviews and the process of analyzing the data.

From the literature review, I learned that a challenge facing multinational corporations (MNEs) was institutional duality. This term refers to competing pressures for integration and adaptation (Kostova & Roth, 2002). Managers of MNEs needed to balance the pressure for their units to be locally responsive and the pressure to coordinate the internal operations of those units in order to achieve global strategies (Bartlett & Ghoshal, 1989; Schuler et al., 2002; Tayeb, 1998). The question of how managers in MNEs work with these complex dynamics lent itself to a qualitative research design that sought to explore how subsidiary managers responded to the pressure for adaptation in terms of modifying HR practices to fit the Arab culture.

A qualitative research design helps to gain in-depth information about the topic of inquiry because it does not limit the study to any preset dimensions or measures (Patton, 2002). Since the intended purpose of my study was not generalization but rather in-depth understanding, it made sense to adopt this design for my study (Patton, 2002). Out of the different research strategies available, the case study is suitable for answering how and why questions, when there is no need for control over behavioral events, and when the research is focused on contemporary events (Yin, 1989). Since those three criteria applied to my research topic, I decided to pursue a multiple-case study strategy. More specifically,
I decided to treat each of the two companies as a separate case so that I can draw important comparisons between them.

The methods used were the integrative literature review and qualitative interviewing. The integrative literature review is a form of research that creates new knowledge by synthesizing existing literature into a unique framework or perspective (Torraco, 2005). The existing body of literature contained a lot of case studies and examples on how a specific company adapted its practices to a specific environment. Therefore, the integrative literature review served to synthesize the different examples to increase understanding of potential ways managers adapted their practices in subsidiaries.

Qualitative interviewing is a form of research design that aims to capture the perspectives and experiences of the interviewees (Patton, 2002). As I mentioned earlier, the purpose of my study was to increase understanding about the issue of cultural adaptation of HR practices. Through qualitative interviews with professionals in the field of HRM, I was able to ground the integrative literature review to selected organizations and their practices.

**Research Questions**

This research sought to answer the question, how do managers of Arab subsidiaries of U.S. MNEs adapt HR practices to the Arab culture. Within that question were several sublevel questions that guided my research. Those were:

- What are the pressures facing Arab subsidiaries of U.S. MNEs?
- In what way does the Arab culture impose a pressure on those subsidiaries for adapting organizational practices?
- How do the managers of subsidiaries respond to that pressure?
- How does the Arab culture influence the choice of HR practices in those subsidiaries?
• How do managers of Arab subsidiaries adapt global HR practices to the Arab culture?

**Researcher Frame of Reference**

One of the contributing factors to my frame of reference is my heritage. I was born and raised in the Arab culture, in Lebanon specifically. I studied there all through college and had a few work experiences there as well. Therefore, I have experienced to some extent the Arab cultural phenomena described earlier.

The other contributing factor to my frame of reference is my graduate studies in Human Resource Development. This field is concerned with understanding how people perform and what factors influence their performance for the purpose of helping both individuals and organizations to achieve their goals (Werner & DeSimone, 2009). From this perspective, I approached this study with an interest in understanding how employees perform in the Arab world and what factors influence their performance, so that I can draw helpful insights that improve the organizational performance of MNEs there.

My frames of reference coupled with my understanding of the existing literature drove me to make the following assumptions:

• MNEs faced institutional duality and managers needed to find ways to balance the pressures for integration and adaptation in order to improve their MNEs’ performance.

• Local culture was a contributing factor to institutional duality.

• Arab countries had a common culture.

• HR practices faced institutional duality.

• Some HR practices needed to be modified to fit with the local culture while others could be universal.
Preparations for Conducting the Study

Preparations for conducting the study included identifying potential participants, determining sample size, and obtaining Institutional Review Board (IRB) approval. Furthermore, it involved recruiting participants, developing an interview guide, and conducting pilot interviews.

Identifying potential participants. I identified potential participants through my own personal network of professionals. I had interviewed a HR manager four years ago as part of another academic project. I knew she worked for an Arab subsidiary of a U.S. MNE in the HR department. Upon contacting her for this study, she introduced me to another senior HR manager who worked with her for the same organization and department. That manager’s role was directly involved in the company’s regional HRM for all the Arab subsidiaries and therefore she was a good candidate for participating in the study.

Also, I had a friend who worked at an Arab subsidiary of another U.S. MNE. I asked him to introduce me to the HR manager at the subsidiary. This MNE had more than five offices in the Arab world, each of which ran projects in many Arab countries simultaneously. Therefore, the HR manager’s role involved managing employees working all over the Arab world. Such a regional experience in this well-established MNE made her a good candidate for participating in the study.

Determining sample size. Sample sizes in qualitative inquiries can be as little as one single case, as long as it can provide in depth understanding of the research issue (Patton, 2002). Since the purpose is in-depth understanding rather than generalization,
and since each interviewee is expected to provide a wealth of information, qualitative interviewing can rely on a relatively small sample size (Weiss, 1994).

In addition, this was a preliminary study and the first phase of a more comprehensive future study. Therefore, my sample consisted of two HR managers from two Arab subsidiaries.

**Developing an interview guide.** The purpose of the interviews was to collect data from the participants about how their department adapted the HR practices to the Arab culture. Although the literature contained examples of how certain companies adapted their HR practices to certain local contexts, there was none specifically about the Arab context.

In order to cover the main topics of inquiry and at the same time allow participants to bring up unexpected issues, I decided to use the interview guide approach to qualitative interviewing (Patton, 2002). To be consistent with the qualitative inquiry design, I designed the questions to be open-ended and semi-structured (Patton, 2002).

An interview guide lists areas that need to be addressed during an interview as well as more specific topics within each area (Patton, 2002; Weiss, 1994). The process of developing the guide began with the identification of the areas that needed to be explored. To do that, I referred to the research questions to determine what information I would need to answer them. I also referred to the subheadings in the literature review to determine all the major areas discussed in the literature review. I thought this would be useful in the analysis phase because I could compare the data with the literature review; in other words, I could compare practice with research. By synthesizing the areas I identified from the research questions and the literature review, the following areas
emerged: pressures faced by the subsidiary, the subsidiaries’ response to those pressures, the influence of the pressures on the HR practices, and the modification of the HR practices in response to the pressure for adaptation. Those made up the interview guide.

The second step in the process of developing the interview guide involved testing it in three pilot interviews. As a result of those interviews, I refined the wording of my questions to become more concise, neutral, and open-ended. I also refined the structure of my follow-up questions to enable me to pursue unexpected leads and allow important themes to emerge.

**Obtaining Institutional Review Board (IRB) approval.** Obtaining the IRB approval was iterative process between the IRB, the Bureau of Educational Research in the College of Education, my adviser, and I. My IRB application was approved and met the exemption criteria for federal regulation 46.101(b)2 for research involving normal interview procedures where the identifying information is protected.

Included in my IRB application were a copy of the interview guide, adult consent letter, recruiting letters, and waiver of documented consent. After a few modifications, the IRB approved the application and the attached documents. The waiver of documented consent meant that the participants only had to receive the adult consent letter, read it, and agree to participate in the study before the interview; they were not required to sign and send it back.

At a later stage in my research, I needed to make minor amendments to my research and therefore had to submit an IRB Research Amendment form with attachments to indicate the changes to be made. Those changes concerned the title of my research and the number of participants.
Recruiting participants. As part of the recruiting process, I sent the participants a recruiting letter and adult consent letter (see appendices B and C). The recruiting letter included an introduction to myself, a brief description of my study, why I chose that organization, the benefits of participating, and the voluntary nature of participating. The adult consent letter reiterated the voluntary nature of participating in addition to guaranteeing confidentiality.

Conducting pilot interviews. In order to become comfortable and familiar with the interview guide, I decided to conduct a few informal pilot interviews. For that, I recruited a colleague who I had worked with at a management consultancy in Lebanon some time ago, a fellow student and friend from the Human Resource Education department at the University of Illinois at Urbana-Champaign (UIUC), and a fellow student and friend who graduated with a psychology degree from UIUC. Although their occupations were not the same as my real participants, all three of them had knowledge and experience in conducting interviews and could give me good feedback on that. Moreover, the colleague from Lebanon had a lot experience with human resources in Lebanon and was able to bring important insights in response to my questions. After conducting the pilot interviews, I felt more confident about my preparations for the real interviews.

Conducting the Interviews

Due to geographical distances between the participants and myself, I conducted the interviews via a software application that allows voice calls over the Internet. I began each interview by reiterating the content of the consent forms which I had sent them more than a week before. I emphasized confidentiality, anonymity, and the voluntary nature of
their participation. I also asked for their permission to record the interviews and reassured them that no one else will have access to them and that they will be deleted at the end of the project. I asked them if they had any questions and then proceeded with the interview. Each interview lasted between thirty and forty minutes. They were semi-structured and I followed the interview guide to make sure I covered the important topics. The language used in both interviews was English.

**Analyzing the Data**

Analyzing the data involved reviewing the notes from the two interviews and comparing them to each other and to the literature based on the major themes of the interview guide. The questions posed in the analysis were: what did the literature and the participants say about the integration and adaptation of HR practices? What did the literature and the participants identify as the factors that HR practices needed to be adapted to? The following table helped in visually organizing those comparisons.

<table>
<thead>
<tr>
<th>Themes</th>
<th>Literature</th>
<th>Rania</th>
<th>Nadine</th>
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<tbody>
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<td>Integration</td>
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<tr>
<td>Adaptation</td>
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<td>Adaptation to what?</td>
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Analysis also involved discussing potential interpretations with experienced researchers and soliciting their feedback on conclusions made.
Validity and Reliability Issues

Recording the interviews helped to capture all the information shared in the interviews. Moreover, I sent the transcriptions to the participants so that they can review them and make sure their thoughts were accurately conveyed. Such measures to ensure accuracy contributed to the validity and reliability of this qualitative research. Concerning the literature review, measures to ensure validity and reliability included relying on peer-reviewed journals, often-cited books, several databases, and many empirical studies.

Summary of Research Methods

This chapter described the research methods adopted in this study for collecting and analyzing data. Based on the nature of the subject of inquiry and the type of research questions, and with the purpose of increasing understanding, I adopted a qualitative approach that utilized the integrative literature review and interview methods. The data collected was analyzed to reveal important insights about the adaptation of HR practices in the Arab world.
Chapter 4

Findings

This chapter reports on the findings from the literature review and from my interviews with professionals working for MNEs in the field of HRM in the Arab world. The latter were collected through semi-structured interviews with two HR managers working in subsidiaries of two different U.S.-based MNEs in the Arab world. The pseudonyms used for the two offices are Company X and Company Y. The pseudonyms used for the two participants are Rania (from Company X) and Nadine (from Company Y).

The purpose of this chapter is to ground the findings of the literature review in the perspectives and experiences of professionals in the field of HRM. The questions being addressed are, what are the pressures facing subsidiaries in the Arab world and how do they respond to them from an HR perspective. By drawing contrasts and comparisons with the literature, those interviews provide some insight on the overlap or gap between research and practice. The following sections include the findings from the literature review and findings from each interview. The chapter ends with a brief summary of all the findings.

Literature Review Findings

The summary at the end of Chapter Two summed up the main themes that emerged from the literature review. Those included the issues of institutional duality, cultural pressures, the need for adaptation of HR practices, and the characteristics of the Arab culture. In this section, I focus on the process of adapting HR practices and I integrate the research on the ways of doing it.
I found that the process of adapting HR practices takes place at two levels. At the level of the parent MNE, global HR policies are developed. Those policies are general guidelines on how to manage people that are flexible enough to allow for a variety of the more specific practices. At the level of the subsidiary, a HR manager is hired from the host country so that he/she can bring knowledge of the local culture to inform the process of adaptation. I integrated the findings from the literature onto a continuum to help in visualizing the adaptation of practices (see Figure 2).

![Figure 2. Continuum of adapted HR practices.](image)

The continuum has the parent MNE lying on one end and the host environment on the other. The arrows pointing to the left and right represent the forces pulling towards integration with the parent and adaptation to the host country. Between the two ends is a range of practices that tend to resemble parent practices or host country practices depending on where they lie. The standard HR practices are at the left-hand extremity because they are identical to the parent practices. The translated practices are located on the left-hand side of the midpoint because although they are modified, they retain the core characteristics of the parent practices. To the right of the mid point are the culture-specific HR practices. They are leaning more towards local HR practices because they are developed specifically to address cultural issues in the host environment, but they are not
quite identical with the local HR practices because they are not necessarily common among local businesses in the host country. At the right extremity of the continuum are the local HR practices that a subsidiary may be forced to comply with due to legal constraints or it may choose to adopt due to their effectiveness and efficiency.

This continuum is different than Gomez’s (2004) model, which was discussed in Chapter Two, because for one thing it shows the competing pressures pulling towards integration and adaptation. Also, it is different because rather than viewing the different practices as discrete static categories, this continuum portrays the process of adaptation as a dynamic one. It shows that the practices can move along the continuum as changes in the parent practices or in the challenges of the host country require different responses from the HR perspective – whether more integration or more adaptation. It also shows that the distance between parent and host country practices can expand or constrict as changes in the parent or in the host country happen over time.

Another important finding from the literature review is that the concept of differentiation is at the heart of the process of adaptation. This involves recognizing that different practices may need to be treated differently. Not all HR practices require the same degree of integration or adaptation and also, not all subsidiaries need to adapt or integrate their HR practices in the same way.

As discussed in Chapter Two, management practices are often culturally bound. Therefore, implementing Western practices in an Arab context without adjusting them may not always lead to the desired outcomes. Following are some common Western HR practices and why I think they may be incompatible with the Arab culture.
The fact that the Arab culture has high power distances means that HR practices that emphasize things like empowerment and participative decision-making may not be directly or easily implemented. Arabs’ individualistic work attitude may stand in the way of teamwork-oriented HR practices. Arabs may not readily embrace autonomy and innovation because following directions and conformity is salient in their culture. Performance-based assessments and compensations may not be favorable in the Arab culture, where maintaining relationships may be perceived as more important than performance. Performance reviews like the 360-degree feedback may not solicit accurate feedback from the Arabs, who are not used to nor encouraged to criticize their superiors.

This is not to say that none of the Western HR practices are applicable, but that care must be taken in recognizing their cultural limitations and differentiating between those that are directly applicable and those that require adaptation (Ali, 1990; Kabasakal & Bodur, 2002; Roy, 1977). However, research in the Arab world on how organizations effectively adjusted and implemented Western HR practices is lacking (Roy, 1977). In order to gain a better understanding about this, data was collected through interviews with HR managers in Arab subsidiaries on the issues of adaptation of HR practices to the Arab culture. The following section reports the findings of those interviews.

**Interview Findings**

Beginning with the assumption that MNEs face pressures for adapting to the local environments in which they operate, this analysis sought to identify the factors that cause such pressures and the ways in which organizations address them from an HR perspective.

The interview findings in the following paragraphs are based on the information I collected from my interviews with Rania and Nadine. The two participants are HR
managers in Arab subsidiaries of their respective MNEs, Company X and Company Y. They used the term Middle East to refer to the Arab world. Therefore, the two terms will be used interchangeably.

**Descriptions of organizations.** Below is a description of the two MNEs, Company X and Company Y. It is worth mentioning that both organizations provide services to clients and, therefore, they rely heavily on the intellectual capital of their employees. From this I imply that HR practices play an important role in the success of their business. Therefore, I would expect that ensuring the effectiveness of their HR practices is a priority for them.

**Company X.** Company X is a multinational enterprise that provides services to clients such as auditing and consulting among others. Its headquarters is in the United States but it has offices in more than 150 countries and employs more than 170,000 employees worldwide. It has a wide geographic presence in the Arab world, with more than 25 offices in about 15 countries spanning between North Africa, the Levant, and the Gulf. Company X has been operating in the Arab world uninterruptedly for more than eight decades. Currently at Company X, Rania said: “there is a spotlight now on the Middle East in terms of growth, in terms of potential. So there is a lot of action happening on that front.”

**Company Y.** Company Y is a multinational enterprise that provides management consulting services to clients. Its headquarters is in the U.S. but it has offices in about 60 countries and employs more than 3,000 employees worldwide. It has more than five offices in the Middle East distributed over the Levant (the region that includes Syria, Lebanon, Jordan, and Palestine), North Africa, and the Gulf regions.
Findings from Company X. All the information in this subsection is based on what Rania said. This section discusses the pressures facing Company X in the Middle East from an HR perspective, its response to them, alignment versus adaptation at Company X, and the influence of culture on Company X.

Pressures facing Company X. Rania described five key challenges currently facing them in the Middle East. Those are: generation differences and expectations, severe talent threat, the nature of the audit profession, the attractiveness of certain locations, and attracting and developing women.

Generation differences and expectations. This refers to the challenge imposed by the entrance of a huge number of Generation Y people into the workforce; it is a challenge that is not only facing Company X but most other organizations as well. There are now many different generations in the workforce: the Baby Boomers, Generation X, and Generation Y. Rania said that this creates frustration because the Baby Boomers are very different than Generation Y. The former are accustomed to the autocratic way and they accept the corporate structure, while the latter demand empowerment and responsibility as soon as they start working. Baby Boomers have a hard time understanding how Generation Y can do so many things at the same time; they can be on online social networking sites, listening to music, and working simultaneously. Rania finds Generation Y to be much better at multitasking and much more technologically adept than the Baby Boomers. They are also different in that their loyalty and commitment are not to their organizations but to their careers. They think they are not supposed to work at the same organization their whole lives but rather find it acceptable (and perhaps even desirable) to move from one organization to another. They are mobile
and want to gain international experience. Those differences pose a challenge and
Company X is finding it necessary to address it to make the environment at Company X
Generation Y friendly.

*Severe talent threat.* This refers to the extreme shortage of talent in the Arab
workforce. Rania said that HRM at Company X finds it difficult to find people with key
expertise in the Arab market. This is because the Arab world is made up of developing
countries that don’t yet have a high level of expertise in some areas related to Company
X’s line of work. Other locations may not face such challenges since they had built a
significant repertoire of knowledge, experience, and expertise, which is not found in the
Middle East. Therefore, it is very difficult to find people in this region at that level of
expertise. Those who do have the expertise that HRM at Company X is looking for may
not be bilingual—a crucial characteristic required of all Company X employees. All of
Company X’s work is done in English, except the aspects that are legally mandated to be
in Arabic. At the same time, some clients have all their documents in Arabic and so
employees need to be able to read and translate them as needed. Therefore, HRM at
Company X needs people who are at the very experienced level and who are very
proficient in both Arabic and English. Finding them is a challenge.

Moreover, HRM at Company X experiences governmental pressure in countries
like Saudi Arabia, Bahrain, and UAE to hire nationals. Rania said that this makes it even
harder to find expertise because educated nationals in such countries are rare. The
percentage of people who are getting educated is increasing and will continue to improve
but they are still relatively rare. Educated nationals who are bilingual are even more rare.
Those that do exist are very much in demand. Therefore, they are oftentimes lured by
positions in governmental institutions and other organizations that pay them immense salaries, which are not consistent with Company X’s compensation policies. Those factors pose additional challenges on HRM’s quest for bilingual experts.

*The nature of the audit profession.* This refers to the challenge posed by the unattractiveness of the audit profession to some people. Rania said that there is a perception that auditing is all about sitting and crunching numbers and some people find that boring. Although Company X is still predominantly in the business of auditing and the bulk of its recruits are auditors, it is trying to showcase that it provides other services such as consulting and financial advising. Moreover, the nature of the profession poses difficulties in maintaining a work-life balance as some business seasons demand a lot of time and effort at work.

*Attractiveness of certain locations.* This refers to the challenge in getting people to go and live in certain countries like Saudi Arabia or Yemen, in which Company X has offices. Rania said that it is very hard to find people who are very qualified and willing to go live there.

*Attracting and developing women.* This refers to the challenge in getting women to be well represented at the offices of Company X in the Middle East. The culture plays a huge part in imposing this challenge. Rania said that the Arab culture might not always encourage women to pursue higher education. Those who attain higher degrees may not be encouraged to seek job opportunities. Those who get employed may end up dropping out once they get married and have children. Sometimes it is because they don’t feel they can manage to work without sacrificing their family duties, and sometimes their spouses don’t support their work pursuits.
Rania thought it is ironic how working in the Middle East actually offers a huge support mechanism that should be conducive to married women’s ability to work. Married women often have the support of two families—theirs and their husbands’—and those families are usually willing to take care of the kids when the mothers are occupied. Other locations may not have this kind of support. This is an advantage to working in the Arab culture and it presents an inexpensive and readily available mechanism that can facilitate women’s ability to work.

**Company X’s Response.** Rania discussed some of the ways that HRM of Company X in the Middle East responds to the pressures described above. Those include a program for international experience, an initiative for attracting best talent, and an initiative for retaining and developing women.

*Program for international experience.* Company X has a program that allows employees to gain international work experience in office locations like the U.S. and the U.K. among others. This program addresses one of the first challenges mentioned—shifting expectations—as it caters to Generation Y employees’ need for mobility and work abroad.

*Initiative for attracting best talent.* This initiative seeks to attract—or “hand pick”—top talent from both fresh graduates and experienced professionals. The purpose is to hire bilingual people, nationals, and women, thereby simultaneously addressing several of the challenges described earlier.

Concerning fresh graduates, HRM at Company X selects key universities from key countries in the Middle East and asks the deans of the business schools to choose students with a certain grade point average or higher. Those students are invited to spend
a day at Company X in which they solve a business case, take a psychometric test, and meet business leaders. Concerning the business case, the students are put in groups to work on it while a facilitator is present with each group to take down notes on an assessment sheet. The facilitator notes things like who was engaged or who took a proactive role. This assessment gives the HR managers a feel for what the students are like. The students also take a psychometric test on the spot, which assesses things like their analytical and verbal abilities. If they pass that test, they move on to the next stage in which they are interviewed and considered for selection.

With regards to experienced professionals, Company X uses all sorts of resources to target them including Google Ad Words, an employee referral program, and social networks (which Rania thinks they are very strong in). The selection process involves making sure that candidates have the right experience, education, exposure, and international experience. When HRM at Company X cannot find bilingual people with the desired expertise, it looks for people living abroad who have those characteristics. “We consider them our very mature market.”

*Initiative for attracting and developing women.* Through this initiative, HRM at Company X established policies that provide a more woman-friendly environment. The purpose of those policies is to create a work-life balance whereby women can manage to both work and attend to their families. Such policies include part-time, flexible time, and the opportunity to take extra time off when they have children.

Rania emphasized the importance of top management support and buy-in to make this initiative work. She said that a focus on development and retention requires a
business decision. Such support is present at Company X, since the CEO sponsors this initiative.

Despite this continuous initiative to hire women, Rania thought the number of women at Company X could be better. One contributing factor to this low percentage concerns the regulations that do not allow women to work in countries like Saudi Arabia.

**Alignment (i.e., integration) versus adaptation at Company X.** HRM at Company X makes sure to develop best practices that create alignment of operations across subsidiaries worldwide. For example, the selection process applied in the Middle East is identical to the one applied in the U.S. It is based on a *global* competency model that is consistent across all subsidiaries. It involves assessing technical as well as non-technical competencies such as flexibility, ability to utilize available resources, and ability to build and maintain relationships. Besides interviews, it administers psychometric testing for fresh graduates to assess their analytical and verbal skills, and a personality assessment for all candidates to determine how much they fit with what HRM at Company X is looking for. For example, they need to be able to work under pressure, have strong communication skills, and be extroverts to a certain extent in order to effectively communicate with the clients. The purpose of this whole strict process is to ensure that a person at a certain level in the Middle East has the exact same competencies as a person at the same level in the U.S. for example.

Moreover, alignment of the HR agenda with the business strategy and objectives is extremely important. “We as HR don’t have a strategy, we have an agenda which is driven from the business strategy and we know *exactly* what the business is looking for, what is the scope of the business, and we drive our HR agenda from that.”
However, HRM at Company X’s office in the Middle East adapts the best practices and localizes them to fit with the needs of the environment. “We can’t take things as is. We are a different geography… So we do have geographic challenges that are unique.” Those challenges include, as mentioned earlier, attracting bilingual people, experts, women, and nationals. So although the recruiting process is aligned to a large extent across the subsidiaries, the unique aspect about it in the Middle East is the initiative to attract the best talent.

Rania acknowledged that different organizations need different practices. Company X’s best practices work well because they are appropriate for its maturity level and global business environment. Organizations with a different maturity level and scope have different needs and therefore require different practices. “The key is to develop best HR solutions that are a fit to [their] business environment.” Rania said that a testimony to the effectiveness of HRM’s best practices is the fact that Company X was ranked among the top ten employers in the Middle East in a survey conducted by another major American consulting organization.

**Culture and Company X.** Rania said there is a common misperception that people in the Arab world are different. Nowadays, Arabs are becoming more educated and more exposed to other cultures through Internet and cable TV. Most Arabs, especially in the Levant region, have traveled and lived or worked abroad. All of this exposure is shrinking the gap between the Arab culture and the rest of the world. In Rania’s opinion, the gap is no longer as huge. She also does not perceive any challenges posed by Arab work attitudes. The challenge that is from within the organization has to do with the generation shift rather than work attitudes.
She mentioned two examples of how the Arab environment might be different. One concerned employment regulations in Saudi Arabia (such as the one that does not allow women to work). The other example was her observation that Lebanese youth attain higher education degrees and then oftentimes choose to work at their family businesses. They know that Company X would pay them market rates and offer them significant learning experiences but they also know that there is pressure and work-life balance issues involved. That’s why they might choose to work for family businesses instead.

**Findings from Company Y.** All the information in this section is based on what Nadine said. This section discusses the integration of HR practices at Company Y and the influence of culture on Company Y. Concerning the pressures facing Company Y from an HR perspective, Nadine did not identify any one in particular. She did not think they faced any difficulties or challenges related to human resources. They had a system in place to make sure that they were well informed about all the legal aspects of doing business in the different countries and therefore “we are fine.”

**Integration at Company Y.** Company Y’s HR practices are integrated across its offices worldwide. They all share the same practices except the practices that are subject to legal restrictions. One example would be the maternity leave. Each office abides by the laws governing maternity leave in its host country. Adaptation of practices to the legal system is therefore the only form of adaptation done at Company Y. Following is an overview of the global models adopted for the different HR practices.

**Recruiting.** HRM at Company Y employs a variety of methods for attracting candidates including on-campus recruiting, industry recruiting, and internal referrals. The
selection process involves screening CVs by a committee based on a specific set of criteria, followed by two rounds of interviews between candidates and senior consultants. A final decision is done based on a set of recruiting standards.

*Performance assessment.* Performance assessments are performance-based and done according to a global set of competencies. All employees go through a 360-degree assessment beginning with a self-assessment, the results of which are submitted to a third party that the employee doesn’t know and doesn’t work closely with. The appraisers then conduct the 360-degree assessment and submit the final form to a committee, which is typically formed of partners and seniors.

*Training.* HRM at Company Y offers general core consulting courses for teaching core consulting skills and other courses for soft skills. New hires start with on-boarding courses and then they take on a proactive role in signing up for courses to address their developmental needs as identified in their performance assessments. The material of the courses and the approach used to deliver them are the same worldwide with slight modifications to accommodate audiences with different languages for example.

*Mentoring and career development.* HRM at Company Y has a mentoring program based on the apprenticeship model through which senior consultants act as mentors for junior consultants. This is part of developing employees along with training and performance assessment.

*Culture and Company Y.* Nadine did not perceive a challenge from work-related Arab values or attitudes. She thought that such an issue may be of concern to local businesses but not to MNEs like Company Y. HRM at Company Y emphasizes a core set of values, which includes both professional and personal values that employees are
expected to adhere to. Nadine also mentioned that the selection process takes note of
attributes or behaviors that may be inconsistent with what the company is looking for
before a selection decision is made.

Concerning the issue of women at Company Y, Nadine recognized that the ratios
of men and women were not exactly equal but she said that HRM at Company Y was
increasingly hiring women who are active in the consulting field. Women are
increasingly joining the consulting field because they find it very rewarding; attracting
them is not an issue. She realized that it might be harder for women than men to be in this
field because of the nature of the work and its time demands. Those make it more
difficult for women to find a balance between their work and family obligations.
However, she did not think it was an alarming issue at all. She did not have specific
numbers in mind but she said that the percentage of women quitting due to such a
concern was low. “Women who are employed with us they assume the load and many
keep on doing it and manage their work-life balance.” Retention of women is not an issue
at Company Y.

**Summary of Findings**

There are several similarities and differences that can be drawn between the
findings of the two interviews as well as between them and the findings of the literature
review. Those comparisons will be discussed below.

Rania, Nadine, and the literature review all cited the factor of law as one that
influences HR practices. They agreed that HR practices needed to be adapted to the legal
and governmental regulations. Rania gave the example of the governmental pressure to
hire nationals and the law restricting the employment of women in Saudi Arabia. Nadine
gave the example about the law governing maternity leave. The literature review gave the example of laws against employment discrimination.

The literature review and Rania agreed that HR practices needed to be both integrated and adapted to the local contexts. The literature review mentioned the importance of integrating practices in order to capitalize on the resources of the MNE. As Schuler et al. (2002) suggested, the HR manager should be informed about the MNEs competitive strategy so that he/she can align the HR practices with the company’s business needs. Similarly, Rania emphasized the importance of aligning the HR agenda with the overall business strategy of Company X. This meant that certain practices needed to be integrated in order to serve Company X’s business strategy. One example she gave was the global competency-based selection process.

Concerning adaptation, the literature review emphasized the importance of recognizing institutional differences between countries and modifying HR practices to fit in with each. The continuum developed based on the literature review showed practices ranging between resemblance to the parent or to the host country practices. Rania also attested to the importance of recognizing institutional differences and said, “We are a different geography… So we do have geographic challenges that are unique.” Examples of such challenges were those related to the shortage of experts, nationals, women, and bilingual people who were attracted to Company X. Those challenges were not necessarily facing other subsidiaries in other countries. HRM at Company X adapted to those challenges by creating the initiative for attracting top talent, which was unique to the Arab subsidiary because its purpose was to address the Arab challenges. Therefore on the continuum described earlier, this initiative or practice would lie somewhere near the
middle; on one hand, it was addressing local challenges and on the other hand, it was serving Company X’s business strategy and objectives.

Unlike Rania and the literature, Nadine did not identify any particular characteristics—besides the legal system—of any local environment that warrant a response of adaptation from the HR perspective. Instead, she emphasized the integrated nature of Company Y’s global models for the different HR practices; all offices worldwide followed the same practices for recruiting, performance assessment, training, mentoring, and career development.

Contrary to the literature review, neither Rania nor Nadine found the Arab culture and work-related attitudes to be an influencing factor on HR practices. Rania found that cultural differences did not exist as much as they used to, and Nadine found that culture and work-related attitudes was not a relevant issue to MNEs. They both cited the global selection process as way to ensure that all employees have the technical and non-technical competencies that HRM of their MNEs was looking for. Also, unlike what I hypothesized concerning certain practices being inapplicable in the Arab culture, Nadine said that 360-degree feedback and performance-based assessments and compensations were in fact used.

Rania, Nadine, and the literature review acknowledged only one cultural factor that influenced MNEs in the Arab world. This was the role of women as caregivers and the difficulty they faced in balancing work and family. They all agreed that this situation was gradually improving as women became more active in the workforce. However, Rania still found this to be a critical challenge while Nadine did not think it was an alarming issue at all.
Those were some of the similarities and differences between the different findings.

In the next chapter, possible interpretations and conclusions are presented.
Chapter 5

Discussion and Conclusions

This study was designed to investigate questions about cultural influences of the Arab culture on HR practices of Arab subsidiaries. Those questions arose from a review of research on the transferability of HR practices across cultures. Much of the research reported on empirical and case studies indicated that managers of MNEs often find it difficult and ineffective to export HR practices to their subsidiaries worldwide. One of the major findings in this study was that, contrary to the literature review, neither participant found the Arab culture or work-related attitudes to be influencing factors on HR practices. Instead, what seemed to impose a pressure for adaptation was the skill set of the available workforce in the Arab world.

Conflicting Views on Institutional Duality

Early on in this study, the literature review introduced the concept of institutional duality and suggested that MNEs, subsidiaries, and HR practices faced competing pressures for both integration and adaptation. Integration is the process of coordinating and aligning the practices of subsidiaries with each other and with headquarters to maintain consistency. Adaptation is the process of modifying practices to address needs, pressures, challenges, and requirements imposed by local environments. The literature tended to show that HR practices should be viewed as a set of differentiated practices such that some practices are integrated to maintain consistency across subsidiaries and others are modified to become more consistent with the local environment.

The discussion with Rania corroborated this position. She stated that Company X found it necessary to integrate certain HR practices, such as the competency-based
selection process, and to adapt other practices, such as the recruitment process, based on the characteristics of the Arab environment.

It seems that the dilemma of integration versus adaptation should be addressed by taking a dialectic rather than a dualistic approach. The issue can be summed up in the following rule of thumb: “integrate, until adaptation is necessary”; and adaptation is necessary when a local issue poses a significant challenge on the success of the business. A local issue becomes a significant challenge when it hinders the subsidiary’s ability to serve not only local but also global objectives of the MNE. This is because a subsidiary is part of the whole MNE and is expected to achieve both local and global objectives. For example, in the case of Company X, the challenge of finding experts in the Arab world hindered its global objective of providing quality services to its clients worldwide. That is why the initiative for attracting best talent was established; this is an example of adaptation to a significant local challenge.

The discussion with Nadine provided stronger support for integration than for adaptation. Managers of Company Y believed it necessary to integrate all HR practices by adopting global models for each practice: for recruiting, performance assessment, training, compensation, career development, and mentoring. (In few cases, they had to adapt HR practices to locally mandated regulations.)

Although the two MNEs are different in that Company X adapts some HR practices while Company Y doesn’t, there seems to be a common belief within both companies; that is, global practices developed by the MNE in managing employees internally lead to effective performance. This might be obvious in the case of Company Y, since almost all its practices are based on global standards, but less obvious in Company
X. Upon examining the kind of HR practices that are adapted at Company X it appears that they are restricted to those that manage functions related to the external environment, such as recruiting. On the other hand, the HR practices that manage functions related to the internal operations of the subsidiary are all integrated and global in nature. In fact, as Rania said, an employee at a certain level in an Arab subsidiary is expected to have the same competencies and responsibilities as an employee at that level in a U.S. subsidiary.

This possibly implies a belief that adopting global HR practices, rather than local practices, can lead employees to achieve the desired level of competencies based on Company X’s global standards. Furthermore, this possibly implies a belief in the effectiveness of global standards of competencies as opposed to local standards. To sum up briefly, Company X’s response to institutional duality is to adapt only the practices directly related to the external environment and to integrate the practices directly from headquarters that manage employees internally.

**Discrepancies between literature and practice; Suggestions for future research**

The discussions with Rania and Nadine revealed discrepancies between the literature and practice. First, Rania and Nadine agreed that their employees did not exhibit uniquely Arab work attitudes that could pose a challenge for applying certain practices or would require their adaptation. This is inconsistent with propositions made by cultural studies, one of the most prominent being that of Hofstede’s in the early 1980s. Rania attributed challenges imposed by employees to generation differences and expectations rather than to cultural differences in attitudes. This raises a question that may warrant investigation. To what extent are the cultural differences identified in
cultural studies like Hofstede’s applicable to Generation Y employees? One may argue that culture persists over generations as new members are taught the values and beliefs of the group. However, that assumption may need to be re-examined in light of globalization and technological advancement that are creating bridges across cultures. In other words, studies done in the 1980s might be becoming outdated. A replication of Hofstede’s study may bring some insights about the degree of persistence of previously identified cultural differences.

Second, Nadine saw that challenges imposed by cultural characteristics might be relevant to local organizations, but not to MNEs. This is because MNEs like Company Y have a core set of values for both professional and individual aspects, which all employees are expected to adhere to. By importing such a core set of values and requiring compliance to it, many MNEs ignore local values and believe that they are able to override them to a large extent. This again is inconsistent with a lot of the research, including Hofstede’s and Adler’s, which find that culture permeates not only local organizations but also MNEs. This inconsistency between the literature and practice may benefit from studies that compare the values of employees from a subsidiary and the values of employees from a local organization in the same country. The purpose would be to assess the level of pervasiveness of national cultural characteristics in multinational versus local organizations, and to investigate which practices were adapted to those cultural characteristics in subsidiaries.

Third, the inconsistency between the literature and practice concerning the importance of cultural adaptation may be linked to the previous point made regarding generation differences. Is the new generation of employees more willing to let go of their
values at work and to accept MNEs’ core values for the sake of advancing their careers? Also, does the new generation find it easy to relate to MNEs’ core values due to their level of exposure to Western practices in schools, universities, media, etc.? Those questions can drive new research studies that can help update the literature and link it to practice.

Fourth, according to Nadine, Company Y’s approach of integrating practices was working well for them. However, it is not clear what criteria indicate the effectiveness of that approach. According to the literature, that is an ethnocentric approach that has been repeatedly criticized for its ineffectiveness due to its disregard for institutional differences. It is not possible to say whether one position or the other is right; perhaps the former is based on biased and evaluations and perhaps the latter is over generalized. Therefore, this calls for greater collaboration between researchers and practitioners to study the effectiveness of different approaches to integration and adaptation.

An interesting point in the findings was that Rania and Nadine both thought the recruiting process ensured that their employees would have the required technical and non-technical competencies. For example, Company X administers personality tests to all recruits. Such measures at Company X and Company Y are meant to assess candidates’ attitudes among other things to choose the ones that fit with what the organization is looking for. Since both U.S.-based MNEs apply global models in the selection process, it can be implied that the selection criteria used to assess personality characteristics and attitudes are most likely Western ones. This might explain why the candidates who pass do not have strong Arab attitudes that pose cultural challenges for HRM. Therefore, the recruiting process effectively screens out those who might require more adapted practices.
Moreover, the fact that neither Rania nor Nadine expressed a challenge in finding candidates with the right fit of personalities and attitudes raises an interesting issue. Have people come to differentiate between the attitudes they hold at work versus personal life? For example, is it possible that Arab employees no longer see their bosses as their fathers, which means that the power distance in the families is no longer translated in the work world? Assumptions regarding the influence of societal values on work-related values, which have been made in previous research, may need to be re-examined.

Another question could be raised from the observation that it is not difficult to find candidates with the right fit of attitudes. Are the candidates who apply to MNEs predisposed towards Western approaches in business? This question is extremely relevant to me personally. I always wanted to work for MNEs rather than local organizations because I thought I would be frustrated with the latter’s ways of doing business. Both my education in Lebanon and in the U.S. taught me Western theories and approaches that I seek to adopt and apply at work. I thought the best place for me to do that was in MNEs. It is not accurate to generalize based on this single personal experience but perhaps it sheds some light on an area to be researched: to what extent are candidates who apply to MNEs predisposed towards Western values and approaches in doing business?

On another note, as many researchers who conducted studies about the Arab world had suggested, the body of organizational research on that region remains lacking. As Ali (1990) noted, Arab graduates tend not to pursue empirical studies after completing their academic degrees. The available literature on the Arab culture relied heavily on old data. Even studies that are less than four years old often referred to cultural descriptions dating back to studies done in the 1980s. There are not enough studies available and
many of the studies that exist may be old and no longer be applicable. Therefore, I suggest that the current state of the Arab culture be explored through new empirical research. Also, the possibility that cultural descriptions are outdated may explain why Arab work attitudes were not found to be different or challenging in my discussions with Rania and Nadine. The two participants are working with current employees that hold current cultural values.

Finally, this study framed culture as the independent factor and HR practices as the dependent variable that needed to be adapted to the culture. The study did not investigate the influence of MNEs on cultures – a concept sometimes referred to as reverse diffusion. Perhaps a complementary study about how MNEs have changed the Arab culture can shed some light on why MNEs like Company Y may be able to operate efficiently using an ethnocentric approach.

**Expanding the Construct of Culture**

The construct of culture as outlined in this research was focused to a large extent on work-related values and beliefs of employees within organizations. This construct was influenced by the vast amount of research that linked national cultures to organizational behavior. However, the discussion with Rania revealed a need for expanding that construct to include values and beliefs that influence the qualities of the talent pool in a society. Company X faced challenges in finding and attracting bilingual people, experts, nationals, and women. At first sight this might not seem to be a cultural challenge and even Rania did not think so. However, values attached to language, education, money, and women may constitute some of the root causes for the challenges that Company X is facing in the Middle East; in other words, culture, in the expanded sense of the construct,
imposes pressures for adaptation on Company X. The expanded construct of culture would include, besides work-related values, the following values four values: (a) the value attached to learning languages, namely Arabic and English. The shortage of bilingual people implies that many Arabs currently may not place a high value on learning languages, (b) the value attached to higher and continuous education. The shortage of experts implies that many Arabs currently may not place a high value on higher and continuous education, (c) the value attached to money. The fact that many nationals are attracted more to salary incentives offered by other organizations rather than to learning incentives offered by Company X implies that they may value short-term monetary rewards rather than long-term learning rewards, and (d) the value attached to women’s roles. The challenge in attracting and retaining women implies that many Arabs may place a much higher value on women’s role as caregivers than on their role as active members of the workforce.

This is not to say that all Arabs hold those same values; as explained in Chapter Two, not every member of a group shares all the cultural characteristics of that group. Also, this is not to say that values are the only cause of the challenges described but that it is one of the contributing causes. Others may include lack of awareness about the importance of education or languages, the lack or infeasibility of attending higher education, among others. But culture is nevertheless a useful concept for framing these challenges.

Many studies emphasize the influence of culture on organizations as it reflects in the work-related values, attitudes, and behaviors of employees. Along the same lines, many studies emphasize the importance of adapting HR practices to the cultural
characteristics of employees within the organization in response to institutional duality pressures. However, this study suggested that the real challenge in the Arab world was imposed by the lower skill set of the workforce rather than their cultural and work-related values. This skill set is potentially the product of cultural values such as those related to education, languages, money, and women. Therefore, this study highlighted the importance of adapting to the cultural influences regarding developing the skill set of the workforce available rather than to the cultural influences on their values. By creating initiatives and policies to address challenges such as lack of experts and bilinguals, it may be possible to say that HR practices at Company X were adapted to the Arab culture. This was a preliminary study and further research on the HR practices of Arab subsidiaries is needed to increase understanding about the pressures for adaptation and integration and HRM’s response to them.
References


Appendix A

Interview Guide for Interviews With Participants

What are the top three pressures that your subsidiary is currently facing?

How does your subsidiary respond to these pressures?

How do the pressures affect the subsidiary’s human resource practices?
Appendix B

Recruiting Letters

RECRUITING LETTER
<<COMPANY X>>

Dear <<Title and Name of Participant>>,

My name is Aya Ismail. I met with you around four years ago when <<name of classmate>> and I interviewed you as part of a project for our <<name of course>>. I got your contact email from Khalil. I find myself needing your help for another academic research in which I am seeking to do a case study about <<name of company>>.

I am currently a Fulbright scholar pursuing a M.S. in Human Resource Development at the University of Illinois at Urbana-Champaign. As part of my thesis, I am looking at how multinational companies such as <<name of company>> respond to competing pressures for integrating and adapting their human resource practices. I am interested in finding out how the Arab culture influences the need for adaptation, and how <<name of company>> adapted its human resource practices to the culture.

This research can be of value to <<name of company>> because, for example, the findings may be useful for training newly hired managers in Arab offices on how things are done at that office. The findings may also be useful for informing the opening of new offices on how to adapt the human resource practices to the local culture.

The results of this study will be used for a Masters thesis and may be used in a journal article and conference presentation. In any publication or public presentation pseudonyms will be substituted for any identifying information.

Your participation in this project is completely voluntary, and you are free to withdraw at any time and for any reason without penalty. Your choice to participate or not will not impact your job or status at the company. To be consistent with the policies or your organization, I ask you to discuss this opportunity with other people (such as your superior or team) to ensure the company’s approval of your participation.
It would be an honor for me to work with you on this research. Please let me know if you are interested so that I can tell you more about my research and ways that we can carry this out. You can contact me at ismailaya@gmail.com. I’m looking forward to hearing from you soon.

Regards,

Aya Ismail
Candidate for M.S. in Human Resource Development
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University of Illinois at Urbana-Champaign
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Champaign, IL
(217) 552-6018
ismailaya@gmail.com
Dear <<Title and Name of Participant>>,

My name is Aya Ismail. I asked <<name of friend>>, a friend of mine who is [an employee] at <<name of company>>, to introduce me to you. I am writing to ask for your help in an academic research project.

I am currently a Fulbright scholar pursuing a M.S. in Human Resource Development at the University of Illinois at Urbana-Champaign. As part of my thesis, I am looking at how multinational companies such as <<name of company>> respond to competing pressures for integrating and adapting their human resource practices. I am interested in finding out how the Arab culture influences the need for adaptation, and how <<name of company>> adapted its human resource practices to the culture.

This research can be of value to <<name of company>> because, for example, the findings may be useful for training newly hired managers in Arab offices on how things are done at that office. The findings may also be useful for informing the opening of new offices on how to adapt the human resource practices to the local culture.

The results of this study will be used for a Masters thesis and may be used in a journal article and conference presentation. In any publication or public presentation pseudonyms will be substituted for any identifying information.

Your participation in this project is completely voluntary, and you are free to withdraw at any time and for any reason without penalty. Your choice to participate or not will not impact your job or status at the company. To be consistent with the policies or your organization, I ask you to discuss this opportunity with other people (such as your superior or team) to ensure the company’s approval of your participation.

It would be an honor for me to work with you on this research. Please let me know if you are interested so that I can tell you more about my research and ways that we can carry this out. You can contact me at ismailaya@gmail.com. I’m looking forward to hearing from you soon.

Regards,

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Appendix C

Consent Form for Participants

ADULT CONSENT LETTER

June 17, 2010

You are invited to participate in a research project on multinationals’ human resource practices in the Arab world. This project will be conducted by Aya Ismail and Dr. Russell Korte from the Department of Human Resource Education at the University of Illinois at Urbana-Champaign.

In this project, Ms. Ismail will conduct a telephone interview with you that will last 30 minutes. In this interview, which will be audio-recorded with your permission, you will be asked to discuss the pressures that your subsidiary is facing, how it responds to that, and how that affects its human resource practices. The audiotapes and all other information obtained during this research project will be kept secure. The audiotapes will be kept in a locked file cabinet and will be accessible only to project personnel. The audiotapes will be transcribed and coded to remove individuals’ names and will be erased after the project is completed.

We do not anticipate any risk to this study greater than normal life and we anticipate that the results will increase our understanding of how human resource practices are adapted to the Arab culture. The results of this study will be used for a Masters thesis and may be used in a journal article and conference presentation. In any publication or public presentation pseudonyms will be substituted for any identifying information.

Your participation in this project is completely voluntary, and you are free to withdraw at any time and for any reason without penalty. Your choice to participate or not will not impact your job or status at the company. You are also free to refuse to answer any questions you do not wish to answer. You will receive a copy of the research results after this project is completed.

If you have any questions about this research project, please contact Ms. Ismail by e-mail at ismailaya@gmail.com or by telephone at 217-552-6018 or Dr. Korte at korte@illinois.edu or 217-244-5632.

Sincerely,

Aya Ismail

I have read and understand the above information and voluntarily agree to participate in the research project described above. I have been given a copy of this consent form.
____Yes _____No  I agree to have the interview audio-recorded for the purposes of transcription

__________________________________________________________________________________

Signature Date

If you have any questions about your rights as a research participant please contact Anne Robertson, Bureau of Educational Research, 217-333-3023, or ber-irb@ed.uiuc.edu or the Institutional Review Board at 217-333-2670 or irb@uiuc.edu